

**A Critical Understanding of Japan's Improved Late 20<sup>th</sup> Century  
Relations in Eastern Asia**

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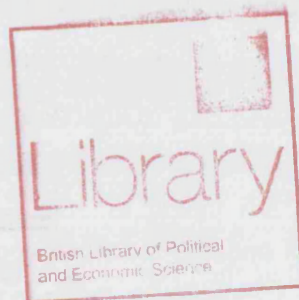
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## ABSTRACT

Japan's imperial history and its narrow self-interested post-WW II policies caused much animosity in Eastern Asia, yet its improved relations in the region from the 1980s onwards, even when assessed from a critical perspective, demand scholarly attention. This dissertation finds improved relations a result of Japan legitimating its regional hegemony. The critical theories of Gramsci (1937) and Habermas (1976) applied within international relations suggest legitimation of hegemonic power at the international level *only* occurs when providing 'global public goods'—defined metaphorically with the UNDP's modification of Kindleberger's (1986) work—such that post colonial states achieve *rapid* economic development to close the rich-poor gap as understood by Strange (1950). Analogous to the enabling notion of Sen's (1974) "positive freedoms," such 'public goods' are needed by states to enable nationalist projects of development, and as such their delivery is seen by Murakami (1996) as the responsibility of hegemonic powers of the day. In order to assess 'global public goods' the dissertation deploys Susan Strange's (1988a) framework of 'structural power.' Within the knowledge structure, it is shown that Japanese Prime Minister Fukuda's 1977 doctrine successfully guided policy towards improving regional relations in Eastern Asia. On the economic side, the Fukuda Doctrine provided 'global public goods' in knowledge by deploying Japan's own experience of 'developmentalism' for the Eastern Asian region thus countering neo-liberalism of the "Washington Consensus," while it also assisted in the transfer of appropriate and absorbable technology. The provision of 'global public goods' over the 1980s put Eastern Asia on course to catch-up with industrialised nations as Japanese firms, aided by a rising yen, went on to invest in the region. These firms began to transfer production bases from Japan, such that by the end of the 1990s each of these post colonial states saw their manufactured exports leading to economic growth rates that put them on a path to catch-up to Japan and other industrialised nations in time. In military security terms, Japan continued its pacific and defensive military posture thus calming a volatile region to enable economic development. Tokyo also pushed for collective regional security, while tacitly supporting the upgrading of post colonial Eastern Asia's own defence capabilities. The implications of the dissertation are that Japan's success in improving its regional relations places it in the international system as a responsible self-interested power to be emulated by other powers interested in a peaceful world, thus contributing to scholarship in international relations, development and history.



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Jayantha Jayman

Toronto, September 2003

## REVISIONS (2004)

Following the suggestions of my examiners, Richard Higgott and Michael Cox in December 2003, revisions were made to make this dissertation more readable and concise. The chapters most affected by these revisions are Chapters Two, Three, and Seven, and also the conclusion, which has been rewritten. The bibliography reflects the cited literature and the appendices have been done away with. I have made changes, both substantial and cosmetic, such that the dissertation now reflects the input of my examiners.

The Introduction has less description, allowing more focus on the questions of Japan's improved relations in Eastern Asia. Chapter One has a more focused criticism of the current theories.

With major changes, Chapter Two, acknowledges the original Gramsci (1937) as alone in defining hegemony in a major work. It questions the validity of ignoring the famous Italian altogether within major theory (Keohane 1984 & Gilpin 1997). It also challenges the use of hegemony by Robert Cox (1983 & 1987), given that this reading does not take fully into account Gramscian literature in sociology as shown by Randall and Kenny (1998). After arguing for the non-deterministic use of hegemony, the chapter then defines the concept at the international level as the power to provide what can be metaphorically seen as 'public goods' so as to win consent, in addition to the power to simply coerce, thus making it a process of conscious struggle to win the "hearts and minds" of followers via strategies that respond to at least their historical material demands.

Chapter Two clearly identifies 'public goods' as a result of the failure of collective action (Olsen 1971) in the real world, and thus it is deployed as a metaphor—keeping in mind Aristotle's advocacy of its use in discourses and in the sense of George Lakoff's (1992) "conceptual metaphor."<sup>1</sup> Arguing that liberal views of legitimation overlook how 'public goods' actually benefit the bourgeoisie, the chapter justifies the critical focus on legitimation. Finally, the chapter shows that by combining the insights of Gramsci (1937) and Habermas (1976), legitimation of hegemony can be understood to be at the core of *why* powerful actors provide metaphorically understood 'global public goods,' suggesting the crucial basis for improved relations between the powerful and

the less powerful. In this it goes beyond Ikenberry and Kapuchan (1990) to focus on Rapkin's (2001) insight on the distributional concerns of post colonial states in Eastern Asia and Higgott's (1998) concern with how the political is ignored in mainstream Western literature on the region.

Following this, in Chapter Three, the changes added show that the notion of 'global public goods' is useful in following the logic of Weberian (and the more critical Habermasian) legitimation. It is shown that metaphorically idealised 'global public goods,' when critically understood, reflects the need for such a category of goods by post colonial states as told by the UNDP's Global Public Goods: International Cooperation in the 21<sup>st</sup> Century (Kaul et al 1999) volume. It also shows that weak provision of 'global public goods' will lead to legitimation crisis for hegemonic powers.

With little change, Chapter Four picks up on the theme of legitimation of hegemony with the subtle changes in the 2X2 matrices (Diagrams 1-4) showing different paths to economic development. Chapter Five (formerly chapter Six) picks up the economic argument of 'global public goods' along with Chapter Six (formerly Chapter Seven).

Then, a shortened Chapter Seven, (formerly Chapter Five), focuses on the contributions of the pacific nature of Japan as upholding regional stability, thus representing another metaphorical 'global public good' in the structure of security. It makes the case for legitimation of regional hegemony by presenting a minimal security threat to neighbouring states and avoiding a destabilising arms race.

Finally, the conclusion has been re-written to focus on the implications and the contributions of the dissertation. After a brief summary of the importance of the theory of "legitimation of hegemony," it discusses the implications of Japan's role in Eastern Asia in relation to the US and China. Using the theoretical language of the dissertation, it focuses on the 1997 economic crisis in the region to consider the strategic situation. It shows the crisis was caused by failed provision public goods within the financial structure by the US, China and Japan, and that the situation provides the counterfactual to Japan's previous 'global public goods' role in the region. Then it argues that the eventual containment of the crisis with Japanese help was a return to Japan's 'global public goods' role. Finally, the conclusion addresses the dissertation's original contribution in five main areas.



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The superb comments by my examiners Richard Higgott and Michael Cox have allowed me to engage two of the leading contemporary voices in international political economy and international relations. I thank them for taking my project very seriously and for their detailed criticism, which much improved my work. I also thank Gautam Sen for reading the major corrections and providing helpful suggestions. While revisions are considered with aversion, this work has been far from that, as the changes made have contributed to setting my work in a larger context. However, the time taken was much longer than anticipated given that I was teaching a double load at the University of Toronto and McMaster University, with life's duties seeming more pressing than dissertation revisions.

Aside from Richard Higgott, Michael Cox and Guatam Sen, I also have to thank several participants at four conferences in 2004 for helping me to think through the notion of converting 'international public goods' to 'global public goods.' I presented the chapter on security in April 2000 at the conference, "The Past, Present and Future of Political Violence and Pacifism," in Gulf Coast, Mississippi. I am gratified by historian Carol Hunter's conference closing comments that emphasised my work, and Tom Lansford's desire to publish the paper as a chapter in a forthcoming edited volume that focuses in part on pacifism as a 'global public good.' Then, in June 2004, I presented the chapter on "Global public goods Delivery and its *Raison D'être*" at the Canadian Political Science Association, University of Manitoba, Winnipeg, with useful feedback, especially from Tom Keating, who made me think of including the legitimization of the hegemon as part of legitimating forms of capitalism itself. Following this, in July 2004, I presented the chapter on "Internationalising Hegemony and Legitimacy" at the Fifth International CISS Millennium Conference on Charting the Course of the International Order in the 21st Century, in Salzburg. There, Michael Goodhart's input suggests that going to the original Gramsci was indeed a useful way to understand notions of consent and legitimization today as this makes it a total work on hegemony. Anne Friedberg, saw the need to retain the in depth critique of liberalism that I undertake. Then finally the hectic journey of presenting my work culminated in Chicago, at the American Political Science Association, where the chapter on the "Legitimation of Japanese Power in Eastern Asia: Understanding the Process of Meeting Regional Relative Gains Demands," was received warmly in the frost of the "new Cold War." I have to thank

especially Ronny Lipschutz for not only his useful criticism and general support for the project, but also for his support to convert the theory chapters to be more applicable to the US in this age of insecurity, and then assuring me that being a physicist in another life did not preclude me from social “science” now, as was the case for him.

Writing in London, I am grateful for close access to the London School of Economics from the base of Sean O’Callahan. I also have to again thank the hospitality of my long-term hosts in England, my Uncle and Aunt, and also my cousin, Ehshan, who kept my spirits up with his humour and large servings of “chips.” Back in Toronto, but for my last moment re-hiring at the University of Toronto, with the support of Melissa Williams, the final stage of this revision would have been difficult. I want to thank my students for putting up with delayed paper grades and other misfortunes. Then the proof reading and critical comments on nearly every chapter by Alison Jenkins in the end proved to be indispensable, as she went well beyond the call of duty, though all remaining mistakes a mine alone.

Finally, there are thoughts that only time allows for. Although I had not realised it in 2003, I now see that this work is a response to Susan Strange, who was well known for admonishing US audiences to better manage the international system. In fact Susan did encourage the Japanese to resist parochial US pressure, and this dissertation is inspired in part by such concerns. Indeed, the present work can be seen as an answer to her question as to whether Japan was acting with a progressive vision for post colonial states, whose fate she deeply cared about from the onset, as suggested with her earliest work “Point Four. Helping to Develop Half A World” written in 1950. Then, while such trivialities as completing corrections to the dissertation were underway, I was saddened to learn that my uncle Muzahim Veerabangsa in Sri Lanka passed way. As someone who remembered WW II in the East, and with his work to improve the quality of rubber in Sri Lanka and Malaysia, the comments he made on Japan a few years back suggested that I was on the right track. The journeys of Susan Strange and my late Uncle serve as a reminder of insights of previous generations. I am sad that I am unable to share this work with them, but extremely fortunate to have known them.

Jayantha Jayman

Toronto, February 2005

## ABBREVIATIONS

ADB	Asian Development Bank
AIT	Asian Institute of Technology
AJDF	ASEAN-Japan Development Fund
AOTS	The Association for Overseas Technical Scholarship
APCTT	Asia Pacific Centre for Technology Transfer
APEC	Asia-Pacific Economic Cooperation
APO	Asian Productivity Organization
ASCOJA	ASEAN Council of Japan Alumni
ASEAN	Association of South East Asian Nations
ASEAN+3	(Japan, China, and Republic of Korea)
ASEP	Asian Society for Environmental Protection
BIS	Bank for International Settlements
CBMs	Confidence Building Measures
CHY	Chinese Yuan
CIDA	Canadian International Development Agency
CREFAA	New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (1958)
CSCAP	Council for Security Co-operation in the Asia Pacific
DAC	Development Assistance Committee
DPRK	Democratic People's Republic of Korea
EAEC	East Asia Economic Caucus
ECLA	Economic Commission for Latin America
EIAJ	Electronic Industry Association of Japan
EPA	Economic Planning Agency (Japan)
EXIM Bank	Export Import Bank
FDI	Foreign Direct Investment
ICBM	Intercontinental Ballistic Missile
ICSID	Settlement of Investment Disputes Between States and Nationals of Other States, Washington Convention (1965)
IDCJ	International Development Centre of Japan
IDE	Institute of Developing Economies
IJA	Imperial Japanese Army
ILO	International Labour Organisation
IMF	International Monetary Fund
JACTIM	Japanese Chamber of Trade and Industry, Malaysia
JAIDO	Japanese International Development Organisation.
JAMECA	Japan-Malaysia Economic Association
JETRO	Japan External Trade Organisation
JFDI	Japanese Foreign Direct Investment
JICA	Japan International Co-operation Agency
JOCV	Japan Overseas Co-operation Volunteers
JODC	Japan Overseas Development Co-operation
JPRI	Japan Peace Research Institute
JPY	Japanese Yen
JSDF	Japan Self Defence Force
JSP	Japan Socialist Party
KEDO	Korean Peninsula Energy Development Organization
KRW	Korean Won

LDP	Liberal Democratic Party
MAI	Multilateral Assistance Initiative
MIER	Malaysian Institute for Economic Research
MIF	Multilateral Investment Fund
MIGA	Convention establishing the Multilateral Investment Guarantee Agency.
MITI	Ministry of International Trade and Industry. Reorganised in 2000 to become the Ministry of Economy, Trade and Industry (METI)
MOA	Ministry of Agriculture
MOC	Ministry of Construction
MOE	Ministry of Education
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
NAIDP	New Asian Industries Development Plan
NAFTA	North America Free Trade Area
NEACD	Northeast Asia Co-operation Dialogue
NICs	Newly Industrialising Countries
NIEs	New Industrialised Economies
NGO	Non Governmental Organisations
NPC	National Productivity Council
NTISC	National Textile Industry Support Centre
ODA	(Japan's) Overseas Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECF	Overseas Economic Co-operation Fund
OOF	Other Official Flows
OTCA	Overseas Technical Co-operation Agency (of Japan)
PCPP	Paris Convention for the Protection of Property
PECC	Pacific Economic Cooperation Council
PLA	People's Liberation Army
QC	Quality Control
RDF	Rapid Deployment Force
SCAP	Supreme Commander for the Allied Powers
SEAPCENTRE	Southeast Asia Promotion Centre for Trade, Investment, and Tourism
SLORC	State Law and Order Restoration Council (Myanmar/Burma)
SME	Small and Medium Enterprise
TMD	Theatre Missile Defence
TPM	Total Productive Maintenance
TQC	Total Quality Control
TQM	Total Quality Management
UNCTAD	United Nations Commission on Trade and Development
UNEP	United Nations Environment Programme
UNIDO	United Nations Industrial Development Organisation
UNPKO	United Nations Peace Keeping Operations
USAID	US Agency for International Development
USJST	US-Japan Security Treaty
USD	United States Dollar
USTBs	United States Treasury Bills
VERs	Voluntary Exports Restraints
YPM	Yayasan Pelajaran MARA (MARA Education Foundation)

## JAPANESE AND ASIAN PHRASES AND WORDS

<i>Ajia Keizai Kenkyûjo</i> or <i>Ajiken</i>	Institute for Asian Economic Affairs
<i>Ajia Kyôkai</i>	Society for Economic Co-operation in Asia
<i>Ajia Mondai Chôsakai</i>	Research Society for Asian Affairs, which was renamed in 1954 as the <i>Ajia Kyôkai</i> (Society for Economic Co-operation in Asia), which then became the current <i>Ajia Keizai Kenkyûjo</i> , or <i>Ajiken</i> , (Institute for Asian Economic Affairs, which then became the Institute for Developing Economies or IDE) that in 1998 was put under JETRO.
<i>Ajiken</i>	Institute of Developing Economies (IDE)
<i>amakudari.</i>	Literally descent from heaven, but referring to the practice of bureaucrats taking private sector jobs upon retiring.
<i>Bhumiputera</i>	Malay term, literally, “sons of the soil,” referring to native claims.
<i>chiiki kenkyû</i>	Area studies
<i>keiretsu</i>	Post-WW II industrial groups
<i>Kiedanran</i>	Japan’s prime industry association.
<i>nichibei</i>	Japan-USA
<i>Nihon Kokusai Mondai Kenkyûjo</i>	The Japan Institute of International Affairs
<i>nissei</i>	Second generation Japanese <i>Diaspora</i>
<i>Nihon Kokusai Mondai Kenkyûjo</i>	Japan Institute of International Affairs.
<i>obankensama</i>	“an honourable watchdog”
<i>shadan hôjin</i>	public association
<i>Shogun</i>	Essentially military ruler.
<i>sogo sosha</i>	Trading companies
<i>tokushu hôjin</i>	special public corporations—entities created by the government to pursue certain objectives
<i>Tônan Ajia Kenkyû Sentâ</i>	Kyoto University’s Centre for Southeast Asian Studies.
<i>zaibatsu</i>	Pre-WW II industrial conglomerates

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## Introduction

One reality of human history is surely rule by the powerful, so much so that “rule” has come to imply “power” and vice versa. It is, however, a reality that the rulers themselves comprehend the need to *justify* their power, while the ruled warily balance support and resistance. Like the study of politics concerned with power and rule at the domestic level, international relations scholarship has concerned itself mainly with the study of international order, and thus with the powerful states that shape this order. In a special 1989 Millennium Journal of International Studies issue on Japan that addressed such concerns, one of the most influential US scholars of the post-WW II era, Robert Gilpin queried “Where does Japan fit in?” The “sudden” emergence of Japan, he reasoned, might provoke the hostility of other nations, whose “relative power and status is threatened,” no doubt referring to the late 1980s xenophobia in the US.<sup>2</sup> While Western academic literature was concerned with Japan, so too was its influential media. As this Economist article mused,

Over the next decade China's economy could double in size; North and South Korea may reunite; debt-burdened America will be increasingly less willing to keep its troops overseas maintaining Asia's peace; and the Asian arms race may accelerate. Such probabilities will create tensions—and the tensions will become dangerous if Japan, the region's leading economic power and biggest military spender, remains either mistrusted or misunderstood, or both.<sup>3</sup>

The historical reality is that Japan did not “suddenly” emerge, as suggested by Gilpin (1989), but had in fact been a leading player in international affairs ever since its demand for equal treatment as a “Great Power” in the beginning of the 20<sup>th</sup> century. Indeed by this point it too had become a colonising power—much to the dismay and anger of thinking Asians, who had once sought inspiration in the country’s successful resistance against Western colonialism.<sup>4</sup>

Both the work of Gilpin and that of mainstream Western journalism suggests Japan’s renewed importance in the East and Southeast Asian region, or, as is developed here, the Eastern Asian region—particularly among the post colonial states of Indonesia, Malaysia, Philippines, South Korea, Taiwan, Thailand, and Vietnam.<sup>5</sup> These changes in Japan’s relations require scholarly attention, particularly in terms of the relationship between international politics and economics (Strange 1979). Only then can we properly place Japan in the international system in terms of its relative and structural power noted by Strange (1988a), and also in terms of its success in justifying its

position of hegemony vis-à-vis post colonial Eastern Asia. Thus, this work contributes to both international relations and international political economy by focusing on how a regionally hegemonic Japan improved relations in Eastern Asia in the last two decades of the 20<sup>th</sup> century after it had been reviled in the region in the first two decades following WW II. The dissertation addresses Japan's improved relations in Eastern Asia using a theoretical framework constructed around the idea of legitimating hegemonic power, where legitimacy ultimately depends on the provision of metaphorically understood 'global public goods' such that the gap between post colonial and post-imperial states narrows.

This introduction, which elaborates on the summary offered above, is organised into three sections. Part I addresses the historical context of anger at colonial and imperial powers in general and then focuses on anger towards Japan in particular. Part II shows changes in Eastern Asian perspectives on Japan, setting the stage for the dissertation's research question on understanding Japan's improved relations in the post-WW II era as a way of answering the question "Where does Japan fit in?" Part III describes how each chapter is organised to achieve the objective of the dissertation, namely to understand Japan's changed post-war relations in Eastern Asia.

## **I JAPAN'S OLD RELATIONS IN EASTERN ASIA:**

### **REVILED FASCIST-IMPERIALISM**

Post colonial peoples' suspicion of "Great Powers" may be traced to the pre-modern *raison d'être* for militarisation and colonisation: the control of trade and resources (Kawai 1973). Such pursuits emerged with the Portuguese voyages of "discovery" in the 15<sup>th</sup> century and were then perfected with near monopolistic control by British firms by the early 19<sup>th</sup> century with the help of warships. European colonialism was eventually halted by the backlash of an anti-colonial US in the Americas, and in Eastern Asia by a fast-rising Japan, acutely aware of the colonial humiliation of China and India. Ironically, the end of European expansion opened the way for US and Japanese brands of colonisation. Under the guise of the Monroe Doctrine (1823) the US expanded its control over the Americas (Windsor 1976). After rigorously studying events both east and west of its fortuitously isolated location, by 1895 Japan had also joined the league of colonisers, beginning with its acquisition of Taiwan from China. In 1905 Japan



defeated Imperial Russia, annexing part of Sakhalin Island. By 1909-10 it colonised Korea, stopping Russian expansion south, and so Japan joined the self-labelled “Great Powers” at the table to bargain over control of the world’s people and resources.

With the “Great Power” status that came after re-negotiating the unequal treaties enforced by Europeans, Japan enjoyed a period of internal progress with greater democracy and international prestige. However, unhappy over naval quotas in 1922 that threatened to make Japan a second-class power by setting the country permanently behind the US and Britain, the military again assumed a larger role in politics (Taft 1921, Ishimaru 1935, Carr 1939). Following several diplomatic confrontations between Japan and the Allies, by 1931 the Imperial Japanese Army (IJA) invaded Manchuria leading to war with China. The country subsequently entered into a fascist alliance with Germany and Italy following a complete take-over of power by the military in the early 1930s (Wildes 1934). In response to the US oil embargo, Japan entered WW II, proceeding to occupy Eastern Asia and extending its reach as far south as Indonesia.

After WW II the ambitions of “master races” in Germany, Japan, and elsewhere were laid bare, their lack of humanity exposed by the non-violence of Mahatma Gandhi, whose civil disobedience initiated the break up of the largest of all empires. India’s success encouraged others to seek freedom from colonial rule. In this the “wretched of the earth” (Fanon 1963) were to face extreme violence and manipulation, particularly in Africa, given the reluctance of many elite Europeans to relinquish very profitable missions of “civilisation.” Thus towards the end of the 20<sup>th</sup> century, post colonial states, having won their formal freedom in bloody wars, maintained their suspicions of former colonial powers. Indeed most of these peoples remained suspicious of Europe in particular. Those from Eastern Asia also had reason to be wary of Japan, while those of First Nations (or native American) extraction in the Americas understood the brutal reality of US “interests.”

In Eastern Asia, the politics of anger directed towards Japan was evident following the US-sponsored San Francisco Peace Treaty in 1951, when the original principles of the document were ignored in the face of Cold War pressures (Kesavan 1971). Prior to the conference in San Francisco, affected Asian countries, with the exception of China, India and Ceylon (now Sri Lanka), had declared war reparations a minimum condition

for the resumption and normalisation of relations with Japan.<sup>6</sup> Post colonial Eastern Asian countries were, however, unable to gain what they considered to be just compensation because of the reversal of US policy favouring substantial reparations. The US abruptly changed from promoting the cause of Eastern Asian countries during WW II in the Rooseveltian spirit of anti-colonialism, to adopting a de facto pro-colonial approach in the interests of the Western anti-Communist alliance.<sup>7</sup> This meant the US reneged on its promise to de-industrialise Japan and hand over industrial plants as reparations to Eastern Asia. Instead, Washington chose to promote a rapid Japanese recovery in order to stave off communism within Japan and Asia more generally.<sup>8</sup>

Given the gap between expectations about reparations prior to San Francisco and events after the advent of war in Korea, Eastern Asian politics continued to be characterised by anger towards Japan up until the late 1970s. In Eastern Asian eyes, Tokyo gained from the Communist threat in Asia as this facilitated Japan's re-entry into the region even in the absence of a proper "apology."<sup>9</sup> In their view, Japan had not truly *earned* the right to be part of the region, having avoided compensation in kind measured in terms of economic development, as suggested by *Dependencia*-type intellectuals Manglapus (1976) and Constantino (1972, 1989 & 1991). Anti-Japan sentiment reached a feverish pitch as Japanese businesses, supported by the Ministry of International Trade and Industry (MITI), came to lead what was seen as a dramatic recovery of Japan's economy. East Asians tended to see this recovery as having come at their own expense, via Japan's access to their markets, cheap labour and raw materials. Pent-up frustrations with Japan's material successes in the face of continuing poverty in Eastern Asia eventually lead to the explosion of anti-Japanese sentiments in the early 1970s, especially in Thailand and Indonesia (Unger 1989 & 1993).

Japanese policy was inadequately pro-active in addressing Eastern Asian anger in the 1960s and early 1970s. Official efforts from Seoul to Singapore kept alive negative memories of Japan in the region via national curricula and state-owned media, while private efforts contributed in the form of scholarly and journalistic works.<sup>10</sup> This effort continued well past the 1970s, when the reasons for despising Japan dwindled to issues of history rather than present behaviour. Neo-*Dependencia* intellectuals such as Constantino (1989:1) of the Philippines, who observed, "The growing Japanese presence in the main sphere of our national life is increasing cause for concern among

thinking Filipinos,” gave narratives of Japanese domination.<sup>11</sup> Writers and journalists of Asian origin living in the West, such as Iris Chang (1997), also contributed to such narratives as they re-visited the atrocities committed by the IJA in places like Nanking. There were also those who, incapable of shedding Orientalist research programmes, promoted an image of Japan that was untenable given the transformations occurring both within that country and the region more generally.<sup>12</sup>

Significantly, the most alarming chapters in Japan’s history in the region are continually given life by a minority of right-wing Japanese, who still fight to exclude the facts of past Japanese militarism from school texts.<sup>13</sup> Problems within Japan are not overlooked in the region, as Eastern Asians are taught to reflect on them while dismissing the advent of more positive policies after WW II. Such memories, preserved in museums and written into folklore by undemocratic regimes needing an outside threat to justify their hold on power, have a tendency to linger.<sup>14</sup> Yet, by the 1980s Japan’s relations in the region of Eastern Asia had changed for the better, indeed it had even become acceptable to turn to Tokyo for regional leadership (Phagaphasvivat 1992, Watanabe 1995, Poh Ping 1995a and 1995b, Preston 1995 and Wan & Pharr 1996).

## **II JAPAN’S POSITIVELY CHANGED RELATIONS IN EASTERN ASIA: FRom REVILEment TO REGIONAL LEADERSHIP**

One of the most remarkable events of the post-WW II era is surely the improvement of Japan’s relations with its Eastern Asian neighbours in the last two decades of the 20th century to levels of normalcy now taken for granted. Not only is Japan no longer reviled, in the 1990s it has even become *the* leading nation in Eastern Asia from which a great deal is expected. Perhaps the most revealing evidence of this transition comes from the changing attitude of the Association of Southeast Asian Nations (ASEAN) countries, and most notably from the shift in position of Singapore’s former Prime Minister Lee Kuan Yew. At a Kyoto symposium in 1992, he remarked that in the post-Cold War geopolitical global situation, “Japan will not find military aggression either necessary or profitable. So by all reason and logic, there should be no fear of a Japanese return to military aggression” (Furukawa, 1993:46). Interestingly, these remarks were made less than a year after he had expressed opposition toward a Japanese minesweeping operation in the Persian Gulf on the grounds that such a precedent would lead to a

revival of militarism in the country. Also in 1992, Malaysia's Prime Minister Mahathir bin Mohamad proposed the formation of an East Asia Economic Caucus (EAEC) to shift from a state of dependence on the US for regional security to an intraregional defence framework independent of the US in which Japan would play a major role. He went further, arguing that Japan should again play a military role in the Eastern Asian region. In fact, he told Japanese Prime Minister Murayama during his visit to Southeast Asia in August 1994 that Japan should end its "apology diplomacy" and assume a more overt leadership role in promoting peace and prosperity in Asia (Hall 1995:24).

In light of such a transformation, the question of Japan's improved relations must be understood, for only then can we properly place this major power within the international system. As recent history has shown, particularly after the 1970s, Japan is important not only for the region of Eastern Asia, as the Economist suggested, but for the entire global economy as Gilpin (1987) has argued, adding the notion of the *nichibei* economy to the lexicon of international political economy.<sup>15</sup> Thus, the matter of understanding Japan's place in the international system becomes of paramount importance for the discipline of international relations, which must also address post colonial societies in a more rigorous manner than has so far been the case. To truly answer Professor Gilpin's question as to where Japan fits in and thereby address the nature of Japanese power, Tokyo's positively changed post-war relations in Eastern Asia must become a concern for mainstream international relations scholarship focused on issues of hegemony.<sup>16</sup>

In a region with several thousand years of recorded history, such as Eastern Asia the changed relationship between Japan and its early to mid-20<sup>th</sup> century victims is profoundly significant. That Japan could have improved its relations in the region is especially remarkable given that regional governments used to use "Japan-bashing" as a way to deflect attention away from problems within their own countries. From the 1980s onward, Eastern Asia's new regimes and governments have resumed normal and increasingly co-operative relations with Tokyo unimaginable in the period up to the 1970s. While perpetuating Japan's negative image in recent times with their work Asia in Japan's Embrace, even Hatch and Yamamura (1996) have been unable to ignore the fact that, since the dramatic burnings of effigies of Prime Minister Tanaka Kakuei in the 1970s, Japan's reputation has dramatically improved to the extent that:

- In 1989 virtually all of Asia's heads of states would converge on Tokyo to attend the funeral of the late Showa emperor.
- In 1990, Malaysia's Prime Minister Mahatir bin Mohamed would call for a Japan-centred East Asian Economic Caucus (EAEC) without the "Caucasians."
- In 1992, Thailand would lead ASEAN states to support Japanese legislation allowing its forces to be dispatched abroad for the first time since WW II.<sup>17</sup>

When one contrasts the period before 1980 with that which followed, the positive changes in Eastern Asia's relations with Japan can be gauged by the ever-rising quality of diplomacy and economic activity between countries. After decades of strained silence and contact limited to regional events and some bilateral efforts, the inter-governmental understandings that have developed between Tokyo and Eastern Asia since the 1980s are extensive and growing deeper by the year, according to the Japanese Ministry of Foreign Affairs' Diplomatic Bluebook series covering the period in question. Indeed, following the 1970s, stable relations with Tokyo became the first or second most important item on the agendas of many states in Eastern Asia. In tandem, private economic ties grew to historical heights, as Japan re-joined the region to the extent that there is now a regional production system geared to compete with the world outside. These improved relations were to become undeniable in the 1990s, when Japan came to be seen as the leader of choice in the region, praised for its quiet way of "leading from the back" (Rix 1989 & 1993), or alternatively, "leading with stealth" (Drifte 1996).

Frequent bilateral and multilateral contacts point to a consultative relationship between ASEAN nations and Japan.<sup>18</sup> In fact, Tokyo's continuous consultations with most Eastern Asian nations have become more or less institutionalised, with Japan taking an active role even at the ministerial level in the now familiar ASEAN meetings.<sup>19</sup> Thus, it would be reasonable to expect that contacts away from the public's eyes should roughly resemble those at the official level, or even supersede them. When one considers the sheer magnitude of Japan's private commitments to Eastern Asia, it becomes clear this relationship is one that has enormous potential for Track II-type initiatives in the most sensitive areas, including military security.<sup>20</sup> The potential for Track II-type initiatives is even more pronounced as many of the region's officials have close ties to government officials.<sup>21</sup> Confirming the use of Track II means, Japan's relations in Eastern Asia have reached full diplomatic maturity, leading to positive outcomes.

At the civil society level, surveys in Eastern Asia show a general appreciation of Japan that presents a sharp contrast to the vehemence of past rejection. As a result, in the last two decades thousands of Japanese tourists have set aside their qualms about visiting the region.<sup>22</sup> Japan's changed status is manifested in surveys undertaken by Japanese agencies, and suggested by polls in Eastern Asian states such as Singapore, where one might expect negative views, given the brutal actions of the Imperial Japanese Army (IJA) during WW II against the now dominant Chinese population. Interestingly, a recent survey of Singapore youth shows that an increasing number would prefer to be either Western or Japanese were they to have a choice.<sup>23</sup> In a national television drama in the Philippines, high school students conducted a mock public trial in which the "Second Invasion" by Japan was judged to be benign.<sup>24</sup> The evidence of changed status comes out most clearly when Japan is compared with other major powers, such as the US and China. A study of Malaysian urban middle-class attitudes by Zakaria and Chan (1984) on the aggressiveness of foreign powers revealed that Japan was ranked *below* the Soviet Union, Vietnam, China, the US, Australia and Indonesia, in that order.<sup>25</sup>

More telling than surveys indicating Japan's positively changed relations in Eastern Asia is the evidence from the younger generation, particularly their emulation and direct consumption of Japanese pop culture. In the 1980s, new trends from *karaoke* to *pachinko* to Asian style pop music were observed in Tokyo, Seoul, Bangkok, and Manila. The most compelling evidence of Japan's new relations comes from South Korea, subjected to Japanese colonialism in its most brutal form since 1909. Recognising relations with Japan had improved in 1998 the South Korean government lifted its ban on Japanese cultural imports just before the first jointly hosted Soccer World Cup in 2002.<sup>26</sup> The Economist notes that in 2000, Japanese films in South Korea had jumped to 10 % of market share.<sup>27</sup> Even China, despite its vigilance in ensuring negative views of Japan, has not escaped Japanese influence.<sup>28</sup> In the past, the spread of Japanese pop culture through Asia did not typically translate into hard export earnings mainly because of piracy, but the upsurge in revenues in the late 1990s suggests a sea change at the political level, with lower barriers and restrictions to Japanese cultural exports. As the Economist notes, black markets and piracy were a result of "Japan's brutal colonisation of Asia in the 1930s and 1940s," which led regional governments to officially block contact. However, new interest in changing access to Japanese culture

suggests a shift within Eastern Asian society that nationalistic cultural ministries can no longer ignore. “For those Eastern Asians who grew up on Tom Cruise, MTV and Levi jeans, the unsteady steps of today’s youth in Taipei and Hong Kong must be a strange sight,” suggested the Economist, noting, “As their businesses are bought out, restructured or wired for the Internet age, older generations are feeling America’s influence more than ever. Yet it is not to the West that their children are turning for their music, books, comics, and television programmes: it is to Japan.”<sup>29</sup>

By the 1990s, Japan had improved its relations with much of Eastern Asia. Eastern Asian students in Japan recounted that anti-Japanese feelings in their countries were the preserve of older generation with direct experiences of the horrors of war. In contrast, these students pronounced themselves open to seeing changes within Japan never imagined possible by their parents. Significantly, their stories dovetail with accounts of Japanese in Hitachi, Tokyo, and other places opposing right-wing elements.<sup>30</sup> Needless to say, there are sub-regional variations. The opinions of Southeast Asian students are a contrast to those of South Korean students, who speak with authority of the hardships their parents and grandparents underwent during the era of Japanese colonisation.<sup>31</sup> Yet, even the South Koreans are not as sceptical about the Japanese as one might expect, given the recent history of negative press on Tokyo with official backing.<sup>32</sup>

The characterisation of Japan as having bad relations in the Eastern Asia compared to the US overlooks change in the region. Furthermore, the undercurrent of opinion in mainstream media such as the Economist suggesting that Japan is “untrustworthy” is risky unless part of a broader comparative analysis of post imperial and hegemonic powers. Such comparative work is strangely scarce, with US hegemony seemingly preferred, hence one can reasonably ask: are there trustworthy hegemonic powers? If the answer is affirmative, which are they, and how can we determine that they are so? Within international relations, questions of trust are as difficult to answer as those of intention, if not more so, as intent can at least minimally be surmised based on careful analysis of military spending, levels of government accountability, recent militarism, etc., whereas no serious literature exists on states’ “trustworthiness.” Orientalist insinuations of a peoples’ “trustworthiness” or lack thereof are at best naive and at worst racist.

### III THE QUESTION OF UNDERSTANDING JAPAN'S IMPROVED RELATIONS IN EASTERN ASIA

The question of Japan's improved relations in post colonial Eastern Asia is of fundamental importance to international relations, which is concerned with solving the problem of war. It is a question that will be answered in this dissertation by paying attention to *how* powerful capitalist states maintain the international system in their own interests. Do post-imperialist states wield power for the benefit of all, as the "post" label suggests and liberal advocates might require them to, or is power used to further imperialist ambition as in the past, though more carefully camouflaged? Are post-imperialist hegemonic states able to deliver on promises of making the international system fairer, and are they willing to create policies that close the economic gap between themselves and post colonial states? Only by attempting to systematically answer such questions can we begin to understand international relations in the world as a whole, including those "others" from post colonial states. In the hermeneutic tradition, this dissertation addresses these questions by examining Japan's improved relations in Eastern Asia in the last two decades of the 20<sup>th</sup> century.<sup>33</sup> It does so with the help of a theoretical framework built around the idea of *legitimizing* hegemonic power via the delivery of metaphorical 'global public goods.'

One might expect that a hegemonic power with imperialist tendencies would find itself reviled and resisted, as we have seen both throughout history and in the present, as argued by Michael Cox (2002). In contrast, we might expect that hegemonic missions that seek to redress historic wrongs would positively alter ties with post colonial societies. Focus on legitimation allows critical consideration as to how and why a hegemon delivers so-called 'global public goods' in an anarchic international system. Arguably, a critical reading of history and a reasonable understanding of material interests suggests that the legitimation of hegemonic power in the context of the capitalist international system can only occur when 'global public goods' are provided to post colonial societies such that they achieve rapid economic development and 'catch up' to the living standards of industrialised nations.

The dissertation assesses Japanese provision of 'global public goods' in the areas of knowledge (including political and economic ideas and technology), military security, finance and production/consumption. It finds that Tokyo's improved relations in Eastern



Asia are a result of Japanese policy designed to assist and enable nationalist policies of rapid economic growth in the region. Significantly, this turn in Japanese policy came in response to vocal demands from Eastern Asian leaders and was skilfully translated into policy terms by Japan's left-leaning think tanks, especially, the *Ajiken* or the Institute of Developing Economies (IDE). Japanese government policy was also supported by Japan's multinationals, especially after the emergence of threats to their regional investments in the 1970s.

#### IV ORGANISATION OF THE DISSERTATION

In Chapter 1 it is shown that current international relations theory cannot adequately account for change in Japan's regional relations from the pre-1980s politics of anger to the post-1980s period of positive relations. Marxist-inspired *Dependencia*-type observers argue that Asia is in "Japan's embrace," making no allowances for any genuine change in the quality of the relationship between a colonial power and post colonial societies. In contrast, liberals are overly optimistic, ignoring relative material gains and instead focusing on absolute gains while assuming that changes in relations are simply a natural result of *laissez faire* or the mitigation of anarchy by international institutions. In the face of the polar idealism of these two pillars of international relations theory, realists consider Japan's positively changed relations largely irrelevant, proposing that any change is best explained by US-led alliance politics against Chinese and Soviet sponsored aggression that included other Eastern Asian nations in the fold. While this view may be useful for students of power politics, realism, particularly its North American reading, misses the historical relationship between Japan and smaller post colonial states. The chapter concludes by pointing to the need for an approach that understands and explains positive changes in international relations between a formerly brutal imperial power and its victims, suggesting the work of Gramsci (1937) and Habermas (1976) warrants more careful attention given that their non-deterministic approaches take agency seriously.

The core of the dissertation's theoretical argument appears in Chapters 2 and 3. In order to contest the cavalier use of the term 'hegemony' within the discipline of international relations, where little attention is paid to sociological work on the notion, Chapter 2 considers the writings of Antonio Gramsci (1937) and Jürgen Habermas (1988, 1996).

Chapter 2 argues for the non-deterministic use of hegemony, defining the concept at the international level as the power to provide what can be metaphorically seen as ‘public goods’ so as to win consent, in addition to the power to simply coerce, thus making it a process of conscious struggle to win the “hearts and minds” of followers via strategies that respond to at least their historical material demands.

Following Gramsci (1937) and Habermas (1988, 1996) in their method (over Popper’s positivism and separation of facts from norms), Chapter 2 argues for the use of their mode of criticism in assessing Japan’s relations in Eastern Asia, or indeed any relationship between a hegemonic power and other states in the international system. It is shown that for Gramsci, the operationalisation of hegemony explained the absence of Marx’s predicted revolution in Western liberal democracies. With material conditions improving enough to allow the middle class to emerge as a majority seeking to maintain their gains, the bourgeoisie were able to maintain their rule through domination of intellectual space via not only an economic ideology of absolute gains, but also culture, with both constitutive of identity and hegemony. Rather than take such democracy for granted (without reference to the original material within liberalism) or as irrelevant (in the Marxist sense of capital ultimately being triumphant), and to underpin the importance of material gains for consent, Lockean ideals of democracy are reconsidered in terms of ‘public goods’ provision.

‘Public goods’ are understood as a result of the failure of collective action (Olsen 1971) in the real world, and thus this concept is deployed as a metaphor—keeping in mind Aristotle’s advocacy of its use in discourses and in the sense George Lakoff’s (1992) “conceptual metaphor.”<sup>34</sup> This focus on ‘public goods’ allows for a clearer understanding of the relationship between state and society in terms of the material goods required for the legitimisation of state power. It thus becomes possible to foresee that a failure to provide ‘public goods’ such that material divides are deepened would lead to a legitimisation crisis in the manner suggested by Jürgen Habermas (1976).

It is argued that since in the international arena democracy has no formal franchise, the normative qualification of the reality of hegemony is best approached via the Habermasian notion of legitimisation, where legitimacy can be won only when the material gaps between post-imperial and post colonial states are narrowing. The chapter

shows that by combining the insights of Gramsci (1937) and Habermas (1976), legitimisation of hegemony can be understood to be at the core of *why* powerful actors provide metaphorically understood ‘global public goods,’ suggesting the crucial basis for improved relations between the powerful and the less powerful. In this it goes beyond Ikenberry and Kapuchan (1990) to focus on Rapkin’s (2001) insight on distributional concerns of post colonial states in Eastern Asia and Higgott’s (1998) concern with how the political is ignored in mainstream Western literature on the region.

Chapter 3 operationalises the legitimisation of hegemony going beyond Kindleberger’s (1986) idea of ‘international public goods’ to use ‘global public goods’ by the UNDP that focuses specifically on the needs of post colonial states. The chapter goes on to use the analogy of “positive freedoms” drawn from the work of Sen (1974 & 1993) and Berlin (1969) to allow us to focus on the need for ‘public goods’ that enable capitalist economic growth. It makes the case that given the imperial powers’ historical unwillingness to provide ‘public goods’ for colonies to develop politically and economically, post colonial states seeking rapid development logically followed socialism rather than colonial capitalism. However, the Cold War led to the spread of capitalism, with the leading capitalist economies providing ‘global public goods’ to ensure the success of their preferred system, particularly in the frontline countries bordering communist states.

It is argued that where a hegemon provides ‘global public goods’ such that catch-up development is possible, the legitimisation of power at the international level can be achieved. ‘Global public goods’ were more or less defined by Kindleberger (1986), and refined to reflect post colonial states interests in work by the UNDP. Chapter 3 provides criteria to assess legitimisation in the international system by arguing that this can only be accomplished if the leading advocates of a particular international political and economic system meet post colonial states’ goals of rapid development to those levels achieved by the leading states themselves. It ends by suggesting how Strange’s (1988a) framework of structural power is useful for organising the evaluation of ‘global public goods,’ with the caveat that the knowledge structure must precede security, finance and production, which follow each other in a logical sequence with the last manifesting in the real economy.

Chapters 4 through 7 assess the evidence supporting Japan's provision of 'global public goods.' Chapter 4 considers the structural nature of Japanese knowledge shaping Eastern Asia by understanding the region's 'developmentalism' in terms of 'global public goods' provision as argued by Murakami (1996).<sup>35</sup> In addition to demonstrating how 'developmentalism' informs the region's financial and production structures, it shows that Japan's own military security is tied to regional economic development. In addition, the chapter points to the serious commitment of Japanese academics to studying the region starting in the 1950s, and discusses the importance of this knowledge for the operationalisation of "developmentalist" policies in Eastern Asia. Arguably, the emergence of "Look East" policies in many of the region's states cemented Japan's positive relations in Eastern Asia by the late 1980s.

Chapters 5 and 6 address the economic side of the 'public goods' provision necessary to supplement and enable individual national policies. Much has been written in the development policy literature in terms of post colonial states' agency by Haggard (1990), Wade (1990) and Amsden (1989, 1994 & 1995). At the structural level, Japanese provision of 'public goods' in the financial structure of Eastern Asia is understood in terms of counter-cyclical lending, functioning as lender of last resort, and playing a role as the region's currency stabiliser. This financial role is explored, and Japanese overseas development aid (ODA) and foreign direct investment (FDI) are considered. In addition, there is a discussion of the manner in which the Plaza Accords enabled Tokyo to underwrite US efforts against the communist bloc while providing for the rapid development of Eastern Asian economies in the late 1980s. In the 1990s, Japanese liberalisation gathered speed, making this country even more important as a provider of 'global public goods.' As a result, Japan integrated Eastern Asia within its production and market structure, thus ensuring rapid development, and especially the upgrading of the export sectors of those regional economies to higher value added sectors. The ensuing increase in the rate of economic growth, which was such that the region could aspire to 'catch up' with the industrialised nations, provides the final economic clue necessary to understand the legitimisation of Japanese power, thus explaining its positively changed relations in the region.

Finally, Chapter 7 assesses Japan's provision of 'public goods' in Eastern Asia since the late 1970s in the area of military security. It is shown that Japan has preferred to

promote regional concepts of security in co-operation with other states rather than deploy a large military of its own despite pressure to the contrary by the US and Japan's own military. Arguably, this is a non-coercive policy that is the core of any form of consent to Japanese re-engagement in Eastern Asia. Tokyo has gone further by tacitly supporting the region's collective self-defence capabilities through its strong economic support. Japan's strictly non-militaristic stance entails reliance on Eastern Asian states' forces to protect its own vital air and sea lanes, a move that has cemented regional confidence in Japan.

## Chapter 1

### Japan's Improved Relations in Eastern Asia: A Problem for the Pillars of International Relations Theory

Japan's campaigns in the Korean peninsula between 1592 and 1598 ended in defeat at the hands of Chinese and Korean forces. Then, with the encroachment of proselytising Europeans put to the sword, Japan turned inward, with the *Shogun* banning contact with the 'barbarians' save the trade-minded Dutch. The grand isolation of the Edo period (1603–1867) provided Japan with a false sense of security, even as it fell behind in industrialisation and military impetus (Sen 1983 & 1984). However, following its forced opening to the outside world in 1854 by a US naval armada, Japan's 19th century response to Western colonial power left it virtually seething with imperialist desire, as it aspired to 'catch up' with the "Great Powers" rather than face the fate of other great civilisations at the hands of foreign colonialists. After a period of rapid industrialisation and militarisation during the early part of the Meiji Period (1867-1912), military success at the dawn of the 20th century against Imperial Russia allowed Japan space to develop wider imperial ambitions. By mid century it had subjugated or occupied entire peoples in the Eastern Asian region reaching from Korea and Manchuria in the North to Indonesia in the South, thereby earning their enmity.<sup>36</sup>

With the end of WW II and the onset of the Cold War, Japan's reintegration into Asia was initiated via the Colombo Plan.<sup>37</sup> During the early years of the Cold War, its contact was limited to ensuring absolute gains via trade. However, mutual economic gains and fear of communism were insufficient to displace 'relative gains' concerns and historical anger towards Japan. Indeed, by the early 1970s violence prompted by Japan's near mercantilist regional presence pointed to the country's worsening reputation with its neighbours. Mounting dissatisfaction could be traced to the relative gains enjoyed by Japan, leading to its rapid rise to prosperity, as symbolized by its ability to host the Olympics in 1964 while the rest of the region languished in poverty. Not only that, Japanese style gains were not seen as forthcoming in other countries desperate to gain post colonial dividends. However, by the early 1980s Japan's positively changed relations with Eastern Asia, with suggestions of leadership in the region by the end of the decade by Rix (1989), marked an absolute about-turn in Japan's regional relations, and with it in Japan's larger presence in the international arena.

It is reasonable to hypothesise that the improvement in Japan's relations with Eastern Asia in the post-1980s period compared to the previous one was due primarily to the co-operative *modus operandi* adopted by Tokyo when dealing with Eastern Asia from late 1970s. In contrast to the period between the 1950s and 1970s when Japan acted without adequate regard for the economic needs of Eastern Asia, from at least 1977 onward successive governments in Tokyo acted *reactively*, and even deferentially, to the politics of Eastern Asian anger by making overt political and economic concessions (Rix 1989). Indeed, Tokyo has assisted Eastern Asian countries in achieving their ambition of rapid economic growth, as witnessed by the increasing application of Japanese models of 'developmentalism' in Asia (Wade 1990, Haggard 1994 and Amsden 1989, 1994 & 1995). However, the understanding that changes in Japan's relations with Eastern Asia have come as a result of Tokyo's commitment to addressing regional relative gains demands has not yet made its mark in international relations. Dominated by the three pillars of liberalism, Marxism, and realism, international relations theory has yet to adjust to account for relative gains achieved by post colonial states as a key basis for positively changed relations with hegemonic powers.

Section 1.1.0 shows that ideas of *Dependencia* do not undermine Japan's positively changed relations, as the region lacks a *comprador* bourgeoisie allied to Japanese capital. Section 1.2.0 argues liberalism in its current forms cannot account for Japan's positively changed relations either, as under this paradigm acceptance is *assumed* in political and economic transactions, and not conditional on post colonial states' relative gains aim of catching-up with the colonial metropole nations. Section 1.3.0 explains how realists make the case that the emergence of China has allowed Japan to play a more central role as a balancing power, thus allowing it to develop *de facto* positive relations with Eastern Asia. It is argued that although balances of power in the region are indeed important, this view cannot address Japan's positive regional relations independent of China, as a result of the success of Japanese policy in meeting regional demands for proper reparations for imperial aggression in Eastern Asia. The chapter concludes by proposing the need to improve upon the current state of theory in international relations in order to account for improved relations between post-imperial hegemonic powers and post colonial states. It suggests that one path to this end draws upon the work of Gramsci (1937) and Habermas (1976).

### 1.1.0 ACCEPTING THE “SECOND INVASION” BY JAPAN:

#### ***DEPENDENCIA*’s PUZZLE In EASTERN ASIA**

For Marxist-leaning scholars, the improvement in Japan’s relations with Eastern Asia can only be attributed to manipulation or coercion. The *Dependencia* school of Frank (1969), Cardoso and Faletto (1979) and Evans (1979), for example, takes a pessimistic view of relations between the post-imperial “core” and post colonial “periphery.”<sup>38</sup> Their work has established an important critique of “core” capitalist states and their domination of the emerging post colonial states of the “periphery.” Their argument, based on the Latin American experience, suggested development in the “periphery” was *dependent* on the core in such a way that it would remain perpetually *underdeveloped*. Their focus was on Latin America’s continuing reliance on primary commodities for exports and lack of growth in manufactures due to under-investment and the repatriation of profits. Further to the left, yet more cynical voices proposed the “de-linking” of exploited states from the core as the only way forward (Amin 1985a).

However, in Eastern Asia *Dependencia* arguments fail, as governments persuasively exercised their sovereignty in the pursuit of self-interest, and have achieved growth rates frequently hailed as nothing short of “miraculous.”<sup>39</sup> The situation in Eastern Asia is different in many ways from that of Latin America, and is particularly so with respect to regional hegemonic power, as Japan’s relationship with the region is substantially different from that of the US with Latin America.<sup>40</sup> The difference is significant, as several of these Eastern Asian states have chosen to “look East” towards Japan *despite* the legacy of Japanese imperialism, while the US presence in Latin America has tended to provoke resistance. Understanding these situations requires a more in depth examination of international politics than is offered by dependency and related views.<sup>41</sup>

Sub-section 1.1.1 discusses the problems with the *Dependencia* argument of dependent under-development, which is critical of Japan’s role in Eastern Asia, illustrating that it cannot be reconciled with the reality of accelerated development of the region via exporting value-added manufactures to the world assisted by Japanese-based *keiretsu*.

Subsection 1.1.2 examines the assumptions driving general dependency theory, which are arguably historically and regionally specific to Latin America. Subsection 1.1.3 argues that a neo-Marxist critique of Japan’s role in Eastern Asia is moot, as Eastern



Asia is rapidly developing its partnership with Japan, much to the puzzlement of those proposing the relevance of a general theory of dependency.

#### **1.1.1 Eastern Asia in Japan's "embrace": myopia of the latest dependency view**

Implying an Eastern Asian version of Latin America's *Dependencia* style domination by the US, Hatch and Yamamura (1996) have argued that East Asia is in Japan's "embrace." They argue that Japanese firms—often with the help of their government—have built networks of production that have not only effectively "embraced" the Eastern Asia region, but also "excluded" Anglo-Saxon and European firms. They suggest that the Japanese business and government elite alike utilise a complex web of production networks that offer them strategic control of technology. Hatch and Yamamura (1996) make the case that since 1985 there have been qualitative changes in this post colonial versus post-imperial international relationship, which have meant a shift away from the more traditional neo-colonial domination. Because of this, they argue, Japan has moved away from the extraction of energy and other raw resources and the selling of manufactured products to the subjugated economies in Asia, and has instead made these economies an organic part of its extended cross-border production base through the control of critical technology and parts.

Hatch and Yamamura propose that the lauded export-driven growth of the Asian Tigers took place firmly within the context of a new form of Japanese domination.<sup>42</sup> As such, these achievements are pejoratively referred to as those of "paper tigers," because, it is held, their "industrialisation" was "technology-less," and their development was captive to the needs of Japanese capitalism. Hatch (1998) further asserts that the dependency on Japan is so extensive that Japan's economic malaise was the primary cause of the 1997 regional economic crisis.<sup>43</sup> This deterministic and somewhat anti-Japanese interpretation of Japan's re-integration in Eastern Asia is also articulated by David Arase (1995), who discusses the "buying power" of Japanese aid, thereby implying the manipulation of consent (Cohen 1989).

Critics of the Eastern Asian model fail to adequately acknowledge the rapid gains the region has made *relative* to industrialised nations, *with* the participation of Japan. This is odd, because several respected scholars seriously interested in economic development have applauded Eastern Asian growth, with some acknowledging its origins its

emulation of the Japanese model (Krueger 1985, Wade 1990, Haggard 1990 and Amsden 1994 & 1995). Other experts in the key areas of human resource training and technology transfer go further to directly acknowledge Japan's extensive involvement in Eastern Asia (Lawler & Atmiyanandana 1995, Moore & Jennings 1995, and Capannelli 1996). Significantly, high growth rates in Eastern Asia were dependent on manufactured and processed exports from the region to the markets of the G7 countries. This has allowed movement towards higher value-added manufactured goods, and meant important gains in technology, while educational investments have allowed for increasing absorptive capacity and home grown technologies, as is the case with Taiwan and South Korea.

Despite economic growth in Eastern Asia, critics of Japan base their interpretations of the region on *Dependencia*-type assumptions drawn from Latin American cases. They assume that all post imperial centres exploit the post colonial periphery, even though in Latin America this was contingent on the presence of a *comprador* bourgeoisie (allied to the *metropole*). However, in the case of Eastern Asia critics fail to see that a parallel class tied to Japan was notably absent. This absence is due to the reality that, as nationalism followed the defeat of Japanese forces, elements of a *comprador* bourgeoisie leaning towards Japan were forcibly removed from Eastern Asia.<sup>44</sup>

In Eastern Asia, *Dependencia* ideas are not useful because of the *absence* of a pro-Japanese bourgeoisie engaged in promoting Japan's interests over their own national interests. The Eastern Asian region instead has a nationalist bourgeoisie (or one in the process of formation with the denationalisation of industry, such as in China and Vietnam), which is well protected from competition. This is in line with Japanese 'developmentalism' in the Meiji and post-war eras, emulated in Eastern Asia in a manner reminiscent of Japan's emulation of the key aspects of Friedrich List's (1841) prescriptions for German catch-up vis-à-vis England.<sup>45</sup> The nationalist bourgeoisie in Eastern Asia was more likely to keep the Japanese out, or to see them as unwelcome competition, unless there were substantial relative gains to be made for their own projects.<sup>46</sup> Indeed, such nationalist elements initially encouraged regional resistance to foreign presence in the 1970s, prompting attacks on new Japanese concerns with the aim of "domesticising" them. This type of politics encouraged joint ventures with the

Japanese in Indonesia and Thailand (Unger 1989). Similar patterns of joint ventures also occurred in other places in the region, especially in Malaysia, Vietnam, and Indonesia.<sup>47</sup>

### 1.1.2 *Dependencia*: assuming manipulation by Empire

The mistakes of *Dependencia* scholars in Eastern Asia are understandable, as even the Latin American originators of these ideas failed to emphasise the importance of the *cultural* ties of the *comprador* bourgeoisie to the “centre” or “core.” In Latin America this class was naturally Western-oriented, as they were themselves of European descent. The *comprador* bourgeoisie was thus not only a class in Marxist terms, but also one driven by racist beliefs in the inferiority of those of non-European origin. Unfortunately, race is a category of analysis that is missing in international relations theory, subsumed within ideas of nationalism. This mistake is made even by Marxist-oriented scholars, who might be expected to be more sensitive to the issue of exploitation. At least within international relations, their approach accords little space for analysis related to race, as this category is considered irrational or unimportant, or at best simply too awkward to include in academic discourses.

Marxist-oriented work is driven by assumptions about capital that impose upon it an anthropomorphic character of maximising gains regardless of the national interests of capitalists in different places. When applied to international politics, the Leninist (1917) version of Marxism that heralds the internationalisation of anthropomorphic capital is not undermined in the Latin American case. There, the sources of capital came from “core” European and US sources with the *comprador* classes of the periphery united in common cause. Thus after nearly a century of the Monroe Doctrine, the notion of dependency gained credence as the US began to dominate the region as the single most important source of capital in the post-WW II period.<sup>48</sup> These sources of capital were further driven by the necessity of extracting raw materials for US and European factories, in some instances for very long periods of time, given that labour in the core was naturally disinclined to relinquish its livelihood to early forces of regionalisation and globalisation. Therefore, *Dependencia* scholars quite understandably argued that Latin America’s relationship with the industrialised “core” was one of long-term exploitation, with no change in sight.

The Latin American tradition of writing on Empire has evolved in a region blighted first by European and then US political and military intervention. Latin American scholars dealing with economic growth have termed the region's growth "dependent development" and many see the region as part of the US "empire." Intentions of empire were also clearly evident in this case, as Washington's Monroe Doctrine made little effort to conceal its originators' determination to guard America against the incursions of the British and other imperialists. With the Cold War era and the rise of the Truman Doctrine, this policy continued under the guise of halting the spread of what were ostensibly pro-Soviet regimes.<sup>49</sup> The analytical validity of *Dependencia*-style theory on Latin America was grounded in a particular era of neo-colonialism, in a particular space aided by a particular class at the periphery, specifically one that supported the interests of the *metropole* over national ambitions. However, empirical observations drawn from the Latin America case form the basis of certain assumptions of dependency theory more generally:

- all post-imperial centres are considered to be the same as the metropolises of Europe in terms of exploiting the post colonial periphery;
- all post colonial states are considered to be part of the periphery and assumed to exercise little agency; and
- all bourgeoisie classes within post colonial states are considered servants of foreign capital.

Typically, these assumptions are presumed to be applicable to all centre-periphery relations. Certainly the continuing reality of relations between Latin America and the powerful Western countries, and also Africa and Europe offer little to contradict these assertions. In such cases the key link has been the *comprador* bourgeoisie, which has offered its allegiance to Europe and/or the US rather than champion post colonial interests.

In Latin America the parasitic *comprador* bourgeoisie have had, and continues to have, close ties with Europe and the US. Latin Americans of native and African origin are more likely to be destitute, and to live the wretched lives described by novelists such as Gabriel Garcia Marquez and Carlos Fuentes.<sup>50</sup> The Latin American *comprador* bourgeoisie has had and continues to have very little to share in terms of national interest or nationalism with native "children of lesser gods." As such, Latin Americans of

European heritage historically participated in maintaining capital outflows. Their affinity for offshore bank accounts and expensive Western imports was not typically balanced with adequate exports due to adverse terms of trade (weakening prices for raw material exports) and protectionist measures enacted by Western “core” powers. The class differences between those of European descent, who occupied positions of power and prestige, and those of native and African descent, who lived on the margins of political and economic society, are thus rooted in the racist history of colonisation. These societal trends continue today and are clearly indicated by the extraordinarily wide income disparities observed in countries such as Brazil. This reality is replicated in most of Latin America, where subjugated non-Europeans have survived at the margins. This “illegitimate” *comprador* bourgeoisie rule was perpetuated and deepened by the ideological cleavages created by the Cold War. In its bid to support conservative regimes in the region, the US supplied and trained Latin American military and paramilitary forces that brutally subdued resisting native populations. Not surprisingly, the trend continues with periodic outbursts of unrest and anti-Americanism.<sup>51</sup>

The general applicability of *Dependencia* ideas to *all* post colonial states is questionable as contexts differ greatly. It is important to recognize that *Dependencia* scholars, whose focus was on Latin America, had many unique realities to contend with that were not generally applicable to Japanese involvement in Eastern Asia. When considering Constantino’s (1989) idea of Japan’s “second invasion” of Eastern Asia, *Dependencia* scholars must acknowledge the absence of a *comprador* bourgeoisie allied to Japan. In the absence of these elements, the region’s elite and nationalist bourgeoisie were able to articulate their own interests and gain economically from their relationship with Japan in relative terms, as suggested by national growth rates that were typically more than twice those of the industrialised core. Under the circumstances, attempts to cast Japan as an exploitative core country are not convincing in the case of its relations in Eastern Asia, although there may be some specific relationships in the region that could indeed be understood within this framework.

### **1.1.3 The *Dependencia* paradox: Development via modern Japanese “empire”**

Eastern Asia’s rapid development over the last three decades of the 20<sup>th</sup> century is captured by the shift in scholarship within a critical tradition. For example, writing on Malaysia in 1986, K.S. Jomo found development uneven and crisis prone, but by 1994

he pointed to rapid development with the influence of Japan. In 1996 he explained development in terms of the policies of the local state, and still later in 1998, such development was traced to local industries and firms.<sup>52</sup> *Dependencia* scholars should not ignore that Japan's late 20th century role in Eastern Asia is *not* similar to those of US and Europe in Latin America and Africa respectively. While appreciating the well-intentioned recognition of exploitation and powerlessness in Eastern Asia by scholars such as Arase (1995), Hatch and Yamamura (1997) and Hatch (2000), one must ask that they be cognisant of regional differences. They must not dismiss nationalistic agency focusing on relative gains from post colonial societies without *comprador* classes. Japan's reintegration in Eastern Asia has not led to dependent *underdevelopment*, but instead to *accelerated development* in the region. The reality of Japan's role in Eastern Asia may thus come as something of a revelation for *Dependencia* scholars (Evans 1998). Indeed, economic growth in Eastern Asian states has taken place with a degree of equality unseen in other post colonial states (Haggard 1990, Wade 1990, Amsden 1994 & 1995), and most certainly not in Latin America, home to the greatest divisions between rich and poor, European and non-European, in the world.

The general acceptance of a Japanese role in Eastern Asia at the level of society provides a striking contrast to the anti-Japanese feelings in the region even as late as the 1980s. In contrast to the violence against Japanese property in the 1970s, in the 1990s protestors no longer targeted Japan. During the 1997–98 financial crisis there was overwhelming evidence that Eastern Asian governments blamed the US, which promoted a nakedly self-interested Anglo-American form of *laissez-faire* economics favouring powerful actors in the market.<sup>53</sup> At this time Eastern Asian society at large also saw the Chinese diaspora as more loyal to China than to their adopted states in the region; as a result elements in those countries used the turbulence of the crisis to either savagely attack or cynically extort from ethnic Chinese property holders. In contrast to the blame accorded to the US, the attacks on Chinese property, and the last episode of anti-foreign feelings in the early 1970s (when Japanese was at the top of the “hit list”), in the Asian crisis of 1997–98, not a single Japanese firm was attacked or under threat. If anything, the complaint was that Tokyo was not “standing up” to Washington on behalf of the region, a criticism made most vocally by Mahatir bin Mohammed, the outspoken Malaysian prime minister.

### 1.2.0 LIBERAL RE-INTEGRATION VIA COMMERCE:

#### NEGLECTING JAPANESE ECONOMIC AND MILITARY POWER

Classical liberals might see Japan's positively changed relations in Eastern Asia as a "normal" occurrence in the world of international exchanges among rational peoples interested in absolute gains. From this perspective, positively changed relations between post-imperial and post colonial states are assumed to be part of mutual and absolute gains from commerce. Neo-liberal institutionalists, cognisant of realist criticism, might also argue that regional and international institutions played a key role in allowing Japan to achieve positive relations in the region. Other liberal theories may also make the case that as Eastern Asia democratises, feelings of animosity are bound to decline. Others more cognisant of the importance of non-coercive power might also argue for the importance of "soft power" based on the transmission of culture in explaining Japan's improved relations with Eastern Asia.<sup>54</sup>

Despite its claim to variety and intellectual nuance, liberalism in any form ultimately relies on explaining positive Japanese relations in Eastern Asia in terms of international economic exchange based on self-interested 'absolute gains'. As such, liberals downplay the importance of 'relative gains' in the practice of international relations. Consequently, they fail to account for the growing anger directed at Tokyo as trade and investment links overwhelmingly favoured Japan from the 1960s to the 1970s, leading to Japanese growth rates of nearly 10 % during that period. Liberals neglect the importance of relative gains for post colonial states despite the importance of this factor as the *raison d'être* for the independence movement and the subsequent creation of "new" states. They therefore fail to appreciate how Japan might wield power *responsibly* in the context of regional demands for a post imperialist era of growth and prosperity in the post colonial periphery—a scenario that could properly account for Japan's positive relations in Eastern Asia in the late 20th century. Crucially, liberals fail to understand the role of coercion and power in an anarchic setting, which cannot be mitigated by international institutions. This is because, in reality, hegemonic powers dominate these same international institutions (Strange 1982 & 1994). By ignoring the controlling and coercive side of hegemony and in assuming the consensual side, based on even minimum absolute gains, liberals altogether miss any deliberate *normative* exercise of Japanese power in international relations.

Sub-section 1.2.1 provides a liberal account of Japan's positive relations in Eastern Asia. Subsection 1.2.2 addresses the liberal claim of "perpetual peace" via commerce, in the context of increasing anti-Japanese feelings in Eastern Asia as Japan gained in relative terms. Subsection 1.2.3 examines the liberal neglect of both Japanese economic structural power and the importance of power in general.

### **1.2.1 A liberal account of Japan's positive relations in Eastern Asia**

Liberal ideas that could explain Japan's improved relations in Eastern Asia are derived from Kant's belief in the fundamental freedom of the individual, as stated in his Critique of Practical Reason (1788). Kant did not regard this freedom as the lawless freedom of anarchy, but rather as the freedom of self-government, the freedom to *consciously* obey the laws intrinsic to one's nature as a rational being. Thus, in his essay Perpetual Peace (1795), Kant advocated the establishment of a world federation of republican states, which would all live in peace. However, Kant's ideas did not gain full currency until Richard Cobden (1804–1865), the British economist and statesman known as the "Apostle of Free Trade," promoted liberal ideas of international peace based on self-interest, implied in the concept of *laissez-faire*.<sup>55</sup> Despite his contribution to empire, Cobden's opposition to continuing imperial British foreign policy cost him his seat in Parliament in 1857, suggesting that while *laissez-faire* was useful for the industrialists seeking foreign markets, it was at odds with the coercive manner in which Britain rose as an imperial power by using its fleet to literally capture new markets.<sup>56</sup> Karl Polanyi (1944) later wrote on how this era of *laissez-faire* laid the foundation for world war, as other European powers sought to 'catch up' to Britain (List 1827, 1841 & 1844). In spite of this negative prognosis regarding the consequences of liberal economics, in the 20<sup>th</sup> century *laissez-faire* has been promoted as a panacea in the work of those such as Milton Friedman, giving birth to many US-based policy advocacy institutions that eventually challenged the New Deal of Franklin D. Roosevelt and the "embedded liberal" order (Ruggie 1996 & 2002). Though he did not overtly advocate a "perpetual peace," Friedman did believe in the relationship between free trade and freedom, thereby making the common mistake of ignoring the realities of the power and agency of countries dissatisfied with the international system.<sup>57</sup>

For liberals the improvement in Japan's relations in Eastern Asia is an illustration of liberalism gone global, yet another indication of the "end the history." According to this



perspective, with the increased international exchange of ideas, culture, and goods, and the rise of regional democratisation that has taken place, it was logical for Japan to develop better relations in Eastern Asia. Liberals would point out that following WW II Japan's commercial relations were increasing, such that by the 1960s it had not only regained its share of the region's market to pre-war levels, but had even exceeded these by pushing out Western competition.<sup>58</sup> While Japan exported manufactured goods to the region, Eastern Asia exported raw materials to Japan—an interaction well explained by David Ricardo's work on comparative advantage (Kojima 1971 & Belassa 1977). These exchanges for mutual gain were the basis for the liberal argument for a reduction of tensions in Eastern Asia, including in the case of relations between Japan and its wartime victims. Those liberals who consider democracies accepting of each other (i.e. as not having the drive to go to war with each other due to the veto effect of civil society) might see Japan's positive relations as a result of increasing democratisation in Eastern Asia. If these two liberal arguments fail, Keohane (1984) and the followers of neo-liberal institutionalism would argue that international institutions would mitigate Japan's power to allow the pursuit of absolute gains commerce.

### **1.2.2 Liberal “perpetual peace” and the problem of power politics and hegemony**

Liberalism fails to address Japan's improved relations in Eastern Asia *independent* of the assumption that co-operation on the basis of mutual gains will lead to “perpetual peace.” Indeed, with increased post-war trade and social interaction between Japan and Eastern Asia, by the early 1970s anti-Japanese sentiments had grown rather than recede in the manner predicted by liberal theories. Even as democracy gained ground early in the 1960s and 1970s criticism of Japan increased, leading to violence against Japanese property. With democracy regional demands for a better standard of living increased. Eastern Asians correctly perceived that Japan was benefiting *relatively more* from existing trade and investment links, while their own industrial sectors remained underdeveloped without adequate capital investment. Japan was especially criticised for its early post-war predilection for using the region both as a source of raw materials and a captive market for manufactures. Furthermore, it quickly became evident that the Japanese had a demonstrably higher standard of living compared to other Eastern Asians, who experienced only slow increases in their welfare. Thus the commerce of mutual gains did not translate into harmonious relations, as countries focused on relative

and fairer gains from international trade and investment in the region. The rise of democratisation in Eastern Asia allowed this criticism to spill out into open anger.

While continued co-operation in the form of trade and investment between Japan and its Asian neighbours from the 1950s through to present times could be explained in part by Liberal institutionalists such as Keohane (1984), the reality is that international institutions are an intervening variable at best. The neo-liberal institutional position minimizes the domination of international institutions by powerful countries. Keohane (1984) et al assume consent between disparate actors without considering the issues of power within the international institutions framing negotiations. This myopia is not surprising, as liberals tend to assume consent whenever choices are made, as suggested by the work of Dahl (1961). The work of Bachrach and Baratz (1962 & 1970), and especially Lukes (1974), suggests that this liberal neglect of power is rooted in the neglect of structural considerations.

Most crucially, the rise of post-war anti-Japanese sentiment in Eastern Asia that culminated in violence against Japanese property in the region in the 1970s suggests that consent cannot be assumed to accompany mutual material gains from commerce. Liberal theory incorrectly assumes *a priori* that such exchanges are consensual, and therefore explains relations between colonial and post colonial states in benign terms. Liberals are unwilling to commit themselves to evaluating these historically exploitative relationships in terms of:

- the fairness of the international system, as capitalism has not distributed the gains from trade in the manner desired by post colonial states
- just compensation for the construction of this unequal system during colonialism and the Cold War
- the fear felt by post colonial societies seeking change when faced with modern weapons of mass destruction (WMDs) in the hands of post-imperial hegemonic powers who use them to horrific effect, as in Vietnam.

Given their failings, liberal theories must take into account two factors when addressing international relations in Eastern Asia:

- (1) *Power matters when engaging powerful nations:* In Asia, international and regional institutions have risen *after* interaction between countries of disparate

power. Asian institutions reflect this power, as they are built around a powerful actor, or continue with the blessing of one. When considering attempts at international/regional economic institution building such as Asia-Pacific Economic Co-operation (APEC), it should be noted that they would not have been possible without the presence of Japan. In support of APEC, former Australian Prime Minister Malcolm Fraser noted that in a “world of trading blocks, there are only two options for small and medium-sized nations in Asia and the Pacific. They can go it alone or form a trading and economic association with Japan. This second option should be pursued vigorously.”<sup>59</sup> In a similar vein, regionalisation within Eastern Asia via EAEC was advocated by Mahatir bin Mohammed, the Malaysian Prime Minister, to counter the threats posed by “fortress Europe” and the cosy North American Free Trade Agreement (NAFTA). His vision of EAEC included Japan at the centre. Liberal institutionalists might point to small countries uniting to form new international institutions fostering “South-South” co-operation. However, this is only a partial solution, as post colonial societies must still depend on Japan or the US to enable economic rapid growth. Australian Prime Minister Fraser’s outright dismissal of the option that excludes Japan in any regional agreement is a clear indicator of how policymakers in even richer nations view such efforts.

- (2) *When international institutions do not matter*: The independent role of international institutions is undermined by the absence of a correlation between signing major multilateral investment conventions and new foreign direct investment from the main providers—Europe, Japan and the US (See [Table 1](#) below). Singapore, for example, has signed only one major convention yet has managed to attract more investment than the Philippines or Sri Lanka, both signatories of all four major conventions. This lack of a positive relationship between the signing of conventions and investment flows is contrary to neo-liberal institutional expectations, as powerful nations such as Japan will invest based on their specific objectives. Conventions and international regimes and organisations are important for smaller investors to safeguard investments. However, Japan, the leading investor in Asia, can worry less on this front, as any negative actions against Japanese capital, such as nationalisation, will only result in the decrease of investment in the host economy.

**Table 1: Types of Changes in Investment Policy in Asia, 1975–85**

Country	Unilateral declarations { '70s & '80s } (pro-investmnt.)(ttl '90)	Recorded bilateral agreements <sup>60</sup> '70s+'80s=	Multilateral accords effective in '70s & 80s <sup>61</sup>	Type of government, regime, institutional arrangement setting background for policymaking and implementation during the period.
Bangladesh	{18} ( + ) [25]	00 + 06 = 06	None	Military dictatorship to fragile democracy
China	{64} ( + ) [66]	00 + 25 = 25	None	Communist Party rule moving towards pragmatism
India	{34} ( + ) [38]	00 + 00 = 00	CREFAA	Parliamentary democracy
Indonesia	{29} ( + ) [38]	04 + 00 = 04	All four	Military rule
Malaysia	{31} ( + ) [31]	05 + 06 = 11	ICSID, PCPP	Single party rule with weak opposition parties
Pakistan	{07} ( + ) [07]	01 + 04 = 05	ICSID, MIGA	Swings from fragile democracy to military dictatorship.
Philippines	{17} ( + ) [19]	01 + 03 = 04	All four.	Dictatorship to fragile democracy
Singapore	{15} ( + ) [28]	06 + 02 = 08	ICSID	Single party rule with weak opposition parties
South Korea	{16} ( + ) [17]	06 + 06 = 12	All four.	Military dictatorship to fragile democracy
Sri Lanka	{06} ( + ) [07]	01 + 16 = 17	All four.	Parliamentary to presidential democracy
Thailand	{22} ( + ) [26]	02 + 04 = 06	ICSID, CREFAA	Monarchy to parliamentary to military rule?
Vietnam	{07} ( + ) [07]	00 + 00 = 00	None	Socialist dictatorship moving towards pragmatism

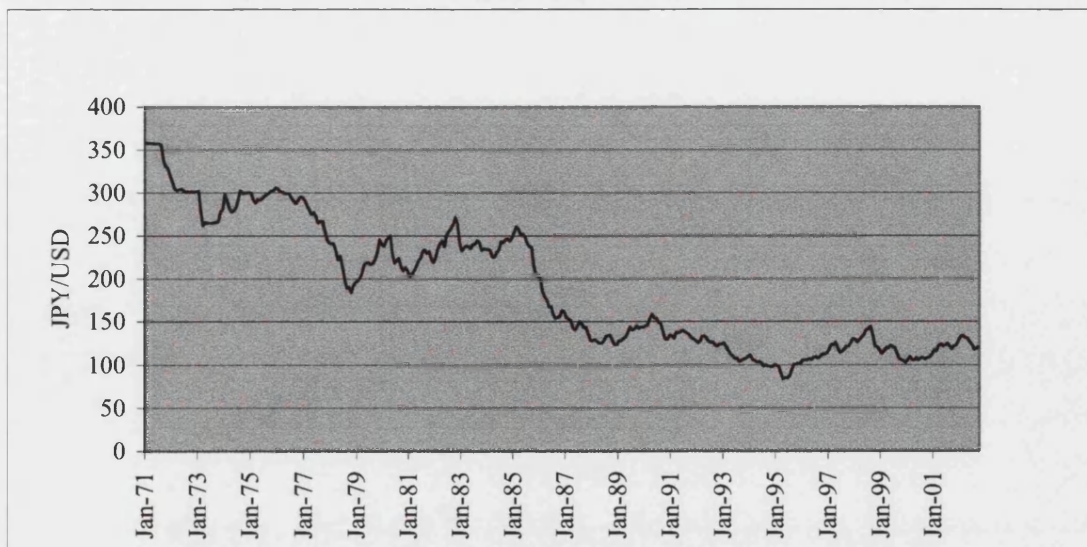
Sources: World Investment Directory 1992—Asia and the Pacific, Volume 1 (New York: United Nations, 1992).

Liberalism accepts at face value the post WW II relationship between post imperial and post colonial states as consensual rather acknowledge it as an object of inquiry in a world where benign relations are rare. This neglect of power together with a willingness to assume consent as implicit in transactions of mutual convenience ensures that liberal views are uncritical of international relations practice. It leaves them to explain Japan's positive relations in Eastern Asia as a consequence of commerce mitigated by international institutions and further enhanced by global and local democratic processes. Since liberal assumptions take consent as a given in economic exchange, its proponents cannot address historical power politics, especially when dealing with relations between large and small entities with bitter histories, where issues of power and relative gains are most salient. Ultimately, the liberal omission of power relations makes it difficult to assess Japanese capitalism from the perspective of post colonial Eastern Asian states and to understand their desire to address the economic disparities between themselves and a post imperialist Japan.

### 1.2.3 The liberal neglect of Japanese economic structural power

Actors within international trade and finance comprehend Japan's economic power well. The tripling of the value of the Japanese yen in relation to the US dollar over thirty years is one indication of this strength (see [Chart 1](#)).

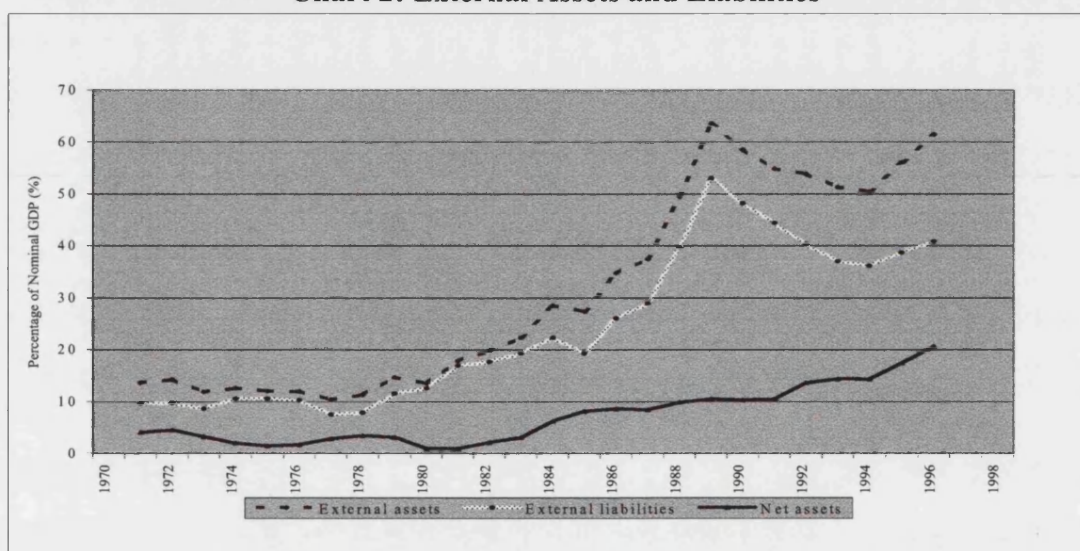
**Chart 1: Japanese Currency Appreciation: (JPY) vs. US dollar (USD)**



[Source: PACIFIC Exchange Rate Service, University of British Columbia.]

This appreciation is an indication of the long-range trajectory of the strength of Japan's production structures and its emergence as a regional hegemon.<sup>62</sup> Japan has enjoyed a pre-eminent position in international finance and economics since the 1970s, when its trade surpluses and returns from investments abroad began to accumulate. This strategic long-term assessment of Japan runs counter to short to medium-term economic indicators, such as the collapse of the Japanese stock market, the *Nikkei*, from its late 1980s speculative "bubble." Suggesting structural effects, this collapse was a harbinger of things to come later in the 1990s. With the strength of the yen, Japan's external assets as a percentage of nominal GDP (See Chart 2) grew from 20 % in the early 1980s to 60 % by 2000.

**Chart 2: External Assets and Liabilities**



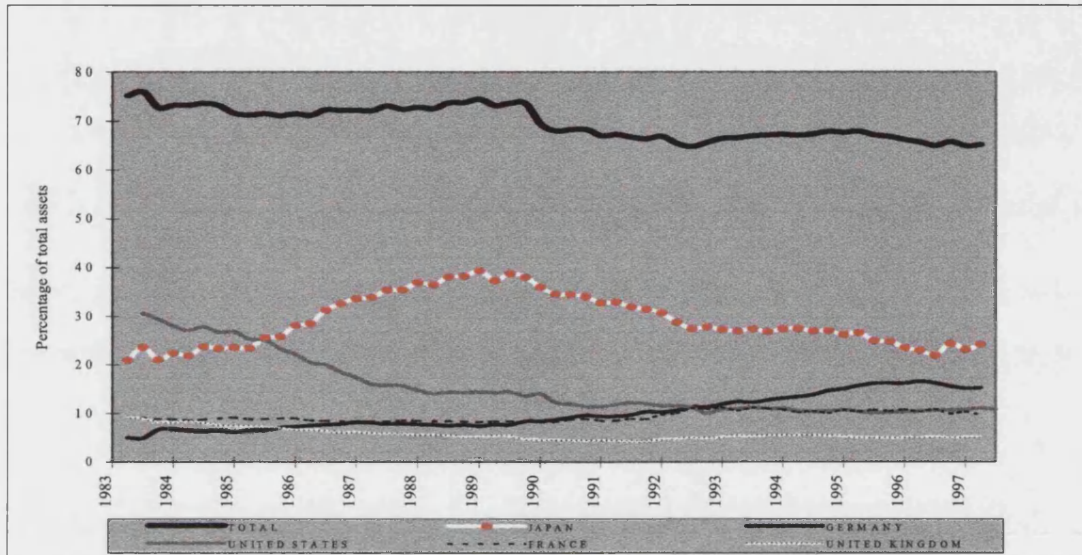
Source: Ministry of Finance.]

Japan's net assets reached 20 % of GDP even when the economy was undergoing structural change, experiencing growth rates as low as 1–2 % between 1990 and 2000. Indeed, net assets have been on the *increase* in the late 1980s through the 1990s, as Japan's investments abroad have meant the repatriation of profits not reinvested in the host economy or invested in another state.<sup>63</sup> The rising trend of Japan's net external assets presents a contrast to the stagnation of the Japanese economy, particularly in terms of the impact on other nations. These external assets suggest Japan's financial structural power affects other states. Even after the decline from the heights of the late 1980s, Japanese banks hold a significant portion of world assets. After a decade long



economic crisis at the end of the 1990s, Japan can still claim over 25 % of the worlds' banking assets. In [Chart 3](#), we see the leading role of Japanese finance in the breakdown of international bank assets by nationality.<sup>64</sup>

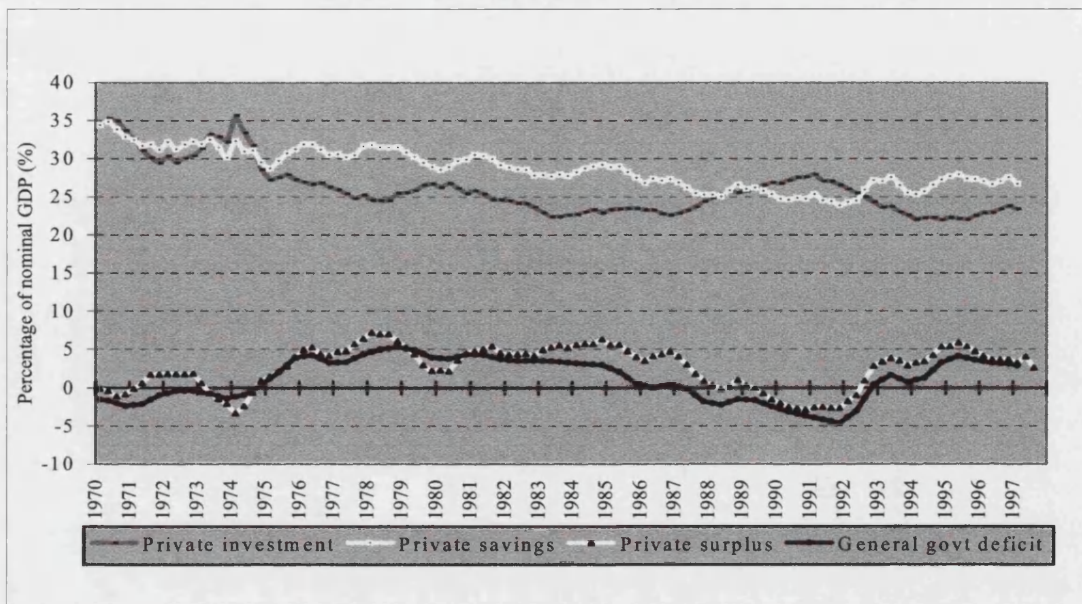
**Chart 3: International Bank Assets of Major States**



[Source: Bank of International Settlements<sup>65</sup>]

The long-term salience of the financial structural power of Japan is indicated by private savings over 20 % through decades ([Chart 4](#)).<sup>66</sup>

**Chart 4: Japanese Savings Investment Balance 1970-1997**

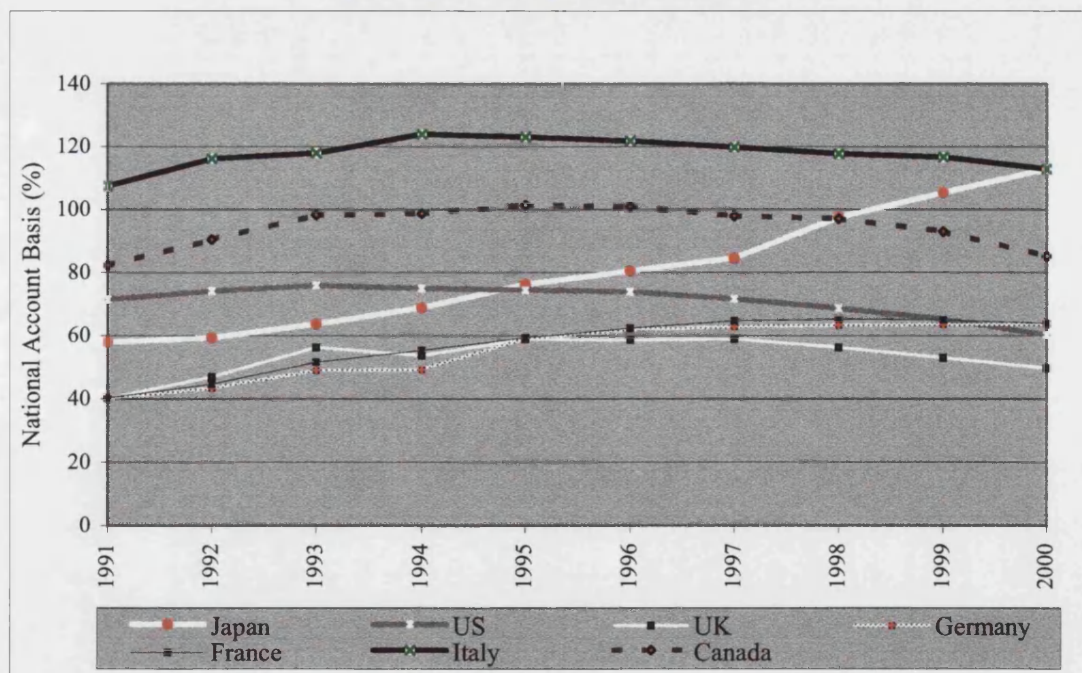


[Source: Ministry of Finance.]

The data suggests that Japan will continue to dominate the world financial system for some time. With the competition offered by Japan's low interest rates, only mechanisms such as the Basle Accords, which set an 8 % capital reserve requirement, could prevent Japanese banks from dominating international finance.

However, there are troubling indicators that the Keynesian stimulus used in Japan since the end of the "bubble" economy in 1989 may well be overused, as long-term government debt has steadily grown to absorb savings.<sup>67</sup> That is, Japanese government bonds (JGBs) soak up funds that might otherwise be available to finance development elsewhere. As [Chart 5](#) shows, Japan's gross debt has reached the level of Italy, at nearly 120 % of GDP by the year 2000. However, the government's major *domestic* creditors hold more than 80 % of outstanding bonds.<sup>68</sup> The long-term economic data still suggests that Japanese power is substantially greater than is commonly understood by those who refer to Japan's "growth problem."

**Chart 5: Gross Debt G7 Nations**



[Source: Ministry of Finance.]

While international economics tools allow us to recognise Japanese power within international political economy, liberal international relations specialists are unable to come to grips with such power. The liberal neglect of structural power in finance, and hence lack of interest in Japanese power, means that these scholars overlook concerns



central to international relations. Proponents of liberalism do not adequately address the insecurity of post colonial states in their interactions with post-imperial states in the economic sphere, where power is exercised often and with impunity. Consequently, proponents of *laissez-faire* are unable to understand the relationship between post colonial states, and hegemonic or post-imperial states. Historically, powerful actors have been important in the international (or regional) economy: they have used coercion to promote specific ends, and even entire economic systems, such as capitalism. Adopting a liberal mode of analysis blinds us to the spread of capitalism in each stage of colonial hegemony: Holland in the 17<sup>th</sup> century, then Britain in the 18<sup>th</sup> and 19<sup>th</sup> centuries and the US in the 20<sup>th</sup> century (Helleiner 1991). Liberalism cannot address how British imperialism forced open foreign markets at a time when its fleet was the most powerful in the world. The Dutch and British coercively promoted forms of *laissez-faire* as it benefited them. The US case was similar, as it too used force to spread capitalism. The history of this forced spread of capitalism for the benefit of “core states” is neglected by liberal thinking. While post-imperial states’ geopolitical empires have indeed shrunk in terms of land, the legacy of their dominance is still felt today, as these countries wield power disproportionate to their size and enjoy living standards illegitimately gained from the fruits of empire.

In this historical context of imperial domination, late 20<sup>th</sup> century Japanese actions in Asia, specifically its acquiescence to some post colonial states’ demands, points to a need for a new understanding of international relations since Tokyo’s actions are *not* typical of how powerful nations behave. When investigating the relationship between Japan and post colonial states in Eastern Asia in the period after the 1980s, there are signs that power matters. It is, however, necessary to think about *how* it matters in a different way, and to consider how certain ways of wielding power may be less negative than generally realised. It is in considering precisely such issues that an explanation emerges for the improvement in Japan’s relations with Eastern Asia.

### **1.3.0 MISSING THE IMPORTANCE OF CONSENT TO POWER: REALISM AS ONLY COERCION**

Given the problems associated with Marxist and liberal approaches to international relations, it should not be surprising that realism tends to dominate the discourse on

Eastern Asia. Indeed, Kang (2003) concurs that realism dominates the discourse to such an extent that challenging its explanatory power is *unwise*. For realists, who are concerned with power and the relative gains that affect it, the positively changed relations between Japan and Eastern Asia are uninteresting in and of themselves. Realist scholarship has instead focused on whether power for Tokyo has meant displacing one of the other major powers, the US or China, and what this has meant for the US-Japan or *nichibei* alliance.<sup>69</sup> Thus when realists are pressed to explain Japan's positively changed relations with the post colonial states of Eastern Asia, they argue that without the US, Japan would never have been welcomed back into Asia. They then point to the increasing threat presented by China in the region as a cause for improved relations with Japan. They argue that "balancing power" to contain China is the most important aspect of regional order, and leads to post colonial states "band-wagoning" with the US and Japan. In subscribing to this view, realists ignore the domestic origins of Japan's positive relations in Eastern Asia. Under the circumstances, they miss the significance of domestic norm-governed policy, and also *reactive* Japanese policy towards post colonial Eastern Asian states' demands.

Subsection 1.3.1 presents the most plausible realist perspective for understanding Japan's positive relations in Eastern Asia: the notion of balancing power against a Chinese threat. Subsection 1.3.2 demonstrates the problems with modern, especially North American realism's research based on negative assumptions about human nature. Subsection 1.3.3 makes the case that Japan's positively changed relations with Eastern Asia are a puzzle for realist thinking, which is typically confined to power politics.

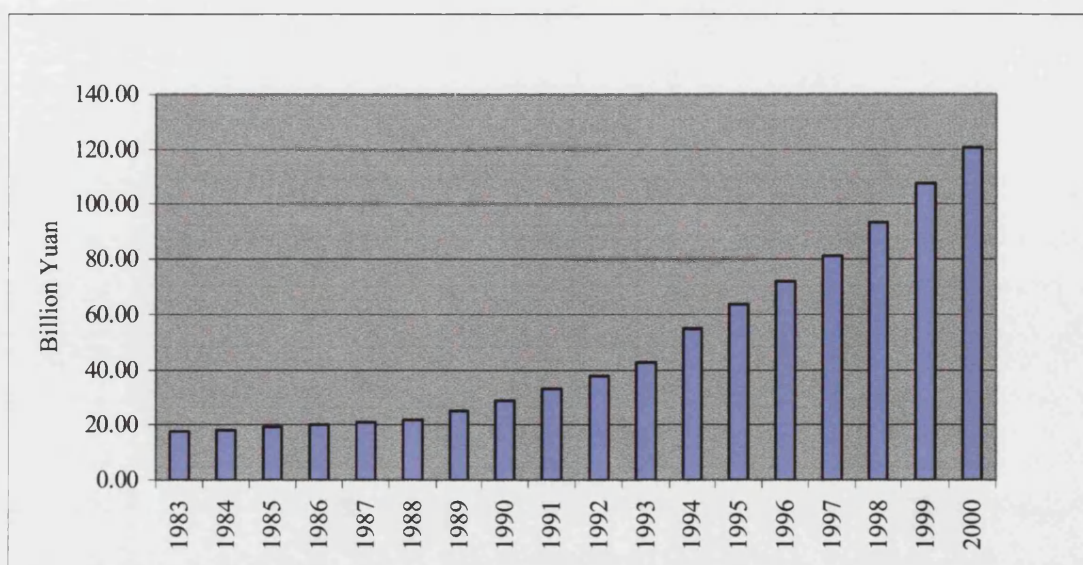
### **1.3.1 Playing the China card: ignoring a changed Japan**

The growth of Chinese power is of great importance for regional security in Eastern Asia. Since WW II, China has warred with Western allies in Korea and India, and had several skirmishes with Vietnam. Recently, China has occupied islands in the Spratlys, which are also claimed by a number of ASEAN nations, and threatens to use military force to gain control of Taiwan.<sup>70</sup> These events took place while Beijing used force within the territorial boundaries under its control, as with the ongoing tragedy of Tibet since 1950 and the Uighur unrest in Xinjiang. Beijing is also cognisant of the desires of Mongolians from Inner Mongolia (which is under Chinese control) for re-unification with Mongolia proper. There is also doubt over Beijing's desire to assist rapprochement

between the Koreans.<sup>71</sup> One can speculate that without China, the despotic regime in Pyongyang might have collapsed sooner, well before it posed a nuclear threat to the region. Beyond this, Western powers argue that Beijing's sales of nuclear and missile technology to the Middle East and Pakistan represent a violation of non-proliferation norms.

Realists insist that Japan's role in Eastern Asia must be seen in terms of its contribution to balancing Chinese power, thus reducing positive relations between Japan and Eastern Asia to a matter of strategic convenience.<sup>72</sup> China's militarism together with its large military and economy and presence as a permanent seat on the UN Security Council makes it formidable. Furthermore, realists frequently point to the professional fighting force that was one of the "four modernisations" Deng Xiaoping implemented when he came to power in 1978.<sup>73</sup> The Dengist reforms have placed emphasis on modernisation and the construction of the Chinese navy and air force, in particular with new technology and quick-strike forces that have regional reach. To confirm this shift in policy since the Tiananmen Square crackdown of 1989, realist methods highlight that Beijing has increased spending on modern weaponry. Military spending (see [Chart 6](#)) has increased in tandem with economic growth, strongly suggesting that over the medium to long term China will evolve into a power second perhaps only to the US.

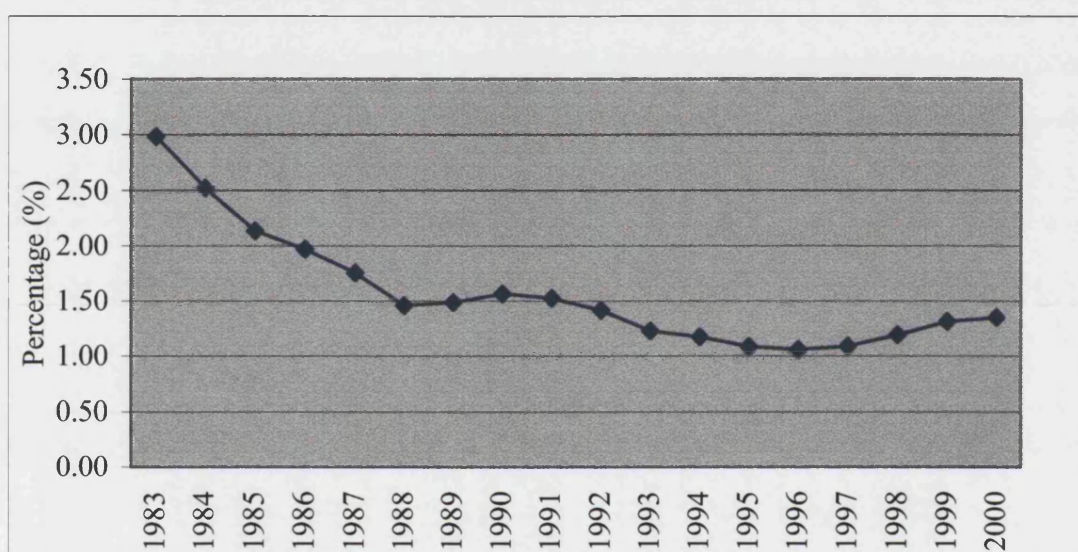
**Chart 6: China: Defence Spending 1983–2000**



[Source: Asian Development Bank.]

Almost mirroring Japan's 1 % of GDP ceiling on defence spending, in the 1990s China has *lowered* its spending to less than 1.5 % of GDP (See [Chart 7](#)). However, given the low cost of personnel compared to Japan, and also given the rapid growth of its GDP, there is a real increase in Chinese military spending as suggested by [Chart 6](#). This figure is, however, criticized as being too low, given the lack of transparency of Chinese data. Even with conservative estimates, it is the Yuan value increase accompanied by the modernisation of military capabilities that concerns realists.<sup>74</sup>

**Chart 7: China—Defence as Portion of GDP**



[Source: Asian Development Bank.]

The re-emergence of China at the “centre of the world” is perhaps too strong a conclusion to endorse. Nonetheless, barring its disintegration, the world's most populous country will likely play *the* pivotal role in Eastern Asia in the 21<sup>st</sup> century, displacing Japanese power of the 20<sup>th</sup> century. The 55 million Chinese overseas, who form one of the world's great economic engines, will be part of this effort as they pull China into modernity. As the [Economist](#) notes,

however distressing China's politics have been, overseas Chinese have always felt the cultural and linguistic pull of the Middle Kingdom. ‘The family spirit elevated to national scale’ is how one Hong Kong businessman puts it. Deng Xiaoping has managed to cultivate this spirit among the overseas Chinese, and it has already borne much fruit in the form of universities, hospitals, and high-risk investments provided for the mainland by overseas-Chinese businessmen.<sup>75</sup>

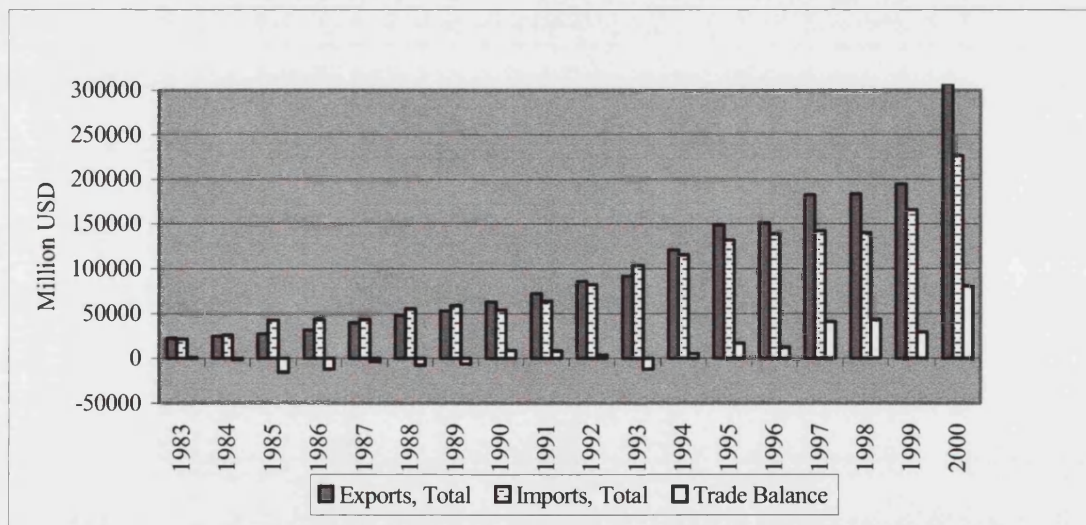
Deng's reforms enabled China to achieve high rates of economic growth over two decades. For liberals, this suggests a desire for integration into the world, rather than its



domination, given that these reforms have been very dependent on foreign trade and investment as engines of development.<sup>76</sup> Realists, however, would be alarmed that Western and Japanese firms can only watch as the overseas Chinese exploit their contacts to secure the safest and most lucrative of opportunities. As the *Economist* notes, on average, the overseas Chinese population's return on investment is four times higher than those in Southeast Asia.

Many realists are particularly concerned with the emerging pattern of trade, as China is gaining relatively more than the US.<sup>77</sup> For realists such as Gilpin (1989), who are concerned with preserving US power, the *relative gains* made by China—the competitor—should be more worrying than those gains made by allies Germany and Japan. From a near balance on its trade account in 1983, when it had just begun to trade with the US, China achieved a surplus of \$80 billion in 2000. China's trading gains came directly as a result of its surplus with the US. (See [Chart 8](#)).

**Chart 8: China—Exports, Import and Trade Balance 1983-2000**



[Source: International Monetary Fund.]

Given the threat China poses to US interests as well as those of smaller Eastern Asian countries, realists would argue that Japan's positively changed relations in the region are a result of balancing Chinese encroachment. For realists, the focus on the Chinese threat, especially in the strategic South China Sea in which the Spratly Isles lie, means that Eastern Asian countries have an interest in containing Beijing and thus making common cause with Japan. However, the realist view can only *assume* that Japan's

changed relations are mainly based on the Chinese threat, in part because they have no theoretical means to address the phenomenon of positively changed Japanese relations in themselves, *independent* of the balance of power. This realist oversight is confirmed if one stops to consider that the Chinese threat was more significant from the 1950s to the 1970s when an activist Beijing government attempted to spread Maoism via armed means that included support for Pol Pot's genocide, and prior to that, the occupation of Tibet and support for insurgencies in Southeast Asia. At that time, rather than bandwagoning with Japan in a classic balance of power game, Eastern Asian governments remained highly suspicious of Tokyo. With Japanese firms rapidly expanding their presence in the region after the 1950s, and former Imperial Japanese Army (IJA) soldiers returning in brand-new business suits, there was sufficient anti-Japanese sentiment to provoke attacks on Japanese property in the region (Constantino 1989).

### **1.3.2 Why North American realism fails: problems with universal coercion**

Realism, especially in its North American incarnation, explains the conducive strategic environment for improved relations between Japan and post colonial Eastern Asia. Realism cannot, however, explain why relations improved at a particular point in history or suggest which mechanisms drove the process. This apparent void is typically filled by assumptions of state behaviour based on further assumptions about human behaviour. The first problem with such assumptions is the transition from the *individual* to the *state* level of analysis without adequate justification. This leads realists to assume that state behaviour can be modelled on human behaviour, a conclusion that is highly problematic. This faulty assumption is further compounded when realists rely on a *pessimistic* understanding of human nature, as articulated by Thomas Hobbes, in a chapter titled "Of the NATURALL CONDITION OF MANKIND, as concerning their Felicity, and Misery." As Hobbes noted:

... in the nature of man, we find three principall causes of quarrell. First, Competition; Secondly, Diffidence; Thirdly, Glory. The first, maketh men invade for Gain; the second, for Safety; and the third, for Reputation. The first use Violence, to make themselves Masters of other mens persons, wives, children, and cattell; the second, to defend them; the third, for trifles, as a word, a smile, a different opinion, and any other signe of undervalue, either direct in their Persons, or by reflexion in their Kindred, their Friends, their Nation, their Profession, or their Name. (Hobbes 1662:62)

Hobbes denied people are naturally social beings, and instead argued that they are all "basically selfish" and are motivated primarily by a desire for power and "fear of others," such that the state of nature is a state of war. Thus, without an all-powerful

sovereign to rule them, their lives would be “poor, nasty, brutish, and short.” These pseudo-scientific *rationalisations* of human behaviour are based on but one particular culture at a single point in time. Clearly, Hobbes (1666) was influenced by the anarchical developments of his own day, particularly the English civil war. He was, moreover, influenced by the new system of physics devised by Galileo and others, concluding from their investigations that only matter exists, and that everything that happens can be predicted in accordance with exact, scientific laws.

Realist international relations scholars borrow Hobbes’ (1666) pessimistic idea of human nature based on selfishness and power-seeking behaviour and apply this individual level of analysis to the state level, thereby committing similar pseudo-scientific mistakes. Too many of these scholars argue that states are ultimately in competition with each other, and are willing to use coercion to achieve their ends. North American realists in particular, utilise aspects of Machiavelli’s (1515) work to advocate the importance of coercion, which is a contrast to the realism of Carr (1939), whose analysis of the punitive sanctions on Germany following WW I showed that it was necessary to understand the interests of “the other”, especially in terms of their perceptions of right and wrong.

Indeed, a clear reading of Machiavelli’s talented prince suggests that he resorted to consent as the *modus operandi* with coercion a last resort.<sup>78</sup> In the immediate post-WW II era, Realist scholars did attempt to understand war better. In Man, the State, and War (1954), Kenneth N. Waltz made one of the most important contributions to realism, arguing that while the “third image” describes the framework of world politics, without the “first” and “second images,” there can be no knowledge of the forces that determine policy. As such, the “first” and “second images” describe the forces in world politics, but without the “third image” it is impossible to assess their importance or predict their results. This excellent early view was driven by an appreciation of the costs of war, and it reflected a desire to put an end to it. Unfortunately, the explorations of the second and third images have not been thorough enough to truly understand the roots of conflict. With the Cold War, pessimists saw a world of “war of all against all,” and so Morgenthau (1956) argued that peace is *never* a permanent feature of the international system. In his work he drew upon the views of both Hobbes (1666) and Machiavelli (1515), presenting man as pursuing only self-interest and self-preservation. This view of

realism was to become the dominant strand among North American realists in the field of international relations. So much so that, by the late 1970s, security and the “national interest” had become synonymous. Krasner’s (1978) unconvincing advocacy of a “national interest,” which is essential to make the realist case at the international level, is based on the idea of an anthropomorphic state able to pursue interests despite the preferences of even the most powerful local actors, such as oil firms. Waltz’s (1979) work, which attempted to systematise realism, would not have been possible without anthropomorphising the state and attributing to it Hobbesian proclivities. As Justin Rosenberg (1994) notes, these views miss that states can be seen as parts of the ‘empire of civil society’ within which they originated and on which they depend.

North American realists offer parsimonious narratives of international relations with an eye to providing prescriptions grounded in US interests. However, this apparent parsimony is constructed through a narrow and selective reading of history that extends to sanitizing the history behind the creation of their own state from the spaces inhabited by others. Such scholars are therefore unable to address the reality that their international relations have centred upon the construction of a modern empire that has met with resistance. North American realism has thus been pseudo-scientific, and thus similar to Hobbes’ understanding of the world and party to his failure to comprehend both the roots of conflict and the possibility of peace. This is not to deny realism all explanatory power, but rather to argue that realism, especially in its North American guise, is limited to questions of power politics of how the US can dominate, offering a deterministic agenda in which a just peace can never be imagined.

The *practice* of realism in statecraft, i.e., the use of Morgenthau (1956), now in its sixth edition, to teach diplomacy, and indeed the entire idea of teaching diplomats a particular selective history, can leave us with no acceptable balance between praxis and social “science.” With no actual moral or normative ends to pursue, even with careful reasoning, realism becomes practice. This is evident when we consider how North American realists’ selective readings of European military history have influenced the central assumptions in their theory of international relations. This type of work unscientifically neglects consensual relations and casts long periods of peaceful exchange as being merely anomalous. In this manner, North American realists have over-emphasised coercive relations to the point of excluding notions of consent in



relations between hegemonic powers and post colonial states. Arguably, realism as parlayed by US scholars is a self-perpetuating cycle of fear. They refuse to understand the possibility of progress, and the importance of “the other” in fostering stability and peace. While it may be useful in the face of a real threat, when confirmed by valid intelligence, this perspective risks fostering new fears on the basis of imagined threats, leaving us in the dystopia of perpetual fear.

When the realist position is extended to include the world, the neglect of consent as well as periods of peace becomes even more questionable. Realists ignore the reality that democratic societies have a *tendency* to assert forms of veto over the costs of going to war too easily, particularly with other democracies.<sup>79</sup> As such, realism ignores the social origins of a state’s foreign policy, when in the late 20<sup>th</sup> century these origins are important given the veto power that civilians, particularly women, have over issues of war. Realists are hard pressed to explain how Japan has for the past 20 years resisted US pressure to fully rearm, so as to take up a greater burden of the defence of Eastern Asia in the way that Germany has done in Europe. As Thomas Berger (1996) argues,

rather than seeking to become great powers in an increasingly multipolar world, Germany and Japan seem to be doing almost the precise opposite—clinging to a small power role that they have arguably outgrown. Nowhere was the persistence of German and Japanese anti-military sentiments more plainly evident than during the 1991-1992 Iraq war. Despite massive diplomatic pressure from the United States, and although their foreign policy establishments believed that a decisive show of military support was necessary, the Kohl and Kaifu governments seemed almost paralysed by the events of the Gulf. In the end, the two countries did furnish impressive sums of financial aid, but domestic political pressures prevented them from sending even token military forces to the region. Not only did Germany and Japan fail to take a more activist international security role in the Gulf, but they damaged their credibility with their major allies.<sup>80</sup>

Since the Gulf War, after much internal debate and pressure from the US, Germany and Japan have slowly begun to remove legal barriers to increased participation in international peacekeeping. Germany’s defence spending was robust over the course of the Cold War. Japan’s military spending is considerable (1 % of the world’s second largest GDP makes it so). However, from there the comparison deviates. While Germany did, as Berger notes, refuse a role in the Gulf War, it has nevertheless re-emerged as the key Western European power in military terms, while Japan has refused a similar role in Eastern Asia. Arguably, the post-Cold War German policy of insistence upon recognising Slovenia was not exactly benign, as it helped to initiate the bloody break-up of Yugoslavia. When the opportunity presented itself, the *Luftwaffe* dropped

lethal munitions on its old enemy Serbia with little hesitation. In contrast, Japan has stayed out of such problems of state disintegration, as with the recreation of a colonially imagined East Timor from the larger imagination that is modern Indonesia.<sup>81</sup> Significantly, the Japanese have yet to shoot in self-defence in their peacekeeping missions. Yet, relentless US pressure will likely push Japan into situations of armed conflict in the future, but only very reluctantly, as the debate over the possibility of deployment to Iraq in 2003 has shown.

### **1.3.3 A realist puzzle: integrating with a re-arming formerly belligerent power**

Realists believe the US-Japan relationship to be fragile, as Japan has gained relatively more than the US over most of the post-war era.<sup>82</sup> While most fears have so far proven to be unfounded, from a realist perspective the behaviour of Eastern Asian nations in developing closer interdependent ties with Japan would be somewhat puzzling.<sup>83</sup> According to these scholars, during periods of peace states are supposed to prepare for war and are fearful when their neighbours are arming, especially when re-arming after losing a war, as with Japan. Therefore, realists should perceive a Japanese threat that Eastern Asians would do well to be wary of, and thus be extremely conscious of balancing. Yet, operationally, Japanese presence has not been resisted. Could it be then, as some realists insist, that “alliance” politics, led by the US, made Japan a “new ally” of the Eastern Asian states facing the Chinese threat? Indeed, this scenario is close to what occurred during the *early* stages of the Cold War, when Tokyo was swiftly rehabilitated in order to play its part against Bolshevism. However, these actions alone cannot adequately account for Japan’s positively changed relations in Eastern Asia. One might indeed see a US-chaperoned re-introduction in the immediate post-war period between 1951 and 1964, the subsequent course of which, especially in the post-1980s era, can only be understood by delving deeper into the complexities of this relationship.

Understanding Japan’s positively changed relations from the early 1980s onwards is thus crucial to the further theoretical development of international relations. As Japan has built up its armed forces, gradually extending its reach with alliance-based responsibilities, the region’s post colonial states have officially voiced their concerns somewhat mutedly. Significantly, this rhetoric has not been supported by meaningful actions. Indeed, after some consideration, Eastern Asian governments have instead endorsed the Japanese actions, with opposition only coming from right-wing sources.

Confirmation of Japan's positive relations in the region came in 1997/1998, at the peak of the regional crisis, when the most volatile of countries—Indonesia—turned anti-Chinese (as it had during anti-communist purges in the 1950s), but not anti-Japanese. As the economic crisis of 1997/98 worsened in Thailand, Malaysia and South Korea, some even turned anti-Western, but again not anti-Japanese.

While realists have done well to place power at the centre of analysis in international relations, they find it difficult to provide a rich picture of Eastern Asian dynamism as domestic politics is “black boxed.” Thus, in the 1990s, realists lose credibility when they explain positive Japanese-Eastern Asian relations as a consequence of a Chinese threat. In reality, despite the rhetoric sponsored by interested parties, self-appointed experts on Japan, and sensationalist newspapers in Asia and the West, concern about Japan's militarism has faded despite the increased military capabilities it has accrued. As Alagappa (2001) argues, the region has moved away from confrontation to forms of diplomacy and even co-operation. These changes have gone so far that defence analysts have now begun to consider how Japan might help police the region, or how Japan might join the UN Security Council as a permanent member.<sup>84</sup> Indeed, as will be discussed later chapter, over the past decade Japan has been under increasing pressure to participate and make sacrifices militarily to maintain international order. Despite the rhetoric of “being suspicious of Japanese intentions,” more and more Asian states have opened themselves to Japan in areas of security co-operation at the “highest level.”<sup>85</sup> The question remains, how and why?

## **Conclusion: ASSESSING JAPAN'S RELATIONS IN EASTERN ASIA:**

### **CONSIDERING THE LEGITIMATION OF HEGEMONY**

Failure to address questions about Japan's improved relations in Eastern Asia would no doubt result in researchers spending a great deal of time debating the nature of Japan's “normal” role.<sup>86</sup> Indeed the likelihood is that left unchallenged, “normality” might well be *imposed* on Japan by the discipline of international relations itself. By advocating that Japan rearm to their specification and thus become “normal,” “realists” might well risk destroying a peaceful international order in Eastern Asia. Should this happen, we will surely see more works on Japan informing us that peace is only possible through preparation for war. Such work would neglect a separate reality—namely, that peace

can be won by addressing historical grievances, especially of the material kind. Fortunately we can imagine this separate reality without Don Juan and the influence of peyote: as Carlos Casteneda (1971: 16-17) discovered, “Looking” refers to the ordinary way in which we are accustomed to perceive the world, while “seeing” entails a very complex process by virtue of which a man of knowledge allegedly perceives the “essence” of the things of the world. While it will need a philosophical treatise to connect seeing with understanding, it is acceptable to merely suggest that we will need to adapt a more hermeneutic method to explore hegemonic power at the international level in terms of the conditions needed for its legitimation.

Why have post colonial states in Eastern Asia improved their relations with Japan in the late 20th century? Arguably, explaining or understanding the positive change in Japan’s relations in the region in the post-1980s world compared to the 1951–71 period involves challenging the dominant theories in international relations. Various strands of liberalism, Marxism, and realism view international relations that do not fit their respective moulds with unrelenting scepticism, pitting international relations theorists against each other, yielding a most unfruitful result. Upon closer examination, it becomes clear that Japan’s positively changed relations in Eastern Asia only fit in with parts of each pillar, thus allowing each to claim *some* explanatory power. However, the assumptions of these mainstream theories lead to deterministic conclusions of either eternal coercion/manipulation by realists and Marxists, or mutual consent leading to perpetual peace by liberals. Hence, in order to be methodologically independent of assumptions concerning meaning, international relations theorists must emphasise both coercion-manipulation *and* consent as possible outcomes. They must also be amenable to empirical verification, as suggested by Habermas (1992) in his debate with Popper.

The most fruitful path to explain and understand Japan’s positively changed relations in Eastern Asia is to challenge the deterministic assumptions of coercion/manipulation in realism/Marxism *and* those of consent inherent in liberalism. This can be accomplished by seeking theory that offers criteria against which these assumptions can be tested. In this regard, the work of both Gramsci (1937) and Habermas (1976) is particularly useful. The Gramscian (1937) notion of “hegemony” was originally developed to understand why revolution did not overwhelm Western liberal capitalist nations, thus giving insights on consent. The Habermasian (1976) problem of a “legitimation crisis”

involved an attempt to understand the weakness of consent in these same liberal capitalist states after the withering away of the welfare state promoted a world of growing inequity once again. When “hegemony,” which is constituted with coercion/manipulation *and* consent, is considered together with “legitimation crisis,” it is clear that we are in an environment in which the need for constant validation of power is a dynamic path closer to reality. This path enables us to draw on the work of two of the most important thinkers of the 20<sup>th</sup> century in an attempt to understand the international order, though with certain caveats as the domestic and international are different levels of analysis with different assumptions. For research on the causes of Japan’s positively improved relations with its neighbours, such a path suggests more valuable insights than do the partial views provided by the three pillars and their sub-theories.

## Chapter 2

### Understanding Power Normatively in the International System: Legitimation of Hegemony via the Metaphorical Notion of 'Public Goods'

With trade flows not benefiting post colonial states, Susan Strange (1950) warned of the widening gap between the poor and the rich. Compared to the efforts to re-build and integrate Europe, post colonial states' calls for aid to spur their development—the *raison d'être* for their independence—have met deaf ears. The demands of the G77 have largely been ignored by wealthy nations, and are the responsibility of weak international organisations such as the UNDP. Where pledges have been made—for example, the 0.7 % of GDP for development aid—they have not been implemented. In this context, relations between the rich and poor have consistently worsened (Frank 1969, Amin 1985a & 1985b, and Frank & Gills 1993). In Asia, however, post colonial states have viewed their common colonial power, Japan, with *decreasing* hostility from the 1980s onwards. Despite anti-Japanese rhetoric, states in the Eastern Asian region—barring China and North Korea—have drawn closer to Japan than could ever have been imagined at the San Francisco peace conference of 1951. From Indonesia in the Southwest to South Korea in the Northeast, these countries enjoy close relations with Tokyo, with leaders going so far as to suggest “looking East.” How did such relations improve, despite Japan's imperial past, and regional hegemonic present?

To answer the question of improved relations in general, one might look to international relations theory. However, the discipline focuses on powerful states and their objectives, paying little attention to how to improve relations with post colonial states and societies. In light of the assumption driven theoretical impasse described in Chapter 1, the closest scholars have come to fully accounting for the relationships between the most powerful states and weaker ones, is through using the language of hegemony. In employing the language of hegemony, leading scholars have emphasised *verified coercion* (Gilpin 1987), *verified manipulation* (Cox 1987), and *unverified consent* (Keohane 1984). Disagreements between scholars, who rarely engage each other as we saw in Keohane (1985b), show us that verification of consent is a non-issue. This leaves us with two crucial questions for international relations. Firstly, without a theory verifying consent, how can one begin to interpret facts that might show it? Secondly, without a stringent set of standards for verifying consent, how can one be certain it is not merely

manipulation? If the idea of hegemony in international relations is to be theoretically useful, it must show us when, where, how and why power is used with constraint. This will allow us to explore cases of improved relations between a former colonial/imperial power and its historical victims, as with Japan and Eastern Asia, contributing to the development of a discipline more focused on ending war.

While international relations theorists consider hegemony by referring to classical texts, only Gramsci (1937) delivers a total work on this concept which provides reasons for consent, or following “leaders.” Hence, a better understanding of hegemony, and especially its more precise deployment at the international level, is required. In considering this, it is clear that the intellectual domination that Gramsci (1937) argued underpinned hegemony at the domestic level does not exist at the international level—at least in so far as post colonial states and societies are concerned, as shown by the emergence of the G20, anti-globalisation movements and even terror networks. Given the vehement quarrel over wealth disparities, it becomes necessary to focus even more on the material aspects of hegemony from the perspective of post colonial states without falling into the determinism of Marx (1873). One starting point would be to make hegemony a function of relative material gains (and losses) by post colonial states, which requires us to move beyond Gramsci’s (1937) domestic level work, and in this, Habermas’s (1976) insights suggest that for hegemony to be *legitimated*, historical post colonial demands for narrowing the material gap have to be met.

In what follows, section 2.1.0 explores Gramsci’s (1937) work on hegemony, showing that in addition to intellectual domination and leadership, he saw consent and democracy could be verified in capitalist societies when the working classes gain materially, thereby suggesting Habermasian (1976) legitimation for the provision of ‘public goods’ by powerful actors. Section 2.2.0 suggests such metaphorically idealised goods are a result of collective action failure (Olsen 1971), and then considers how liberalism misses that public goods benefit the bourgeoisie, thus requiring critical focus on legitimation. Section 2.3.0 shows that by combining the insights of Gramsci (1937) and Habermas (1976), legitimation of hegemony can be understood to be at the core of *why* powerful actors provide ‘global public goods,’ suggesting the crucial basis for improved relations between the powerful and the less powerful.

### 2.1.0 NON-DETERMINISTIC HEGEMONY:

#### GRAMSCI'S CRITICAL CONSENT AND COERCION

As Fontana (1993:206) notes, in Aristotle, and in contemporary Greek political understanding and practice, a “hegemon” was seen as a ruler whose power is based on the interests and consent of those over whom power is exercised. If the hegemon is a state, the resulting political structure is a system in which the hegemonic state exercises leadership over consenting states. However, in international relations research, scholars find hegemony can mean leadership with emphasis on coercion (Gilpin 1987) or the ability to manipulate via control of production and ideology (Cox 1987, Gill 1990 & Gill, et al 1993) on one hand, and benign forms of “leadership” and “authority” (Keohane 1984, Sato 1992 & 1996a & Cox 2001) on the other. Barring Cox (1983 & 1987), Gill (1990) and Gill, et al (1993), the use of hegemony is *bereft* of any reading of socio-political theory concerning hegemony.<sup>87</sup> However, Germain and Kenny (1998:3) convincingly conclude that even Cox (1983) and Gill (1993) have not paid attention to the great depth of the debate on Gramsci (1937):

Our principal conclusions are that the Italian school's appropriation of Gramsci is far more conceptually problematic than they acknowledge, and that their use of his framework is difficult to sustain with respect to the scholarship devoted to his ideas.

For Germain and Kenny (1998:4) the principle reasons for the failure of the one “IR” attempt at using hegemony is rooted in three core questions:

- (1) whether the reading of Gramsci on which this appropriation rests actually constitutes a viable interpretation of his work;
- (2) whether his key concepts (from an IR point of view) can be ‘internationalized’ in quite the way that the new Gramscians propose; and
- (3) whether his concepts are fully adequate to comprehend the nature of social order in the contemporary period.

Certainly determinism ought not be part of any reading of Gramsci. Intellectual domination does not work well at the international level, and it is also clear that hegemony alone cannot describe the nature of the social order we are in, including the relationship between those in power and those without. In order to use hegemony, these fundamental questions have to be addressed.

However, we must allow for differences in interpreting Gramsci, a position that Cox (1983) and Gill, et al (1993) might take in their own defence. When it comes to Gramsci's notion of hegemony, there are, as Fontana (1993: 1–3) notes, a plethora of



“antagonistic” views. Typically, these views tend to adhere to one of roughly three schools:

- (1) The orthodox Leninist School: Gramsci is seen as a Leninist who translates Bolshevik experience in Russia according to the conditions present in Italy. In effect this school equates Gramsci’s “egemonia” with Lenin’s (1917/1937) dictatorship of the proletariat.
- (2) The anti-Marxist writers: Gramsci’s hegemony is seen as an all-encompassing conception of the world, and thus as a typical example of Marxist totalitarianism.
- (3) The original Gramsci school: Gramsci’s work is seen as an original contribution to Marxist revolutionary thought. This school stresses hegemony as the moment of consent and moral-intellectual leadership while not de-emphasising or neglecting the moment of force or domination.

This dissertation begins to develop hegemony for the international level with the “original” Gramsci (1937) as a point of departure. It uses the concept to overcome deterministic analysis while not relying on his ideas of intellectual domination, thus allowing the concept of hegemony to cross of levels of analysis into the international. Leaving intellectual domination to domestic politics and ensuring a non-deterministic analysis, this work focuses instead on Gramsci’s work on how coercion and consent were built into the concept in such a way that *either* outcome was possible depending on the material conditions of the working classes. It then proposes to substitute Gramsci’s description of democracy at the domestic level with a more generic notion of legitimation first discussed by Weber (1968), but modified by Habermas (1976) to describe situations of consent, in order to move to the international level.<sup>88</sup>

Subsection 2.1.1 shows how Gramscian hegemony is contested, but still utilised more or less without means to either verify or falsify a more coercive or a more consensual type of hegemony. Subsequently, subsection 2.1.2 counters deterministic interpretations and uses of hegemony. It considers how Gramsci himself was interested in a method allowing falsification, and thus developed “hegemony” to include mutually falsifiable elements of coercion and consent, while also showing that to indicate its nature he qualified hegemony with the presence of democracy (or lack thereof). Subsection 2.1.3 moves the debate to the international level, proposing that consent is essential for

hegemonic states in the process of legitimation of power and must be understood theoretically and empirically in terms of relative material gains for post colonial states, rather than as reflected by formal elections, polls or surveys due to the possibility that these can be manipulated.

### 2.1.1 The original Gramsci: coercion and consent to be verified

Written in 1937, the Prison Notebooks of Antonio Gramsci remains to date the single most important work written on the notion of hegemony, making it essential for social scientists to refer to this text if they are to use the term. In prison, Gramsci (1937) puzzled over why liberal capitalist societies did not undergo revolution as predicted by Marx (1873). To address the nature of the capitalist system and the emergence of liberal democracies in the West, Gramsci developed Machiavelli's idea of *egemonia* (Fontana 1993). Thus the "original Gramsci school" allows us to be sensitive to data on coercion *and* consent. Hegemony specifically included coercion/manipulation and consent in order to provide the tools to assess relations between the hegemon and governed groups in terms of the *degree* of coercion *and* consent present, making it possible to conclude how much of each constitutes hegemony in a particular system.

While coercion is often clear enough, the issue of consent is not easy to understand once we get around to the task. For many critical scholars, consent is *always* manipulated and/or shaped by institutions captured by the powerful. In this vein, Holub (1992) argues that Gramsci saw the perpetuation of a predominant class through its control of the institutions of society:

The powers of a predominant class transcend the limits of what he calls the state or political society by extending to society at large, to civil society with its institutions schools, churches and the press, with its cultural organisations directing collective events and practices such as sports, theatre, leisure time and so forth. A predominant class produces and maintains power or, as Gramsci calls it, hegemony, via civil society, where a set of ideological practices guarantees the status quo anchored in political society, ultimately *legitimising* certain economic practices (Holub 1992:103). [My emphasis.]

Thus for Holub, legitimation, in which some consent is implicit, is based on a form of manipulation; it is manufactured in the way Noam Chomsky famously argues.<sup>89</sup> Holub's reading does not show that Gramsci also allowed the understanding of consent in terms of *agency* by reasonably well-informed human communities in democracies. Gramsci did not ignore agency theoretically and *a priori*, instead leaving empirical research to verify the nature of hegemony and agency. Thus, in contrast to the original

Gramsci school, Holub's approach to hegemony exemplifies regression into the very Marxist determinism that the famous Italian prisoner fought to avoid. In this, Holub fails to adequately recognise at least two crucial factors in Gramsci's work:

- (1) The possibility of mobility between classes: Gramsci notes that disaffected classes would choose a system allowing them mobility over one in which the ruling classes are rigidly in place;
- (2) Gramsci's own organic nationalism: He was specifically interested in the emergence of an *Italian* socialism, which for him is organic, leading to his republican bent, beyond self-interest alone.

Both of these factors play a crucial role in Gramsci's thought in terms of refuting determinism and reasserting the agency of the working classes, as well as pointing to how classes develop national sentiments through rites of entitlement, such as taking personal risk and going to war. In contrast, a deterministic view of hegemony leaves us with manufactured or socialised consent, or a variant of this argument at different levels of analysis. Aside from not taking choice or agency seriously enough, such determinism runs counter to the researcher's obligation to deal with Popperian falsification at the extreme, or more reasonably, the Habermasian (1987, 1996) verification implicit in Gramsci's (1937) method from the beginning, when he attempted to understand the falsification of Marx's (1863) predicted revolution.

### **2.1.2 Non-determinism and critical thought: the importance of verification**

Deterministic work is often a result of an inability to build a system of falsification or verification into one's research. It promotes a limited vision of human agency, leaving us with no means to study social processes other than to either describe them or justify them with mechanical *post hoc* reasoning that seems very convincing, but which crumbles under careful scrutiny. Thus theorists or social scientists who are interested in agency and *other* possible outcomes suggested by counterfactuals, common sense, intuition, etc., must use methods that are non-deterministic, such that veins of theory extend deeper into society and its contradictions. In this vein, it is useful to understand some of the methodological points made by Gramsci (1937) and Habermas (1981) which present a contrast to the conclusions of Karl Popper (1935).

In Gramsci's method, hegemony was developed as a theoretically rich term to deal with the weakness of what he saw as determinist Marxism. With the use of consent as a possibility along with coercion, Gramsci allowed for the falsification of Marx's prediction of impending revolution as discussed in his main works, including the widely read Communist Manifesto.<sup>90</sup> Gramsci notes:

The methodological criterion on which our own study must be based is the following: that the supremacy of a social group manifests itself in two ways, as "domination" and as "intellectual and moral leadership." A social group dominates antagonistic groups, which tends to "liquidate," or to subjugate perhaps even by armed force; it leads to kindred and allied groups. A social group can, and indeed must, already exercise "leadership" before winning governmental power (this indeed is one of the principal conditions for the winning of such power); it subsequently becomes dominant when it exercises power, but even if it holds firmly in its grasp, it must continue to "lead" as well. (Gramsci 1937: 55, note 5.)

In Gramsci's attempts to avoid the censor he used "social group" to mean "class."<sup>91</sup> For Gramsci the ruling classes maintain their position via domination with force, if necessary. However, to continue to rule, they can also seek intellectual and moral leadership. Thus, methodologically he was open to the idea that the led groups have to be convinced intellectually and morally to support the formation of a government and must *also* be satisfied with material gains so that they *continue* to support their government, as the work of hegemony is never done.

In order to evaluate these conditions Gramsci had to develop a method of verification that had a meaning criterion included, something that Karl Popper saw differently, but incorrectly, given the Habermasian criticism. In 1935, Popper, in his Logik der Forschung (or The Logic of Scientific Discovery, translated to English in 1959), pointed out the necessity of falsification in social science. Gramsci, who likely did not have access to this work, also arrived at a similar idea independently. However, Popper took the famous positivist line by arguing that the meaning criterion should be abandoned and replaced by a criterion of demarcation between empirical (scientific) and trans-empirical (non-scientific, metaphysical) questions and answers. This criterion, according to Popper, is to be testability, or, in his own version, falsifiability; that is, refutability. Popper was impressed by how easy it is to supposedly verify all sorts of assertions—those of psychoanalytic theories seemed to him to be abhorrent examples. However, the *decisive* feature for Popper is whether it is in principle conceivable that evidence could be cited that would refute (or disconfirm) a given law, hypothesis, or

theory. He argued that theories are often bold conjectures, and that scientists should be encouraged in their construction—no matter how far they deviate from the tradition. However, he also argued that that all such conjectures should be subjected to the most severe and searching criticism and experimental scrutiny. Thus for Popper, the growth of knowledge proceeds through the elimination of error; that is, through the refutation of hypotheses that are either logically inconsistent or empirically refutable.

While Popper's demarcation of the empirical and metaphysical must be challenged for its extremes, his idea of falsifiability is nonetheless useful. Unlike Popper, Gramsci introduced the notion of falsifiability into his work by developing coercion along with its antithesis consent within the grander analytical concept of hegemony that gave meaning to the concept of power. Indeed, by developing the notion of hegemony with mutually falsifying meanings of coercion and consent, Gramsci anticipated Habermas's critique of Popper's attempted division between science and metaphysics.

Habermas (1986:51) believed Popper's "empirical-analytical science fails to do justice to fruitful theoretical developments in the social sciences from Durkheim, Freud, Mead, Piaget down to Chomsky." In his view Popper clearly over-extended the methodological power of the negative in this theory of falsification (Habermas 1986:51). Thus Habermas argues that while falsification is indeed useful, it should not be over-extended to the point where knowledge can only be advanced by showing what is not true for given problems. Instead he argued that falsification must go along with verification and reason to advance what we know. Also, Habermas saw that Popper does away with the context of both the discovery and the applications of social science theory (Habermas 1986:50–51). Context that includes both agency *and* structure gives reasoning more opportunity and thus encourages more useful hypotheses to verify if not falsify. Thus, while Habermas attacked the privileging of the sciences in the manner of the Vienna Circle to which Popper belonged, he did see the use of the idea of verifiability as a necessary criterion for research.<sup>92</sup> Also, in widening the discourse to address real world problems, Habermas (1986: 50) argues for approaches that aim

to enlighten people and groups in need of orientation of themselves and their social situation, the network of interests and the formative processes which make their activities possible, control them, and—in certain cases—subject them to pathological constraints.

In essence, Habermas leaves us to ask *what* is the good society and *how* ought we to achieve it. This is in contrast to the idea that there are natural processes in society that science must somehow unearth. Which in essence brings attention to the false dichotomy between is and ought or “realist” and normative theory. For Habermas agency in pursuit of certain normative objectives is still important, even though it may be more or less constrained by structure. In making his case Habermas argues against Popper’s notion of positivism, which suggests that modern scientific knowledge and research are in some way objective and value free. For Habermas, science involves values and interests that have little to do with a disinterested pursuit of truth; thus his argument runs counter to the Enlightenment position that reason will banish myth, superstition, and tyranny, emancipating human society. Habermas suggests instead that the technologisation of society, and the growth of bureaucracy attendant to this, has merely served to maintain the institutions of the state while de-politicising its citizens. Reason and science have thus become tools of domination rather than emancipation. Yet, and this is absolutely crucial, Habermas makes it clear that this need not continue to be the case, envisaging a time when reason and knowledge could work towards the practical improvement of society. Therefore, when considering the problems of international relations, the lack of consent within the discipline must be remedied in order to have a meaningful debate. This is especially the case when defining and using terms such as hegemony.

### **2.1.3 Defining hegemony: consent to ‘international public goods’ provision**

As already noted the use of hegemony at the international level has focused on confirming its coercive aspects, as with Gilpin (1987), or its manipulative power via intellectual domination and control of the means of production as with Cox (1983 & 1987) and Gill, et al (1993). Others have assumed consent to be implicit in hegemony thus needing no verification (Keohane & Nye 1977 and Keohane 1984). In the work of Gilpin (1971 & 1987), it was clear that he understood and operationalised hegemony in terms of ‘international public goods,’ given his assertion that other states benefit from US hegemony, in the manner suggested by Mancur Olsen (1971). Kindlerberger’s (1986) analysis within economic history suggested that the liberal international system was maintained by hegemonic power via provision of ‘international public goods.’ Since then many scholars have embarked on debating hegemony in terms of international public goods provision in the “major journals”, with debate revolving

mostly around the problems of collective action. What is interesting is that almost all of these scholars are based among the G7 nations, and most fail to consider that their understandings of hegemony are based on a simple classical formula. In reality the international politics of hegemony are more complicated than that, particularly in a time when capitalism is the organising economic force and violence is no longer the monopoly of the state, in contrast to ancient times where the state was the only actor worth considering. Under the circumstances the classical simplicity hides much. The theoretical parsimony achieved by such simplicity is not worth the inaccuracies that emerge in the much more complex world of today. Thus a term as important as hegemony must have a more modern theoretical base that at least includes the economic system of the times. Such a view on hegemony is provided by Gramsci (1937) and those who use his work as a point of departure. Hegemony then has to be vigorously debated as an ongoing project, as the work of hegemony is never done. To accomplish this, insights must be drawn from sociology, where intellectual debates are usually deeper and well ahead of those in international relations, as we saw with Wendt's (1987 & 1992) writing on structuration, predicated by in sociology by more than two decades and culminating in the work of Anthony Giddens (1984).

Thus far Gramscian (1937) hegemony has remained a rich term used at the domestic level in several disciplines with a degree of methodological theoretical robustness that addresses even the later concerns of Habermas (1988 & 1996). However, to be useful at the international level, hegemony must go well beyond the capacity to coerce and/or manipulate via intellectual domination and control of production. Consent is crucial for Gramsci as noted by Germain and Kenny (1998: 17).

Broadly speaking, hegemony is achieved within the sphere of civil society by consensual means, when a leading class sheds its immediate economic-corporate consciousness and universalizes (within the constraints of the national-popular character) its norms and values, thereby establishing a political and ethical harmony between dominant and subordinate groups.

In order to conduct research within international relations with a greater degree of accuracy, hegemony must include not only the capability to coerce, but also the capability to win the consent of those with less power. This means that research on hegemony must be deliberately *multi-layered*. Specifically, research must focus on:

- (1) the capabilities of the hegemonic power in question (Strange 1988a),

- (2) the policies and responsibilities of the hegemonic power in question (Strange 1987 & Murakami 1996).
- (3) the attainment of a critical theoretical understanding of what will be acceptable for those with less power, as crass opinions might be well be manipulated.<sup>93</sup>
- (4) confirming whether or not weaker states—those post colonial states in focus here—have or are on a path to “catch-up development” that closes economic gaps of the sort seen by Susan Strange (1962).
- (5) understanding what type of political processes will lead to favourable outcomes, rather than mere academic analysis (Strange 1981).

These steps are obvious in the academic career of Susan Strange (1949-1999), making it clear what scholars must do to achieve the goal of normatively driven research that recognises the limits of narrow self-interests in comparison to the enlightened version.<sup>94</sup> Following her concern in guiding US policy, we can expect that while the hegemonic use of coercion will elicit resistance, policies that address the demands and needs of post colonial states will elicit followers for the hegemon and therefore verify its claims to leadership. This sentiment is expressed best by Germain and Kenny (1998: 17):

A dominant class rules, but effectively with and over, rather than against, subaltern classes. *Here we can measure the extent of hegemony by the existence or absence of social strife, and by the degree of legitimation which the social order and body politic enjoy.* [My emphasis.]

Beyond consent and the need to legitimate, hegemony can mean different things. As Ransome (1992: 132) has found, the concept is a variable definition rather than a grand theory. For him, the precise definition of the term tends to vary according to the particular issue which Gramsci addresses. Nevertheless, he finds three pre-conditions to understanding Gramscian hegemony:

- (1) *Hegemony is organic*: as a description of process and evolution it is useful to consider the concept of hegemony as being essentially organic.<sup>95</sup> Or as Ransome (1992) quotes Ralph Miliband (1982: 76): “Hegemony is actually a process of struggle, a permanent thriving, a ceaseless endeavour to maintain control over the ‘hearts and minds’ of subordinate classes. The work of hegemony, so to speak is never done.”
- (2) *Agency in hegemony*: Ransome (1992: 132) suggests, “the agents of hegemony are conscious and reflective human agents.” Hegemony is not, therefore,



something beyond the control of social agents as it is “created, maintained and reproduced by real individuals.”

- (3) *Hegemony as praxis*: Ransome (1992: 133) proposes that “hegemony describes a process of conscious intellectual reflection and synthesis, which leads to: (a) a greater understanding of material reality, and (b) to the development of a new form of political strategy and action. In this sense, hegemony is a form of *praxis*, a realisation through action of conscious, critical self-reflection.”<sup>96</sup>

Hegemony is a very complex description of the exercise of power, and as such a concise definition of the term eludes many. Therefore, Ransome’s insights are useful for research on hegemonic actors given that he is suggesting that Gramsci constructed a framework for different outcomes and uses. In light of the need to understand how a hegemonic power improves its relations with a less powerful actor whose central concern is its own material development—or more specifically how Japan’s improved relations with post colonial Eastern Asia—it becomes essential to define hegemony specifically. However, before doing so it is important to remind ourselves that in addition to Ransome’s concerns above, hegemony at the international level is operational via metaphorical ‘international public goods.’ These describe a residual category of goods coveted by weaker states, who then free-ride (Olsen 1971, Kindleberger 1986, Gilpin 1987). With these caveats in mind, hegemony is defined as the power to provide what can be metaphorically seen as ‘public goods’ at the international level, so as to win consent, in addition to the power to simply coerce, thus making it a process of conscious struggle to win the “hearts and minds” of followers via strategies that respond to at least their historical material demands.

With this definition, it is possible to assess the tenor of hegemony in the hands of policy-makers within hegemonic states by considering from the beginning the material demands upon which post colonialism gained credence in the periphery a century ago. Thus, we can anticipate that policies of mere coercion in this day and age will be seen as tyranny and provoke resistance. We can also anticipate resistance to hegemons that engage post colonial states in forms of commerce where gains do not narrow the material divide between rich and poor. In striking contrast, the exercise of hegemony in a manner which meets the legitimate demands of potential followers will likely convert

them into actual followers, leading to legitimation of hegemony, or in Gramscian terms, democracy.

### 2.2.0 UNDERSTANDING LEGITIMATION OF HEGEMONY VIA *METAPHORICAL* ‘public goods’ PROVISION

With hegemony needing to be legitimated, there still remains the task of how to characterise the actions of hegemony. Indeed using the “classical definition” of hegemony in more recent literature, Michael Cox (2002:55) defines it as “leadership,” leaving little room to characterise actions beyond pre-supposed *positive* descriptions—for what else can “leadership” be? This begs the question, who is being led and for what, and why should anyone follow? Fortunately, scholars engaging international political economy and international history suggest that hegemons are responsible for providing ‘international public goods,’ a term which itself suggests that there is a reason to follow. As Richard Sherman and M. Scott Solomon (2001:1) argue in “IR Theory's Evolving Economic Metaphor,” such economic *metaphors* are rife within international relations and international political economy:

We distinguish metaphor from theory by the type of statements they make about reality: theories make claims about observable facts, *while metaphors make claims about theoretical resemblances*. To illustrate... A theory claims that international cooperation is more likely to occur among small groups of states than large groups, *while a metaphor claims that international cooperation is a public-goods problem* (etc). While metaphor is distinct from theory, economic metaphor has influenced the development of IR theory in ways both overt and subtle.

‘International public goods’ are widely considered to be goods provided due to collective action failure (Olsen 1971). However, within the cannon it is a metaphor that is *idealised* to show how actions of hegemonic actors might benefit weaker players as originally claimed by Gilpin (1971). As Sherman and Solomon argue (2001:11) Kindleberger's analysis of the economic consequences of modern hegemony reframed the discussion of hegemonic stability in the metaphorical language of public-goods provision. For them this has been a productive way of posing questions about hegemony and its absence, as a large literature has emerged around the subject of hegemonic stability:

The economic metaphor clarified the collective-action problem behind the inter-war economic crisis of the early 20<sup>th</sup> century, inviting comparisons to the malaise of the 1970s and the apparent waning of American hegemony. Two important consequences at the theoretical level were, first, an intensified interest in political economy among scholars in the realist tradition, and

second, the emergence of a literature on the possibility of providing international public goods through means other than hegemony.

While Sherman and Solomon are correct to suggest that political economy has finally come to be seen for its true worth, the use of ‘international public goods’ has served to highlight the liberal interest in cooperation, and further this agenda. However, the metaphor can be extended beyond this to focus on the idea of *relative gains* that underlies legitimation concerns à la Habermas (1976). That is, there can be a fruitful discussion of ‘international public goods’ *which critically considers the need of a hegemon to provide these goods in order to justify its own position of power*. This discussion is absent from the literature as those who should make it—critical theorists—are loathe to use what they consider liberal epistemology. However, this need not be the case.

Certainly, aside from market failure leading to ‘public goods,’ the *idea* of exercising power for the ‘common good,’ or the ‘general interest,’ even if not actually achieved, has deep roots in various traditions of elite thought. In Western thought it can be traced at least as far back as Aristotle before it is picked up again in the enlightenment of Europe with the help of Arabic translations of Greek scholarship.<sup>97</sup> However, the core of legitimation—the provision of ‘public goods’ to enable and enhance private actions—has remained much the same. The liberal tradition of thought on the legitimacy of governing groups was challenged by Marx’s critique of state provision of ‘public goods’ as benefiting the reproduction of capital, creating two poles of thought. Marx’s deterministic perspective, which suggested that the state serves capital to the exclusion of the rights of workers, was challenged by the work of Gramsci (1937), which created fertile ground between the Liberal-Marxist poles. Gramsci showed that a *degree* of consent was possible in Western liberal democratic capitalist states *if* there was class mobility. Later, after being part of several intellectual debates and witnessing the successes of the middle classes in consolidating their gains in the welfare state before again seeing these gains under threat, Habermas (1976) went on to make the case that a “legitimation crisis” occurred when the class divide widened. It is reasonable then to infer that the provision of ‘public goods’ in a manner that *narrows* the material gap serves to legitimate hegemonic power. Closing this gap was a concern for Susan Strange when she wrote Point Four. Helping to Develop Half A World in 1950, and

The Soviet Trade Weapon in 1959. This was to be theme in her work as she grappled with a variation of the question: why follow?

In the discussion that follows, subsection 2.2.1 explores some of the literature on ‘international public goods,’ pointing to the need to go beyond the traditional debates over their supply to focus on the demand for these goods because of their structural role in economic development. Subsection 2.2.2 offers a critique of liberal approaches to legitimacy, suggesting that according to this perspective ‘public goods’ were essentially meant for private profit maximisation, which fails to live up to the standards of critical consent. Subsection 2.2.3 explores the motivational factors of the wielders of power in some detail and argues that powerful actors seek to legitimate their power. Finally, subsection 2.2.4 shows that legitimisation depends upon closing the material gap such that the rule of power holders can be considered in terms of legitimacy.

### **2.2.1 The metaphorical ‘public goods’ within liberal hegemony**

Ideally, ‘public goods’ are those goods that are non-excludable and non-rivalrous in their consumption and which are provided by a capable power centre that is able to claim some authority as a result.<sup>98</sup> However, *pure* ‘public goods’ are scarce, and are frequently a result of market failure (Olsen 1971).<sup>99</sup> Mancur Olsen’s (1971) work suggests that collective action problems can be solved by a small group or actor with the incentive to provide ‘public goods’ even by itself. As an academic concept that has gained wider currency in liberal economic thought, ‘public goods’ is a metaphor that is *idealised* to refer to a category of goods *necessary* for any capitalist system, local or global, which seeks stability and growth. While the idea of ‘public goods’ has a solid footing in debates within states, given the anarchy of the international system it would seem pointless to speak of such goods at this level. However, with Olsen (1971) arguing that ‘public goods’ are produced when one individual benefits more from the public good than it costs him or her to produce it, we can envision a situation where international and regional ‘public goods’ might be provided by major powers as has been suggested by Kindleberger (1986). Following Kindleberger (1986), Rapkin (1994:101) notes elements of ‘international public goods’ are needed for the capitalist system, including states, to operate, and that these essentially enable ‘free riding,’ which in turn is the solution to cooperation.

Hegemony for liberal theorists, essentially becomes operational via the provision of metaphorical ‘international public goods’ to stabilise the system for absolute gains. Even when hegemony is not concentrated, each major power that possesses some of the attributes of a hegemon can contribute ‘international public goods’ to enable the system to function, as it is in their collective interest to maintain the status quo. Such cooperation among major powers is evident in the G7. Yet, when we read Gowa (1989: 316-19) it becomes clear that the *leading power* in such situations is the one that acts as the catalyst for cooperation among capitalist powers to maintain the system. This is also the case if we follow Rapkin (1994:103) in understanding US—Japan relations and their role in the world.

The study of such “cooperation” and its benefits for the G7 is an area of interest primarily to liberals seeking to maintain the existing international order. In contrast, this study is concerned with:

- (1) the hegemons’ need to legitimate its power and
- (2) the need for ‘public goods’ by post colonial states in order to engage the system to ‘catch-up’.

These two points set the criteria for evaluating hegemony beyond claims of leadership that really tell us very little. Clearly, certain goods produced by a powerful state might also benefit others, thus leading to defacto ‘international public goods’ provision. In this situation it is also likely that the provider will thereby justify its power by claiming *legitimate* leadership. If successfully claimed, it is precisely such behaviour that serves to explain improvements in relations between major powers and post colonial states. Thus, while pure ‘international public goods’ do not exist, it is nevertheless useful for international relations scholars of a critical bent—such as those interested in the economic development of post colonial spaces—to employ the notion of idealised ‘global public goods’ that the UNDP promotes in Global Public Goods: International Cooperation in the 21<sup>st</sup> Century (Kaul, et al 1999). There are specific reasons for this:

- (1) this concept can capture the essence of what is needed to stabilise the capitalist system and to achieve “co-operation” among capitalist states, an important concern for scholars writing in the Western academy.
- (2) Secondly, and this rationale emerges only very rarely amid the international relations fraternity, the concept offers important insights into the ties and conflicts between the rich and poor.

- (3) Finally, the language of ‘global public goods,’ the agenda of the UNDP, allows insight into what post colonial states need.

When considering (2) and (3) above, or the perspectives of post colonial states, it is the deeper *performance* legitimacy, which comes from closing economic gaps by providing what is metaphorically known as ‘global public goods’ that ultimately allows for legitimization of hegemony.<sup>100</sup> In contrast, it should be clear that a debate about co-operation—whether achieved by a lone hegemon or by a hegemon backed by other major powers—is one that prevails among liberals concerned with maintaining a regime of international capitalism that benefits these same powers. For those on the outside of the G7 “listening in,” this matters little unless there are substantive *relative* gains to be had so as to make up for centuries of “lost time” under colonialism.

### **2.2.2 The history of liberal ideas of legitimacy: ‘public goods’ for private profit**

It is not enough to simply speak of liberal notions of ‘international public goods’ and leave such enticing language for their narrow and self-interested purposes. Thus it is necessary to consider the history of ‘public goods’ and the legitimization of power. It is useful to begin with liberalism, which effectively sets the stage for the present day use of this concept in liberal economics, according to the dictates of which the state should enable private transactions whilst doing little address inequity in society. Initially, it was based on the accessibility of early ideas of those such as Aristotle (350 BCE), that John Stuart Mill (1848), John Locke (1689 & 1690), Max Weber (1868) and others developed the concept of legitimacy and emerged as key sources of liberal thought on the subject. Locke was concerned with formal government, as he challenged divine rule. He pointed to Rome, where between 70 and 79 AD Helvidius Priscus forcefully upheld his principle that the emperor should act only with the *consent* of the Senate. Locke’s (1690) theory of government focused on the monarchy in a new way for Christendom: he viewed governance by kings as legitimate if the people governed agreed that his rule *served the common good*—an important early reference to the concept of ‘public goods’. Ultimately, for Locke, legitimacy was derived from a combination of acceptance and consent by affected individuals, tacit as well as explicit, with compliance with formal rules, and recognition by other entities such as states and international bodies.

Locke developed his ideas of legitimacy by vindicating the responsibility of government to the governed, the rule of law through impartial judges, and the toleration of religious and speculative opinion.<sup>101</sup> A critic of the totalitarian state, his political theory was an express denial of the divine right of kings and the absolute power of the sovereign as contained in the doctrine of Thomas Hobbes. Locke insisted that all men have a “natural right” to freedom and equality, arguing that the state of nature in which men originally live is not as intolerable as Hobbes supposed, but simply gives rise to certain inconveniences which encourage men to band together to form society. Locke subscribed to the Aristotelian teaching, “not simply to live, but to live well,” and thus argued that political power must never be exercised apart from its ultimate purpose, which is the *common good*. In his Second Treatise of Government (1690/1948), Locke defined a limited purpose for political power, noting that it was:

a right of making laws with penalties of death, and consequently all less penalties, for the regulating and preserving of property, and of employing the force of the community in execution of such laws, and in the defence of the commonwealth from foreign injury, and *all this only for the public good*.  
[My emphasis.]

For Locke, the authority of a government derives from a binding contract between the rulers and the people. It is thus a limited power proceeding in accordance with established laws and directed to no other end but the peace, safety, and public good of the people. Locke’s ideas were useful in mitigating the tyranny of power, but at heart they represented a defence of the propertied—of elite men entering political contracts to preserve *their* life, liberty, and property—at a time when serfdom, slavery and misogyny blighted society.

The limits of Locke’s ideas of legitimacy became apparent even within his own time as Rousseau’s (1762) political doctrine addressed the need of the community upon which the *republique* was to be built. Like Locke, Rousseau believed that the convention of the social contract formed the basis of all legitimate authority among men, but his conception of citizenship was much more organic and much less selectively individualistic.<sup>102</sup> Unlike Locke, for Rousseau the surrender of natural liberty for civil liberty meant that *all* individual rights—among them property rights—were to be subordinate to the general will. For Rousseau the state was a moral person, whose life was the union of its members, whose laws were acts of the general will, and whose end was the liberty and equality of the citizens. It followed that, when any government

usurped the power of the people, the social compact was broken, and not only were the citizens no longer compelled to obey, but they had an *obligation* to rebel. Rousseau's defiant collectivism was a revolt against Locke's systematic individualism: for him the fundamental category was not "natural person" but "citizen." Rousseau's critique leads to a better idea of the needs of society, including those not well off, and points to a better basis for consent and legitimacy than implied by Locke, who represented only a tiny minority.

Nevertheless, Rousseau's (1762) critique missed the deeper implications of the limited ownership of property. The defence of private property proposed by Locke as a central role of "legitimate" authority meant that economic inequity was to be a hallmark of the liberalism upon which capital thrived. Indeed, Locke expressly *did not* define legitimacy in ways that were more stringent or critical—in ways that addressed the rights of workers, who provided the surpluses for property holders, businessmen, and industrialists, all of whom he identified with. Indeed, Locke's own personal connections with the landed in Britain suggest his loyalty to their interests above all others.<sup>103</sup>

Historical materialists following Marx (1873) thus saw a great injustice in liberalism from the early stages of capitalism up through Fordism to the current era of globalisation, where workers are for the most part disenfranchised and forced to compete with one another by selling their labour at a minimum price. In reality, Locke favoured a conservative social hierarchy with a relatively weak executive power, and defended the propertied classes against both rule by divine right *and* the radicals who would have emerged in a truly democratically representative system. Along with Rousseau's concept of community, the materialist critique of Lockean liberalism is important as it sets out some specific conditions under which consent of the governed, and hence legitimation, can be *imagined*, whether at the domestic level or between unequal international actors tied together by global capitalist exchange.

### **2.2.3 Legitimation: why the powerful might provide 'public goods'**

Given the inequalities perpetuated by the liberal capitalist system with 'public goods' only stabilising the system for the rich, it is important to understand how legitimacy might be possible at all in the relationship between the state and its subjects, or, more widely, between those with power and those who are 'price-takers,' as is the case in the



current lopsided international system. In this regard, it is important to note that modern understandings of legitimacy have had much to do with interpreting Max Weber's theoretical contributions via the liberal lens. However, by reclaiming Weber, Rodney Barker (2001: 8–9) addresses the relationship between the powerful and the 'price-takers.' He proposes some principle strands of legitimacy in the growing body of literature on the issue:

- (1) A normative assessment of legitimacy as a quality or possession of government.
- (2) The study of popular attitudes towards and support for rulers as a basis for analysing and predicting regime stability, both at national and transnational levels.
- (3) The intertwining of the first two to form a bridge or an alliance between "is" and "ought."
- (4) A focus on the powerful and their own need to legitimate their power.

Barker (2001:13) argues that a return to Weber has the additional benefit of allowing for a correction of a well-established misunderstanding of what Weber was attempting when he described legitimation. That is, Weber was *not* arguing that governments needed some quality called "legitimacy" in order to survive, nor that one of the things that governments sought was such a resource. Barker argues, rather, that Weber actually focused on the *activity* of legitimation, or of making claims to authority. This is confirmed when Weber (1968: 953) generalises about the "observable need of any power or even of any advantage of life, to justify itself." As Weber (1968: 213) noted, experience

shows that in no instance does domination voluntarily limit itself to the appeal to material or affectual or ideal motives as a basis for its continuance. *In addition every such system attempts to establish and to cultivate the belief in its legitimacy.* [My emphasis].

Thus, Barker has re-focused attention on the acts of legitimation or the making of authority. Indeed, Barker (2001: 14) develops a theory of legitimation taking account of the neglected claim of government, suggesting: "legitimation is a characterising activity of government... and the function of legitimation within the governmental sphere and its relationship with the structure and ethos of government."

Barker's (2001: 47) account of legitimation does not rely on the utilitarian desires of the powerful, as he notes that even Machiavelli's rulers seek not wealth or material comfort,

but prestige, greatness, and honour. Thomas Luckman (1997) makes a related point when he notes that legitimation involves “making sense of power” both to those who exercise power and to those who are subject to it. Barker (2001: 37) notes that in this sense, legitimation provides “answers to any questions about the ‘why’ of institutional arrangements” and as such is just as necessary to those in charge of such arrangements as those arranged by them. Barker (2001: 38) argues that the formation of institutional identities both justifies the exercise of power and describes the ways and ends of its use. He noted that Weber (1978: 213) argues, “according to the type of legitimacy being claimed, the type of obedience, the kind of administrative staff developed to guarantee it, and the mode of exercising authority, will all differ fundamentally.”<sup>104</sup>

#### **2.2.4 Legitimation crisis and solution: importance of legitimacy**

Ideas about the legitimation of power are useful for the analysis of Japan’s role in Eastern Asia in the post-1980s period, or indeed the US role in the global arena, as they help to explain why powerful states would choose to provide ‘global public goods,’ taking us beyond narrow ideas of simple gain, to include more complex reasons of self-interest, as pointed to by Olsen (1971). However, Weberian thought, while helpful in focusing on the actions of the powerful in terms of self-interest, is less useful when considering the interests of those that are ruled. Although Weber created a typology of pure forms of legitimacy—the traditional, the charismatic, and the rational—he did so without a theoretical understanding of *what* would be acceptable for the poorer sections of the population. Thus, Tony Porter (2001), writing on international legitimacy, makes the case that contemporary social scientific theorising has gone well beyond Weber's influential definitions. As noted by Beetham (1991:8–9), Weber's approach can be “criticised for the arbitrary, incomplete, and under-theorised character of this trichotomy and for his *overemphasis on followers' belief in legitimacy at the expense of more independent criteria* [italics added].” Porter also notes that an approach that focuses solely on legality is also problematic since it obscures the question of *why* some laws continue to be accepted while others lose support, and thus does not consider the question of *who* makes those laws or address the issue of power. Accordingly, it is necessary to turn to the concept of legitimation as developed by Habermas (1976).

Well after Gramsci wrestled with why Western capitalist states did not collapse into revolutionary politics as predicted by Marx, Habermas struggled to understand the crisis

tendency in capitalism and how this affected legitimacy. In his view, advanced-capitalist societies have a tendency to fall into legitimization difficulties.

Even if the state apparatus were to succeed in raising the productivity of labour and in distributing gains in productivity in such a way that an economic growth free of crises (if not disturbances) were guaranteed, growth would still be achieved in accord with priorities that take shape as a function, not of generalisable interests of the population, but of private goals of profit maximisation. The patterns of priorities that Galbraith analysed from the point of view of "private wealth versus public poverty" [9] result from a class structure that is, as usual, kept latent. In the final analysis, *this class structure* is the source of the legitimization deficit. (Habermas 1976: 73)

Habermas went on to propose that the *rising level of disparity* was directly "proportional to the growing need for legitimization." He argued that a legitimization crisis

arises as soon as the demands for such rewards rise faster than the available quantity of value, or when expectations arise that cannot be satisfied with such rewards (Habermas 1976: 73).

He noted crises of legitimacy in the political system occur when people no longer support the existing party system and instead seek to form a new party with the aim of transcending the existing economic system (Habermas, 1976: 66). Habermas points to the *rate* of economic development of those in society not well off, and suggests that this rate must exceed society's expectations or else the system may be challenged, with rising disparity assuring contestation and even revolution. In essence, it is only the closing of the material gap between the poor and the rich that will allow legitimacy. Thus, it is only actions that lead to the closing of this gap that can be seen as legitimate, and so legitimacy is tied to legitimization such that it is only the divisions between scholars of different schools that allow each of these issues to be treated separately. Accordingly, the notion of a "crisis of legitimization" can be used to understand the connection between legitimacy and legitimization at a deeper level. Indeed, it is precisely at moments of crisis that we see more clearly that efforts at legitimization require the fulfilment of material conditions as demanded by the standards of a more critical legitimacy, as groups of people cannot simply be manipulated indefinitely.

Habermas argues that if we do not wish to fall back on theorems of economic crisis, governmental activity can find a necessary limit only in available legitimations.

As long as motivations remain tied to norms requiring justification, the introduction of legitimate power into the reproduction process means that the "fundamental contradiction" can break out in a questioning, rich in practical consequences, of the norms that still underlie administrative action. And such questioning will break out if the corresponding themes, problems, and arguments are not spared through sufficiently sedimented pre-determinations.

Because the economic crisis has been intercepted and transformed into a systematic overloading of the public budget, it has put off the mantle of a natural fate of society. If governmental crisis management fails, it lags behind programmatic demands *that it has placed on itself*. The penalty for this failure is withdrawal of legitimation. Thus, the scope for action contracts precisely at those moments in which it needs to be drastically expanded. (Habermas, 1976: 66-67).

As Habermas notes, the crisis of legitimacy occurs because powerful centres need to promise more than they can deliver to be elected, and then fail to deliver, particularly because of the difficulty of overcoming the rigidity of the class system, which can only be challenged by attention to the conditions of legitimation. Beetham (1991: 19) argues that for power to be fully legitimate three conditions are required:

its conformity to established rules; the justifiability of the rules by reference to shared beliefs; the express consent of the subordinate, or of the most significant among them, to the particular relations of power."

For Tony Porter (2001: 1), this approach subsumes more traditional emphases on belief or law but also provides more basis for critical and independent examination. The critical, normative assessment of legitimacy is now an important challenge to liberal ideas. It is much more effective than orthodox Marxism, as it accepts the possibility of democracy under positive conditions of material gain and brings into focus the existence of a legitimation crisis when the conditions are negative.<sup>105</sup> Leading this critical view, Gramsci (1937) accepted the state's rule as democratic when economic conditions were favourable for the led group, rather than taking the deterministic line and pronouncing such gains impossible. This happens, Gramsci noted, when

the development of the economy and thus the legislation that expresses such development of the economy favour the (molecular) passage from the 'led' groups to the leading group. (Gramsci 1937: 56, note 5)

Thus, in his distinctly non-deterministic but materialist garb, Gramsci finds the basis for the legitimacy of leaders depends on their historical choice of economic systems and how these are managed so as to benefit the led. This action of attempting to gain the support of vulnerable constituencies in order to legitimate power is one that remains under-examined within international relations, as the discipline itself has traditionally served to legitimate US power rather than critique it from the perspective of price-taking states. However, work in international political economy centred on 'global public goods' can effectively challenge international relations to consider the international system in its totality and to recognize legitimation as a central project of major powers.

### 2.3.0 A THEORY OF LEGITIMATING HEGEMONY VIA IDEALISED

#### 'GLOBAL PUBLIC GOODS' FOR POST COLONIAL GAINS

We finally arrive at a means to resolve the question of improving relations between a reviled former imperial power and its post-colonial victims, or more specifically, between Japan and post colonial Eastern Asia. This situation can be understood adequately using a critical theory of legitimating hegemony via 'global public goods' delivered to enable catch-up economic development. We know that a metaphorically idealised concept of 'international public goods' exists in the literature of international political economy because of the search for global economic stability. The concept gained wider use following the work of liberal scholar Kindleberger (1986), who has suggested that historically hegemonic powers have stabilised the international system via 'international public goods.' In his view, failure to provide these goods led to crisis and slumps such as the Great Depression (Kindleberger 1973 & 1986). Hegemonic success in providing adequate 'international public goods' to avoid the repetition of another global meltdown suggests the validity of this view. It does not matter if this has been done by the hegemon alone as argued by Kindleberger (1986) or in concert with several powers as suggested by Walter (1993). Following this Ikenberry and Kapuchan (1990) sought to argue the case that such hegemonic action would confer legitimacy to the US. However, as the work of Rapkin (2001:377) suggests, such stabilisation alone is inadequate to legitimate hegemony, as distributional concerns of post colonial states must be addressed.

Legitimation fails because stabilisation does not guarantee *narrowing material gaps* as explained by Habermas (1976). Significantly, Mancur Olsen (2000) posthumously emphasised a similar trend with respect to the current maladies of globalisation. While such crises are separate to those stemming from contradictions within the capitalist system suggested by Marxist writers, they are still related to the *political* aspect of the stability-instability relationship that Karl Polanyi (1944) understood so well.<sup>106</sup> Indeed, recent work by Nesadurai (1996) and Higgott (1998) on the crisis in Asia suggests liberal scholars overlook the political—especially as it reflects regional perspectives against US interference. While it is not adequately acknowledged, perhaps due to scholars from the US being closely associated with national economic goals as argued by Gore (1996a) and Higgott (2000), legitimating *both* capitalism and the hegemon's own power is the primary task of the hegemonic power of the day.<sup>107</sup> This is a political

task, or an ideational battle, that will be resisted in Asian nationalist polities (Higgott 1998:349).

This section elucidates a critical theory of legitimation of hegemony based mainly on the work of Gramsci and Habermas, though with underlying support from the life long work of Susan Strange, which is well summarised by Christopher May (2002). It ends by recognising that for both Gramsci and Habermas concepts of democracy and legitimation respectively were crucial in determining if a system could be capable of meeting the goals of its population. Given that their reasonable approaches acknowledge forms of legitimation under conditions where the advancement of poorer sections of the population is possible, it is important to assign them a central role in setting the standards for determining the legitimacy of political economy systems such as the one we live with today. Their ideas, when extended to international relations, make it possible to establish criteria for understanding forms of mutual acceptance between post colonial and colonial polities.

In 2.3.1 we will consider hegemony at the international level in the late 20<sup>th</sup> century in terms of both legitimation itself, and the claims and conditions that it requires, making the case for including the legitimation of hegemony within international relations. Then 2.3.2 reassess the international system so as to understand *how* hegemony via ‘global public goods’ provision is legitimated vis-à-vis post colonial states. 2.3.3 addresses how Gramscian democracy is related to Habermasian legitimation to allow legitimation of hegemony at the international level.

### **2.3.1 The case for a theory of legitimation of hegemony in “IR”**

The case for a theory of legitimation of hegemony in the discipline of international relations comes about by considering an international political economy perspective that can capture local and global politics without ignoring economics. Mainstream international relations omits the historical reality of colonised peoples’ struggle as it is typically conducted without an *inclusive* debate on what type of system is acceptable to post colonial societies. Recent textbooks attempt to rectify this problem (Brown 2001), however, even these attempts are inadequate as the subject is typically consigned to the periphery. In addition, it must be noted that as opposed to the voluminous literature on

coercion and manipulation, ideas of consent in international relations have yet to be seriously addressed.

The neglect of consent in international relations, as shown in Marxism and realism, becomes glaringly obvious when one surveys concepts of hegemony. Gilpin (1987) emphasised the coercive abilities of hegemony to achieve *relative gains*. Yet he argues that the lesser states in the international system will obey the commands of the dominant state or states because they accept the *legitimacy* and *utility* of the existing order (Gilpin 1981:30). In contrast, Cox (1983:171) argues that hegemony is beyond a political order among states as it is an order *within* capitalism that links the social classes of *different* countries. For Cox (1987:172) hegemonic power is sustained by universal norms, institutions and mechanisms that set the rules. In the same vein, Gill (1990) points to the global dominance by the major states via the Trilateral Commission. In contrast to the realists and neo-Marxist writers, the idea of “benign” hegemony, as assumed by Keohane and Nye (1977) and Keohane (1984), merely attempts to justify US power from a liberal standpoint, and has become part of the legitimization discourse concerning US hegemony. Unsurprisingly, Keohane does not address the problems of material disparity arising under capitalist interaction between post colonial states and former imperial centres. He introduces ideas about the benign nature of hegemony, using concepts such as “complex interdependence,” within which *consent* to international economic and political actions yielding absolute gains is assumed without proper theoretical basis, even though, empirically, the goals of post colonial states are *relative gains* (in this case ‘catch-up’ with the rich nations).

As a result of neglecting Gramsci’s and Habermas’s rejection of methodological determinism, too many international relations scholars have shied away from evaluating the likes of Washington’s role in the global system in terms of what the followers might accept as legitimate or what they might see as US imperialism.<sup>108</sup> Such questions particularly undermine the work of Keohane (1984) and Rosecrance (1986), who tend to ignore what is essentially a relative gains demand by post colonial states, and consequently do not empirically engage the core issues of power in international relations very convincingly. However, Gilpin’s (1987) and Cox’s (1987) approaches, which direct us to look for and verify cases of power politics and manipulation of consent respectively, also have problems. Their determinism fails to offer us new

insights into power, and their approaches miss the rare events and periods of history where power is wielded with constraint, thus unnecessarily blinding us to the means needed to constrain, and indeed harness hegemonic power for the common good. As the theoretical path of research seeking cases of legitimation of hegemony is convincing, this leaves us to reassess the international system so as to understand *how* hegemony via ‘global public goods’ provision is legitimated vis-à-vis post colonial states.

Even with many works divided along the lines of “explaining” or “understanding” international relations as suggested by Smith and Hollis (1990), the international system is proving to be far more complicated than major theories suggest. However, we can agree that empirically, naked coercion or war between hegemonic powers and post colonial states has been declining compared to the period of colonisation and the immediate aftermath of de-colonisation.<sup>109</sup> From the mid-20<sup>th</sup> century onwards, especially following WW II and the creation of the UN system, powerful states have sought to use power with some regard for international law, even if such law was often little more than a pretext. Thus, interactions between the powerful and the less powerful became more complex as the 20<sup>th</sup> century has progressed. In recent years, past invasions and colonisation have given way to indirect means of control and/or influence, and in some cases even a degree of equal engagement, as is the case, for example, between the US and Mexico, Japan and South Korea, and France and Algeria. Thus, it would seem hegemony remains *the* key concept in the analysis of these relations. However, given the problems encountered by Keohane (1984), Gilpin (1987), and Cox (1987) in their attempts to understand a particular type of non-territorial domination by the US in the post WW II era, it is essential that hegemony be qualified with legitimation.

### **2.3.2 Hegemony at the international level: legitimating power and legitimacy**

Gramsci’s (1937) approach to hegemony offers us a useful tool with which to assess the contemporary use of power in the international system in terms of understanding legitimation of power from the material perspective of post colonial states and societies. Gramsci’s original insights on this subject make it possible to understand that consent within *any* system comprised of leaders and followers depends on whether the latter have assurance of passage to the economic conditions prevailing among the leaders, while not necessarily functioning as leaders themselves. Thus, we might say in scientific parlance that Gramsci succeeded in making these economic conditions



*dependent variables* in his study of the ability of the bourgeoisie in Western capitalist democracies to maintain power. Crucially, he did so *independent* of what the citizenry might say in opinion surveys or elections that are, as Rodney Barker (2001:10) has suggested, open to manipulation. For Gramsci, consent to hegemony was situational and dependent on the *relative material gains* of the working class, in addition to intellectual domination. He thus provided researchers with a concept of consent to be worked through on a case-by-case basis, with the theoretical conditions for consent contingent on material interests.

As shown by Gramsci, hegemony is about both consent and coercion, which suggests a richer idea of international relations than is assumed by deterministic schools of realism/Marxism and liberalism. Gramsci's original concept of hegemony is important given the persistence of hierarchy at the international level of analysis, where anarchy reigns despite the presence of a weak global Leviathan in the form of the United Nations. Within this anarchy, the most powerful states conduct policy ranging from bare-knuckled imperialism to forms of tolerance, and in some rare instances due to enlightened self-interest, genuine support for post colonial states and societies. This varying set of actions coupled with the possibility, if not reality, that elites in post colonial states often do make judgements with good information about the international system, suggests that in international relations powerful states are actually evaluated, thus earning good or bad reputations. Indeed, the pro or anti-American, Japanese, or German sentiments in the various parts of the world are a direct reflection of judgements regarding the current and past roles played by these major powers. Therefore, if we are to construct a better international society, the discipline of international relations must first fully address consent and related issues of legitimacy alongside manipulation/coercion such that the discipline advances knowledge that will improve the human condition.

Perhaps the most important lesson about hegemony at the international level is given by Gramsci (1937) himself, who notably did *not* argue for a deterministic theory of imperialism as did Lenin (1917). Instead, seeing that the state *can* act to safeguard the interests of its citizens, Gramsci followed Machiavelli in believing that Italy should become a stronger state, but sought a role for his country in keeping with the international socialist orientation of the times, as suggested by his opposition to the

occupation of Abyssinia (Ethiopia). With these sentiments, Gramsci indicates that nations were not necessarily subordinate to capital at all times, and that he himself did not believe in a communist international that subsumed national interests. Thus, both Gramsci's background and his actual political nationalism have interesting implications for hegemony at the international level, particularly when consent is, as Gramsci argues, independent of, and more important than coercion in practice, and is thus central to the assessment of hegemony.<sup>110</sup>

In the international system, hegemonic power with the potential to be resisted has been operationalised via the metaphorical language of 'international public goods' provision, as illustrated in the work of Kindleberger (1996) and Gilpin (1987). Their focus was confined to an analysis of how to make the system stable for the interests of the major capitalist powers, and they were concerned with the desire and ability of the *suppliers* of 'international public goods'. However, when considering the *demand side* of 'global public goods,' hegemony must be also 'be operationalised within a template of what might constitute justifiable hegemonic actions both in terms of managing the world and/or regional economy and also in terms of addressing the effects of that economy both historically and in contemporary times on post colonial states. Hence, there is a need for a theory that suggests it is action leading to the improvement of the material conditions of the multitude that makes consent to the hegemon possible to imagine, invoking notions of democratic and legitimate forms of wielding power.

### **2.3.3 Closing material gaps: Gramsci's democracy and Habermas's legitimation**

Following Gramsci, it is theoretically possible to envision a hegemonic power within the international system whose *modus operandi* is at times consent/consensus rather than coercion/manipulation, verified by whether or not improvement in material conditions narrows the gap between post colonial societies and former imperial ones. The verification process has not, however, been built into the concept of hegemony. Thus this concept must be qualified by the notion of democracy, as suggested by Gramsci (1937), or more accurately, with the ideas of legitimation as with Habermas (1976), who now writes within critical theory having also departed from the basic Marxian framework.

That Gramsci himself was interested in democracy and that his work contributed to the understanding if not development of a post-liberal democracy is clear, as suggested by Sue Golding (1992).<sup>111</sup> Gramsci himself set the specific theoretical condition that hegemony be *democratic* in order to explain why Marx's predicted revolution in industrialised societies had failed to materialise. He created "hegemony" to include both coercion and consent, and went on to relate this to democracy, noting that:

Of the many meanings of democracy, the most realistic and concrete one in my view can be worked out in relation to the concept of 'hegemony'. *In the hegemonic system, there exists democracy between the leading groups and the groups, which are 'led', in so far as the development of the economy and thus the legislation, which expresses such development of the economy, favour the (molecular) passage from the 'led' groups to the leading group.* In the Roman Empire there was an imperial-territorial democracy in the concession of citizenship to the conquered peoples, etc.<sup>112</sup> [My emphasis throughout.]

A deterministic method stifles research into possible consent leading to democracy that Gramsci himself saw as *possible* with the condition that material conditions improve for the working classes such that they can aspire to advance themselves to stature of voting middle classes in a democracy. Faced with what appeared to be consent in the capitalist Western democracies of his day, Gramsci devised an epistemology that could capture this situation in a non-deterministic manner on the basis of the material improvement of the working classes. He recognised that "led" groups of people willingly followed when the economic path presented to them allowed them passage to the "leading group." Thus for Gramsci, Western democracy did not necessarily entail manipulation, or steering the consent of a people against their own material interests, per se. It is thus reasonable to suppose that he would not read all power relationships as hegemonic manipulation. Significantly, Gramsci realised that democracy was possible *even* among ethnically heterogeneous systems in the Roman Empire that provided the benefits of citizenship.<sup>113</sup>

Gramsci allowed for the possibility of genuine consent within hegemony and used democracy to qualify this situation. In this manner, he remained open to possibilities for consent in other situations of leaders versus the led, as is the case with his views on the authority and leadership of Italian commander-in-chief, Luigi Cardona. The defeated Cardona is taken by Gramsci as the symbol of the authoritarian leader, who makes no attempt to win the "consent" of those he is leading.<sup>114</sup> As Gramsci wrote:

For example: a company would be capable of going for days without food because it could see that it was physically impossible for supplies to get through; but it would mutiny if a single meal was missed as a result of

neglect or bureaucratism, etc. This principle extends to all demanding sacrifices. Hence, after every disaster, it is necessary first of all to enquire into the responsibility of the leaders, in the most literal sense. For example: a front is made up of various sectors, and each sector has its leaders; it is possible that the leaders of one sector are more responsible for a particular defeat than those of another; but it is purely a question of degree—never of anybody exempt from responsibility (Gramsci 1937: 145).

Significantly, this Gramscian way of understanding, particularly with respect to how leaders and the powerful are evaluated by followers and the less powerful, is consistent with the work of Tilly on citizenship.<sup>115</sup> For Tilly (1990 & 1996) and Tilly and Blockmans (1994) citizenship became a right of those men who were called upon to make the ultimate sacrifice of their lives in defence of the nation. He argues that in France, where this occurred first in terms of formally understood citizenship rights in a *republique*, the state became the key form of identity over all others. On the basis of their willingness to give their life for the state, French men were able to claim that they had a right to determine the composition of those who led the state. The crux of Tilly's point is that the state provides the public good of security *for* its citizens *through* its citizens, and this is the basis of state legitimacy.<sup>116</sup> In this sense "the state and society are one and the same," as noted by Gramsci (1937: 208). Both Tilly's work on citizenship and Gramsci's interpretation of consent within the concept of hegemony suggest that in domestic relations, where certain 'public goods' are provided such that material conditions improve, power is legitimated in the way suggested by a close reading of Jürgen Habermas notion of legitimation crisis (1976 & 1984).<sup>117</sup>

In order to assess hegemony it is necessary to qualify it with the language of democracy as Gramsci did, but this is not ideal for international relations, where there is no formal democracy.<sup>118</sup> Replacing Gramsci's notion of democracy with the idea of legitimation developed by Habermas (1976) allows us to focus on power by bringing us to re-engage Max Weber's work on the subject from the *critical* standpoint necessary to focus on consent realistically. Reflecting the state of 19<sup>th</sup> century German scholarship, Weber was concerned primarily with the illegitimacy of rulers, while Habermas, writing in the late 20<sup>th</sup> century, was concerned with state and society in terms of the weakening legitimacy of the state in the face of attacks on the welfare state. Regardless of differences in historical context, legitimation as used by both overtly implies a *constantly* evaluated power relationship, with democracy suggesting something more stable and formal that does not exist amid the anarchy of the international level.

Significantly, legitimation as discussed by both scholars is also about praxis—it is a concept able to shed light on the agency of the powerful as well as those governed in terms of their interests. This allows us to understand why a hegemonic power *might* address the concerns of led groups. Thus, researchers verifying/falsifying the legitimation of hegemony must be vigilant for situations where the “hearts and minds of people” are both won *and* not won. Research must focus on the instruments of hegemony, which at the level of domestic politics is arguably best captured by the language of the provision of services, or more theoretically or metaphorically, ‘public goods’. At the international level it is the language of ‘global public goods’ which is most useful, given its focus on post colonial states’ demands.

**Conclusion    HEGEMONY AND THE LEGITIMATION OF POWER:  
CRITICAL FOCUS ON NARROWING MATERIAL GAPS**

In order to understand a hegemon’s positively changed relations with post colonial states, this chapter draws upon the work of two insightful critics of agency in a structured setting of power who address crises of legitimation: Gramsci (1937) and Habermas (1976). The work of these two theorists, when carefully deployed, can be useful for the analysis of *improving* and *worsening* international relations in their dynamic form, and are among the ideas that periodically emerge from sociology to help us better understand social and political phenomena at the global level. It is clear that this more nuanced manner of understanding hegemony helps us to overcome the problems of determinism that prevail in international relations theory at present.

This chapter has argued that, in order to overcome current problems with the use of hegemony, at the international level this concept must be qualified by the notion of legitimation. Hegemony suggests a manner of wielding power in a way that *might* be more or less bearable for the led, while it does not by itself tell us if the led are achieving their basic material demands. Gramsci himself turned to the idea of democracy as signalling that demands might be met. However, in the case of international relations, we must turn not to indications of formal “democracy,” which are found only at the domestic level, but rather to the more generic Weberian concept of “legitimation,” which properly sustains the tension between those claiming authority, and those reluctantly following.

Gramsci's use of "hegemony" is especially helpful because he not only points to leaders, who intellectually dominate followers, but also considers the importance of coercion and consent in this process. In the study of international relations, Gramsci's ideas are most commonly embraced when considering the subject of intellectual domination, as with Gill (1990). However, in an era where such domination is being resisted, Gramsci's insights into the importance of coercion and consent in a material sense are extremely relevant, as he acknowledges the possibility of democracy when living conditions improve for the working classes.<sup>119</sup> Gramsci's suggestion of improving hegemony through improving material conditions is related to Jürgen Habermas's notion of crisis when the gap between the classes widens. Habermas, who focuses on democratic societies, follows Max Weber in reminding us that power must be legitimated. In fact, with the tendency of capitalism to exacerbate the material divide, holders of power face legitimation crises. Drawing upon the perspectives of Gramsci (1937) and Habermas (1976), this work takes the argument to the international level in order to make the case that hegemonic states can only legitimate their power by closing the gap between themselves and the post colonial states.

### Chapter 3

#### **Raison D'être of 'Global Public Goods' Delivery in Eastern Asia: Legitimizing Japan's Regional Hegemony Under US Global Hegemony**

As far back as 1950 Susan Strange outlined a growing gap between the rich and poor in the emerging global system, noting a decade later that the rich lacked the political will to close this gap.<sup>120</sup> The theories of Gramsci (1937) and Habermas (1976) applied to international problems suggest the widening of the gap is the source of the legitimization crisis facing hegemonic powers. Arguably, the lack of political will to close this gap by leading *with* the interests of post colonial societies undermines the legitimization of hegemony by powerful states such as the US and Japan. This chapter makes the case that it is essential to understand that post colonial societies and their governments are interested in *relative* material gains, as implied by their desire to catch-up to the consumption levels of post imperial states. As such, they see participation in the international system as a means to gain the rights promised under Article 2 of the Universal Declaration of Human Rights.<sup>121</sup> These demands on the part of post colonial states, however “unrealistic” to the “realist” scholar of international relations, point to the direction in which policies *must* move for the successful legitimization of hegemony.

Hegemonic powers policy of providing ‘international public goods’ to stabilize the international capitalist system as referred to by Kindleberger (1986), has served to legitimate capitalism as well as the hegemon itself, with periodic crises representing failures of hegemony and capitalism. However, the world today is vastly different, with about 150 mostly post colonial countries, with their historical grievances of underdevelopment, forming an international community shaped by demands of the global capitalism forced upon them by hegemonic states. Thus legitimization at the international and regional level depends on whether the material conditions inherent in normative legitimacy are met, making it necessary to assess the hegemon’s delivery of ‘global public goods’ against the criteria of enabling economic development within capitalism. To this end, as early as 1962 Susan Strange argued in the Year Book of World Affairs that post colonial states needed stability, access to capital and the markets of industrialised nations. This entails going beyond the creation of a stable global order suited for capitalism to the delivery of the UNDP’s ‘global public goods’ that *enable* catch-up development as shown clearly by the Kaul, et al (1999).

In order to combine the theory of hegemonic legitimation with the practice of economic development, this chapter operationalises core ideas employed by Gramsci (1937) and Habermas (1976). Kindleberger (1986) has already tied “hegemony” to the delivery of ‘international public goods,’ though he is less specific about the interests of hegemonic states. Thus, this chapter deploys the notion of legitimation to consider the interests of hegemonic states in justifying their power: the chapter goes beyond Kindleberger’s work to focus on the needs of post colonial states by using the UNDP’s 1999 version of Global Public Goods. It suggests that, on the demand side, in order for post colonial states to participate in the capitalist system one must turn to the analogy of Sen’s (1974) “positive” freedoms that suggests ‘global public goods’ mitigate the anarchy of the market, allowing these states are able to develop via their own agency. Turning to the supply side, it is argued that ‘global public goods’ can be provided by hegemonic powers so as to legitimate their hegemonic role at the international level, as suggested by Murakami (1996). In order to explore the role of Japan in particular, the chapter draws upon Murakami’s (1986 & 1996) argument that responsible hegemonic powers *must* meet the demands of post colonial societies by providing ‘global public goods.’ To systematically assess ‘global public good, it is suggested that Susan Strange’s (1988a) framework of structural power be employed.

Section 3.1.0 presents post colonial states’ goals of rapid economic development and their implications for the minimum conditions for legitimating hegemonic power, and then discusses Cold War US hegemony, thus establishing the context of Japan’s *regional* hegemony. Section 3.2.0 examines weak post colonial agency using Sen’s (1974) work as an analogy, and then combines Kindleberger’s (1986) conception of ‘public goods’ with that of the UNDP (Kaul, et al 1999) and Murakami’s (1996) plea for hegemonic responsibility such that post colonial states are given the best possible international system in which to develop, forming a synthesis for a *deliberately idealised* hegemony that might be *legitimated* via ‘global public goods’ delivery. Finally, section 3.3.0 makes use of Strange’s (1988a) framework of structural power—knowledge, military, finance, and production, which special emphasis on the role of knowledge in organising the whole—to methodically assess the ‘global public goods’ provided by the hegemon in the four main analytical areas.



### **3.1.0 ENABLING POST COLONIAL STATES' 'DEVELOPMENTALISM': CONDITIONS FOR LEGITIMATING THE POST-WW II ORDER**

Upon independence, post colonial societies sought re-address for underdevelopment perpetuated under colonialism via catch-up economic development led by the state. After independence, when a degree of agency by a post colonial state was possible, socialism was seen to constitute the only way forward given that capitalism was but a continuation of colonial rule. As these events developed, during the Cold War, the notable exceptions were the “front line” states of Eastern Asia, particularly South Korea and Taiwan. The US, and later Japan, provided both these countries the ‘global public goods’ of security, finance, technology and access to substantial markets, thus guaranteeing capitalism would triumph over communism. However, in knowledge terms frontline states looked to Japan while resisting the US, which in this regional theatre chose to allow Japanese ideas to flourish.

In the discussion which follows, subsection 3.1.1 proposes that after independence, minor states participated in the international system with a view to developing their economies rapidly. Subsection 3.1.2 then argues that these countries initially chose a socialist road towards development as a result of their problems with colonial forms of capitalism that had left them under-developed. Lastly, subsection 3.1.3 shows how, during the Cold War, “frontline” post colonial states gained support from major powers that promoted forms of catch-up development in Eastern Asia.

#### **3.1.1 Catch-up economic development: the *raison d'être* of post colonial states**

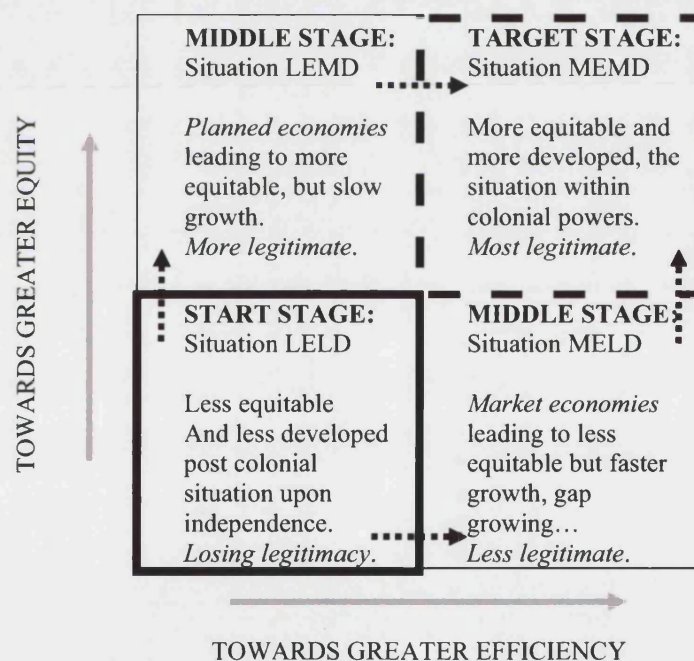
A desire for achievement of material gains drove colonies to independence, signified by the ratification of the 1948 Universal Declaration of Human Rights and as recently confirmed by the post-apartheid South African constitution.<sup>122</sup> As Gore (2000) has noted, economic development is an “international practice carried out by many agents,” with the post colonial state making this its *raison d'être*. He proposes that

the essence of this practice is the mobilisation and allocation of resources, and the design of institutions, to transform national economies and societies, in an orderly way, from a state and status of being less developed to one of being more developed. (Gore 2000:790)

Indeed, the domestic legitimacy of new governments of the periphery in Eastern Asia was reliant on the rapid delivery of economic goods (Stubbs 1995 & 2000). The governments of these newly independent societies found rapid development difficult to

achieve, however. This was true in South and Southeast Asia, Latin America, and Africa, with the only exceptions in the early years of independence coming from South Korea and Taiwan, which succeeded due to the unique circumstances of the Cold War where the US and Japan provided public goods. Also their colonial heritage from Japan meant that the basic systems were already in place. Outside of rapidly growing Eastern Asia the legitimacy of the postcolonial states was generally undermined, with citizens dissatisfied with the slow progress and jealous of the wealth of those close to power, or in the “pockets” of the recently departed colonial powers. In this unstable setting, independence appeared to offer a choice of either following a planned economy, or opening up to invite the presence of the very colonial powers so recently driven out (see the 2X2 matrix below in Diagram 1).

**Diagram 1: Post colonial States’ “Choices”—Planned vs. Market Economies**



**KEY**

<b>MEMD</b>	More equitable more developed
<b>LEMD</b>	Less equitable more developed
<b>LELD</b>	Less equitable and less developed
<b>MELD</b>	More equitable and less developed
	State action

In Diagram 1, each box represents a particular stage in the economic development of post colonial states with two paths to arrive at the desired stage of MEMD that won domestic consent and legitimacy. Languishing in the starting LELD position amid rising

expectations guaranteed loss of legitimacy even for regimes that began with popular support, as often was the case with independence from colonial rule. Significantly, the MEMD position represents the situation in which Gramsci (1937) found legitimacy, as this was the democratic moment. This occurred in Western capitalist economies with an affluent middle class: such states were former *colonial* powers (even the US, having brutally colonised a vast land from sea to sea) still extracting rents from their historic control of international finance and trade, and still enjoying terms of trade set during the colonial era.<sup>123</sup> It was in part the historically accumulated wealth within these colonial powers that allowed its citizens higher standards of living through the distributive policies of the state for a Rawlsian (1971) “original position” to be imagined post hoc. Therefore, legitimation at home was less of a problem for industrialised countries’ governments, although with the end of colonial privilege and rising costs tests even their legitimacy, as Habermas (1976) argues for Western states experiencing the decline of the welfare state.

It is crucial that we understand that post colonial societies are primarily interested in *catching up* to the levels of material well being enjoyed by industrialised nations, thus choosing socialism as the logical way to avoid underdevelopment. Historically, leaders of the periphery such as Nehru and Nkrumah galvanised people against colonialism by tying development to independence. These leaders and their societies believed that only independence would bring what they had been deprived of historically, and so they sought to ‘catch up’ with the living standards in the *metropole* countries. Unable to deliver on this promise, they faced a legitimation crisis and revolt within their time.

### 3.1.2 Socialism: the logical choice of post colonial states

The Cold War presented either socialism (following the USSR’s success in transforming feudalist Russia into a superpower in a relatively short time) or capitalism (as advocated by the US and its allies, but which had caused colonialism) as a means to future economic growth. This choice is presented in Diagram 1 to be one of two paths:

- **LELD→LEMD→MEMD:** This approach, which amounted to *laissez faire*, placed more emphasis on the market than on state intervention, which meant an acceptance of a society dominated by capital, hopefully with domestic loyalties. The colonial powers and the victors of WW II led by the US advocated this more liberal capitalist path, particularly given that capital had had the colonial

history of location from these countries, and thus its loyalties were more or less assured.

- **LELD→MELD→MEMD:** While it was certainly an approach that attempted to de-link from colonial power, this represented a state planned system, which meant issues of equality gained in importance at the expense of enterprise and private ownership. It was a path advocated by Moscow in particular, but its variations meant different degrees of state involvement, usually dependent on the strength of domestic constituencies.

In terms of their agency alone, the choices for post colonial states were either a market-based or a state-led model, including the popular socialist one. In reality, there was little choice at independence: with the colonial capitalist exploitation still fresh in their minds, most post colonial leaders followed socialism or the state-led path. Socialist USSR, already a champion against imperial colonialism (and thus trusted), set an example. First by giving up its imperial concessions in China after the October Revolution, and then by rapidly developing to become a superpower. This gave confidence to the anti-imperialist elite of most post colonial societies, and so economic planning gained credence, as with the Nehru-Mahalanobis plans in India. Encouraging the transition to forms of socialism, the governments of these post colonial nations also found the former Eastern bloc, led by the USSR, useful in terms of accessing technology and the means to defence. Thus, overall, conflict between capitalism and socialism during the Cold War took place mainly at the structural level as far as post colonial societies were concerned, as the prevailing bi-polar rivalry determined the nature of local conflict.

### **3.1.3 The “front line states” and US policy during and after the Cold War**

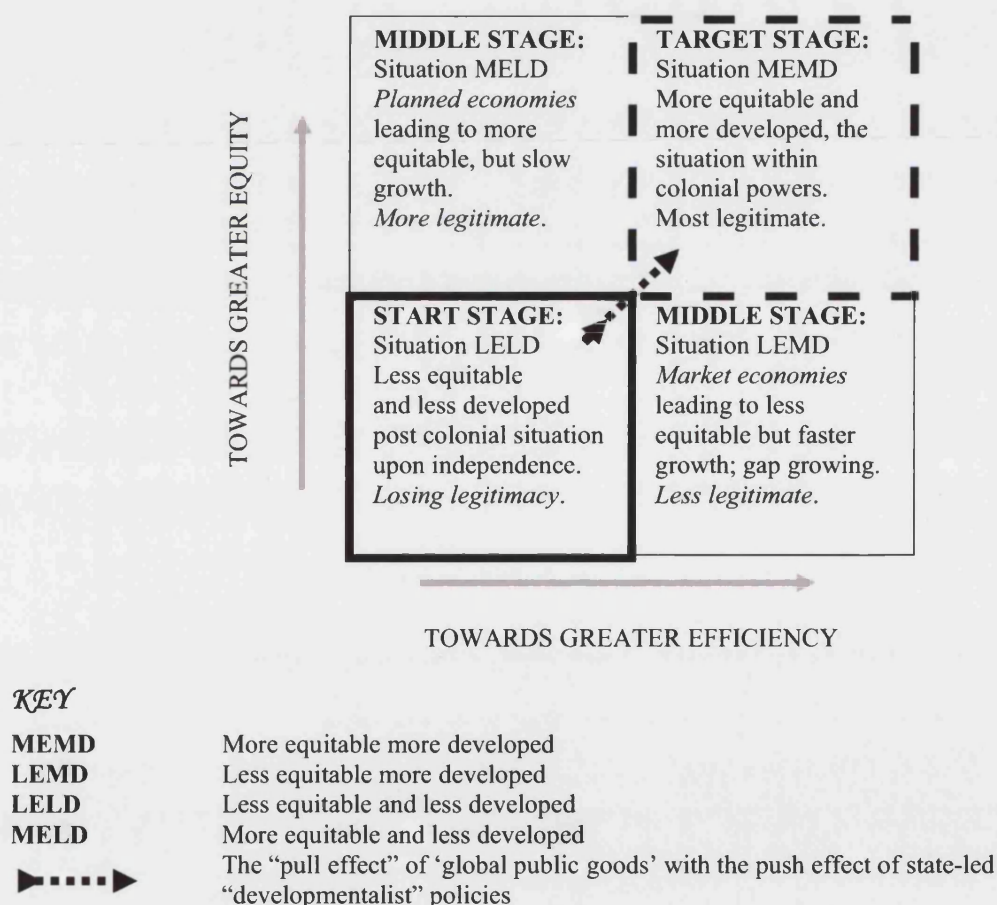
It is fairly well known that “frontline states” developed under conditions of insecurity (Woo-Cumings 1995). Thus, as Enrico Augelli and Craig Murphy (1988) write in “America's Quest for Supremacy and the Third World: A Gramscian Analysis,” the choices made by post colonial states have to be considered in the context of certain structural realities, especially the Cold War and the role of the US in the international system. As the Cold War gained momentum, the role of the Soviet Union increased within post colonial societies that were inclined to socialism, and thus US policy to these spaces turned hostile. Indeed, US policy overall, guided by the interests of capital, changed from supporting independence movements in colonised nations to supporting

the colonial powers' attempts to maintain control.<sup>124</sup> This change in US policy led to the now famous (or infamous) NSC-68 Document, which laid out specific military and economic actions that had significant, negative implications for post colonial states' attempts at socialist development. In military terms, the US sponsored wars against socialist regimes, and set about creating international and regional regimes that excluded socialist states wherever and whenever possible, as continues to be the case with Cuba. On the other hand, the US favoured capitalism and safeguarded the interests of capital by deploying its resources to co-opt regimes, as in South Korea, Indonesia, Philippines and Thailand. In other areas the US pushed for development guided by the modernisation school of Walt Rostow's 1960 The Stages of Economic Growth: A Non-Communist Manifesto.<sup>125</sup> Essentially, US policy created a Cold War system in which economic exchange and capital accumulation were encouraged in certain parts of periphery so as to prevent the spread of socialism.

Given the imagined threat of global socialism, the US shaped the post-war world, creating an "embedded liberal" order described by Ruggie (1982). In the US period of "leadership" referred to by Keohane (1984) and Ruggie (1982, 1994, 1996 & 2002), economic liberalisation by post colonial states was often carried out under severe duress: socialist countries were undermined directly or indirectly by military means, leading to civil wars and other forms of conflict. In Latin America, as with the case of Chile, US policy was exceedingly brutal against popular revolutions, with its advocacy putting these down by military force and later followed by the imposition of market principles. US strategy during the period was also executed via international institutions. US pressure via the Treasury Department was particularly heavy-handed during times of economic crisis: Washington frequently used the IMF and World Bank to bring about market-oriented reforms, as in the cases of Brazil and Argentina. By dictating the terms of the so-called "Washington Consensus," it used its controlling power in international institutions to force reforms favouring *laissez faire* approaches.<sup>126</sup> Nonetheless, during the Cold War in Eastern Asia, the "front line" status of certain post colonial states allowed them room to escape the imposition of *laissez faire*, and indulge not only in import substitution industrialisation (ISI), but also benefit from the global public goods offered by the US. These included exports to the US market even from behind the protective tariffs of ISI and access to sources of capital and technology.

With the Cold War the US quickly came to appreciate the necessity of making capitalism demonstrably successful. Thus, it allowed space for the creation of a model of capitalism described by Ruggie's (1982) "embedded liberal compromise" that more or less tolerated local forms of capitalism. In Eastern Asia, the version of capitalism used became known as 'developmentalism' following Japan's use of the model to rapidly rise Phoenix like, and this path focused on rapid economic development in the region over US ideological preferences of purely market-based growth. This 'developmentalist' path was to emerge as a third route (see [Diagram 2](#) where the double heads of the arrow symbolize the "pull effect" of 'public goods' provided by the US and Japan with the push effect of state-led "developmentalist" policies).

**Diagram 2: Considering Agency and Structure in "Choices" of Economic Systems**



This third path was not purely *laissez faire* or socialist, and was made possible only because the US participated actively by providing military security, investments and markets to the post colonial societies under greatest threat from Soviet influence. Further encouraging the US in this direction was Japan, which sponsored a system of

export-led and state-directed capitalism in Eastern Asia. Japan's ideas of 'developmentalism' were well refined, gaining in credence in Eastern Asia, just as the Soviet model gave the USSR credibility after WW II.

Achieving a model which blended state and market-led development initiatives over the longer term depended on whether a hegemonic power was willing to withhold demands for reciprocity, especially the liberalisation of trade rules that exposed post colonial states to forms of competition certain to undermine their drive for industrialisation. The rapid movement from LELD to MEMD or *catch-up* growth requires the "pull effect" of 'global public goods,' which hegemonic powers can provide, as was the case with US hegemony during the Cold War period. However, the role played by the US in one of the most brilliant political compromises of the 20<sup>th</sup> century could not continue indefinitely as the costs were perceived to be too great, rendering alliances or international regimes crucial for Washington (Keohane 1984, Gilpin 1987, Ikenberry 2002). Moreover, once the threats from the Cold War had passed, concerns of "high politics" gave way to concerns of particular interest groups interested in the pursuit of profit. Thus, the choices made by the US deviated from its 'global public goods' role. Given the deeper lessons about capitalism's proclivity towards crisis, as told by Kindleberger (1970, 1986 & 1987), this would render the system less stable. This was a move away from Ruggie's (1982) "embedded liberalism" that ideologically allowed for state involvement in the market economy in the manner suggested by Katzenstein (1978), especially for small states. The movement away from providing 'global public goods' became a move away from legitimating US hegemony.

### **3.2.0 BEARING THE COSTS OF 'GLOBAL PUBLIC GOODS':**

#### **LEGITIMATION OF HEGEMONIC POWER**

The intellectual lead of Gramsci (1937) and Habermas (1976) allows us to recognize the legitimization of hegemony in the international system as well as the potential for crisis in this regard, depending on the policies executed. As the policies of powerful nations particularly affect post colonial states, the metaphoric language of 'global public goods' allows us to separate those actions that are useful for enabling rapid economic growth from those that are not. Thus, assessing 'global public goods' delivery to post colonial societies provides an important means to assess legitimization of hegemony. Traditionally,



‘global public goods’ can be understood through the study of economic history, as with Kindleberger (1986), who argued that a hegemon acted as a stabiliser for the capitalist system during *Pax Britannica* and then *Pax Americana*. Towards the end of the 20<sup>th</sup> century, the UNDP has taken the idea of ‘public goods’ at the global/world level further by focusing on the needs of the post colonial states, and demonstrating the need for a wider understanding of such goods when markets fail. However, the UNDP approach still does not pinpoint the continuing need for a hegemonic role (Jayman 2000). Here, the more elaborate perspective offered by Murakami (1996) on the importance of Japanese hegemonic responsibility in ensuring economic development suggests that only the proper provision of ‘international public goods’ or more accurately, the metaphoric ‘global public goods,’ will be acceptable for Eastern Asian post colonial states.

Subsection 3.2.1 considers the implications of Sen’s (1974) “positive freedoms” for an enabling international level structure for post colonial states such that we consider the UNDP’s vision of *global* ‘public goods’ a crucial bridge between the classical work on ‘international public goods’ and the demands for these now prevailing. In 3.2.2 the role of hegemonic actors in the provision of such goods is considered, and the ideas of Kindleberger (1986) and Murakami (1996) are synthesised in order to show how a liberal world economy compatible with post colonial states’ demands for *rapid* (catch-up) economic growth requires a hegemonic power that provides ‘global public goods’ to legitimate its power. Subsequently, 3.2.3 deploys Murkami’s (1996) notion of “responsibility” for nations such as Japan to show how hegemonic powers attempt to legitimate their role by addressing issues of deep concern to post colonial states.

### **3.2.1 ‘Global Public Goods’: post colonial freedoms and enabling agency**

Agency remains important even though its ultimate operability depends on the enabling nature of structural conditions (Dessler 1989). In illustrating this, it is useful to consider an analogy from the domestic realm. In Four Essays on Liberty, Isaiah Berlin (1969) argues for focus on “negative” liberty, that is, liberty in the sense of freedom from restrictions. Following Berlin, Amartya Sen (1974) separated “negative” and “positive” rights, with the former being important in enabling citizens to participate in a poverty stricken post colonial setting. As Sen (1974:313) argues, for post colonial societies the issues of economic minimums are fundamental because these standards are necessary to



exercise rights, even to participate in the market. Sen points out that the two types of rights are inseparable in poor societies, asking if it is not more likely that economic well-being *allows* one the basic ability to exercise "rights" as opposed to "rights" being exercised independent of economic well being. He further argues that inadequate attention is paid to ideas behind positive freedom. Indeed, Sen challenges Rawls's last line defence of liberalism in the Theory of Justice (1971)—the lexical ordering of the basic liberties over the difference principle—on the grounds that “negative” freedoms (what one is allowed to do) may be of no use if “positive” freedoms (what one can do) are not present. In this regard Sen (1974: 313) asks an important question: “Why is it important that I should not be stopped from doing something and—at the same time—unimportant whether or not I can in fact do that thing?” This question directly addresses the contradiction between Rawls’ two principles and the fatal problem with their ordering. Indeed capabilities are crucial in exercising one’s basic liberties—there would be no point in having basic liberties if one is unable to exercise them due to a problem with one's capability. Sen further argues that simple possession of a primary good may not, in itself, guarantee the capacity to use it. For Sen (1974: 323), capabilities “are directly valuable in a way that the possession of primary goods cannot be, since they evidently are means to some more human ends.” Hence, primary goods have to be valued accordingly. The question of individual capability poses particular problems for the capitalist state. Only the delivery of ‘public goods’ by the state in an effective manner allows individual freedom to be exercised universally, essentially helping to legitimate the authority of the state.

To move away from the analogy at the individual level of analysis, as presented by Sen (1974), and instead compare individual states in an anarchic international system, the same argument offered by Rawls would be pertinent. However, for Rawls, ‘Justice as Fairness’ starts with domestic justice and its requirements, including the ‘Difference Principle,’ and should not be extended directly to the global level. He chose not to extend his notion of justice abroad, and thus considered only the domestic realm of Western liberal democracies, even though within his lifetime post colonial states’ demands for a justice-oriented system were very well known, as with the demand for a New International Economic Order (NIEO). Whereas Rawls (1971) failed to carry his vision to the global level, Sen (1999) goes on to argue that there are a great many agencies that can influence global arrangements and their consequences, with some

clearly “national” in form. These include the domestic policies of particular states (such as the US and Japan), and as well as the practice of international relations between states (contracts, agreements and exchanges) which operate through national governments (Sen 1999:121). Significantly, Sen also notes the importance of other actors acting across borders, referring to those NGOs, firms, social groups, and political organisations from “core” states that enjoy global reach and influence. For Sen (1999) ultimately justice is a global public good, though he is less clear about which actors would be providing this good.

We know that the historical hierarchy of states has left us with the legacy of particular orders, some of which have provided ‘global public goods’ for price-taking and post colonial states, while others have not. In the case of Rome, for example, we know that certain ‘public goods’ were provided: security from Barbarians, and a complex infrastructure, especially roads and aqueducts, coinage, a legal system, etc. Such ‘public goods’ were also in evidence in the aftermath of the WW II albeit in a much more sophisticated manner, as the US provided the ‘global public goods’ necessary to rebuild Europe and Asia via the Marshall Plan. When considering Asia, ‘global public goods’ provision by the US allowed rapid economic development in the 1950s and 1960s, especially for Japan, South Korea, and Taiwan.

### **3.2.2 Understanding structure: ‘global public goods’ and capitalism**

The actual provision of ‘public goods’ at the international level has preceded theoretical understandings of these goods. For example, the two oldest organizations within the United Nations system, the International Telecommunication Union (1865) and the Universal Postal Union (1875), were established to address the supply of ‘public goods’ at the international level (Ferroni & Mody, 2002). Canadian Louise Fréchette, Deputy Secretary-General of the United Nations, notes that starting in the 1960s, and especially after the 1968 publication of Garrett Hardin's 1968 essay “The Tragedy of the Commons,” the concept of ‘international public goods’ was applied to world problems. However, the idea gained intellectual credibility within international studies only after economic historian Charles Kindleberger's seminal article, “International Public Goods without International Government,” was published in 1986.<sup>127</sup>

Action on the part of a powerful actor in the international system has been crucial for liberal capitalism to establish itself and also survive periodic crisis. Kindleberger (1986:7–9) argued that the achievement of a smoothly functioning liberal world economy less prone to cyclical problems of capitalism requires a hegemon or a leading power with economic strength and the power to provide ‘public goods’ so as to:

- ensure peace and political order through its military pre-eminence, as did Pax Romana and Pax Britannica
- maintain a relatively open market for distress goods and provide adequate supply to ease shortages. By providing access to its own market, the hegemon must reduce the threat of protectionism in the world economy that is occasionally a factor in other economies due to dire economic conditions.
- provide counter-cyclical, or at least stable, long-term lending to the world economy. By allowing capital outflows the hegemon thus becoming the major source of investment for the liberal system, including for developing countries.
- maintain a relatively stable exchange rate system. The hegemon prevents competitive devaluations to restore external equilibrium by ensuring the existence of short-term finance to allow internal adjustment.
- act as co-ordinator for macroeconomic policies so that there is a lower degree of inconsistency between states.
- act as crisis manager of the international system.

While Kindleberger pointed to the British and US periods of hegemony, his work does not specifically suggest that the dominant power would act as a stabiliser, as this is very much a question of domestic and international politics. With the assumptions of self-interested states pursuing absolute gains, liberals made the case that hegemony was in the interest of the leading power given the benefits of high growth in the world economy. Kindleberger (1986: 10–11) is both a realist and liberal when it came to ‘international public goods,’ as he considered both the needs of the international system and of the US in particular. Still, Kindleberger is best placed in the liberal camp, as for him the management of the world economy by the hegemon was to lead to stability and growth, in essence laying the groundwork for a Kantian (1795) “perpetual peace.” Mancur Olsen (1971), showed in his work The Logic of Collective Action: Public Good and the Theory of Groups that market failure would lead to ‘public goods’ provision by the actor for whom the benefits of these goods exceeds the costs incurred. Consistent with Olsen’s insights, realists see ‘international public goods’ provision as the preference of a hegemon interested in maintaining relative power disparities.

Despite Kindleberger’s work on historical hegemonies and Olsen’s thoughts on provision of public goods when the benefits outweigh the costs, in the 1980s and 1990s

the hegemonic management of the liberal world economy was seen as unnecessary, as it was believed that states could co-operate to establish international institutions (Keohane 1984 and Martin 1999). Following this, in the brave new world of liberal triumphalism after the Cold War, suggested by Fukuyama (1993) among others, younger scholars went further, suggesting that the case for hegemony was yet weaker given the multilateral interest in maintaining the liberal international system in the post-WW II era.<sup>128</sup> Andrew Walter (1993) considered this a fatal blow to hegemonic stability theory (HST), and so one important “IPE” debate has thus been about the validity of HST as a “scientific” theory. Still this focus on hegemony—capacity, interests, and global stability—excluded the specific interests of post colonial states. Significantly, they overlooked normative issues of hegemony that lie at the core of Kindleberger’s concerns, and which the UNDP, charged with issues concerning economic development, has addressed in Global Public Goods (Kaul, et al 1999).

### **3.2.3 The supply and demand for ‘global public goods’**

While academics debated the validity of hegemonic stability theory as a theory while neglecting its content of ‘international public goods’ in normative terms, the idea of *global* ‘public goods’ emerged via the UNDP, which is concerned with post colonial states’ demands for better international system.<sup>129</sup> The 1999 UNDP perspective considers the *demand side* of the ‘global public goods’ equation including the interests of the poor, with less attention paid to the *supply side*. The UNDP understands that ‘global public goods’ are crucial for post colonial states, and underlines the metaphorical importance of the language of ‘public goods’ for understanding relations between the hegemon and post colonial states. The inclusion of ‘global public goods’ is also essential if we consider the voices of the old G77 and the new G20, as these organizations have defined parameters for an acceptable international system for post colonial states. Beyond that, the failure of capitalism to alleviate poverty will likely lead to its hegemonic sponsors being held accountable by non-state actors taking matters into their own hands.

Following Kindleberger, the UNDP finds ‘global public goods’ to be (a) non-rivalrous and, (b) non-excludable. If one state “consumes” the benefits of regional peace or law and order, this does not mean there is less peace for the other states to enjoy; hence, it is non-rivalrous in consumption. Similarly, it is difficult, almost impossible, to exclude the

second state from enjoying the benefits of the pure international public good, hence it is non-excludable. These features mean that the benefits of ‘global public goods’ are widely distributed and enjoyed by many; however, those same features contribute to the difficulties with supplying those goods, since:

They elicit patterns of behaviour that, from the individual agent’s viewpoint, are quite rational. Yet from a collective viewpoint—such as that of a local community, a nation or humanity as a whole—the result is suboptimal and can be disastrous. The two main problems affecting the provision of public goods are known in the literature as “free riding” and the “prisoner’s dilemma.” (Kaul, et al, 1999:6)

Since a state cannot be prevented from enjoying the benefits, the incentive is to “free-ride.” Thus, preferences are not expressed, which:

sends the wrong signal to suppliers. As a result supply and demand cannot reach equilibrium, public goods are under-supplied and resource allocations are suboptimal. Markets are not good at providing public goods. (Kaul, et al, 1999:6)

While economic theory has given us these ideas on the nature of ‘public goods’, the prevailing definition is too narrow, and must be used more loosely at the international level since pure ‘global public goods’ as such do not exist. For example, even peace can be excluded from a country and instead kept as club good for a select few, as is the case with US attempts to destabilise Cuba for five decades whilst the rest of the region is maintained free of conflict. Similarly, the access to US markets, such as that enjoyed by South Korea over the Cold War could be ended—with one stroke of the pen (with the signing of the North American Free Trade Area or NAFTA) Mexico gained preferential access to the US over South Korea.

Given the possible exclusion of some countries, pure ‘global public goods’ clearly do not exist. For this Kaul, et al, (1999:6) noted, “we need additional mechanisms such as co-operation.” However, it is fairly clear even with cooperation, historically hegemonic powers determined its actual form. Kindleberger (1986) himself prescribes: the system *needs* the hegemon to lead with the interests of maintaining it. Despite the impure nature of existing ‘global public goods,’ its idealised language is useful from a *normative* standpoint when considering post colonial states. This is so as ‘global public goods’ are *needed* by post colonial states, a fact that development economists such as Amartya Sen understand, as does the UNDP, whose authors make the same point in their exhaustive defence of the notion. They argue when ‘global public goods’ are ideally provided we should see economic development take place. This view at once places the burden of economic growth on post colonial spaces *as well as* upon

hegemonic powers' policy—it is thus a more comprehensive understanding of economic growth than those focused on post colonial states alone or the market alone.

Given the concern with demands of economic growth, the on-going debate between mainly US and British scholars about the validity of HST or that of a liberal regime based co-operation is moot. With the crucial importance of 'global public goods' for post colonial states at the international level, as shown by the UNDP volume, what is important is the possibility of supplying these. Then the focus is on the hegemonic power's *willingness* to provide 'public goods' these *even though* the gap between itself and the post colonial states might close. It is this decision about whether or not to lead with an understanding of the interests of post colonial societies that is crucial for legitimating hegemony. Indeed, the very act of leading is proof of the hegemon's desire to legitimate the relationship and this explains why hegemonic powers continue in their roles even after costs begin to mount, leading to speculation of a world after hegemony. We can thus interrogate US hegemony at the international level, while also questioning the role of Japanese and Germany hegemony at the regional level: how do these very powerful states act? How should we assess them?

### **3.2.4 Defining hegemony: responsibility, 'global public goods,' legitimation**

Hegemony can now be more precisely defined as the power to provide what can be metaphorically seen as '*global public goods*' at the international level, so as to win consent, in addition to the power to simply coerce, thus making it a process of conscious struggle to win the "hearts and minds" of followers via strategies that respond to at least their historical material demands. Susan Strange (1988a) conducted the crucial assessment of hegemonic power in the culmination of over 30 years of work offering deep insight on the role of hegemonic power. Rather than debate the validity or invalidity of hegemonic stability theory, she argued, US power wielded responsibly served to stabilise the post-WW II system, and in contrast, when wielded irresponsibly served to destabilize the international system.<sup>130</sup> Following the 1971 departure from the Gold Standard, the US took the lead in creating a system with *less* stability, and also one characterized by *growing* wealth disparities. Given the yawning "North–South divide" that challenges the liberal imposition of the market, Japanese political economist Murakami (1996) saw the importance of bridging this gap or facing eventual chaos. Like Kindleberger, for Murakami the stability of the global economy was crucial,

but the Japanese thinker went beyond this to include politics as well. When commissioned by the now famous Japanese Ministry of Trade and Industry (MITI) to study the role of Japan in the international community, Murakami proposed the need for *responsible* roles for Tokyo and Washington. He emphasised the political *obligation* of powerful nations to improve the conditions in the more numerous poor nations of the world or else face the consequences of a widening material gap (Murakami & Kosai 1986: 43–110). He argued the “North–South problem” would be best solved by the “independent” development of the South (Murakami & Kosai: 1986: 124). In his view, this had to be facilitated via public and private economic and technological co-operation, and by the opening of developed markets and the prevention of the wide and rapid fluctuation in exchange rates. He advocated, moreover, that Japan should provide relief to victims of dire poverty and famine, while supporting forestation and other land-use programs.

Murakami’s notion of hegemonic responsibility is about self-interest when interpreted in the language of legitimation of hegemony via the provision of ‘international public goods.’ He is sanguine both about the liberal order needing hegemonic provision of ‘public goods’ and about how the relative decline of the US role might well spell the end of liberalism. Proposing that the key relationship is that between the “hyper-Cartesian” US and the “hermeneutic” Japan, he finds that the Japanese polity must be made aware that they can no longer preserve their “corner of happiness,” by continuing the “developmentalist” path for themselves, and must instead adopt liberalism while *tolerating* the ‘developmentalism’ of emerging economies until these post colonial states ‘catch up’ (Murakami, 1996: 317).

The notion of responsibility is heartening, however the question of power, central to political science, must be factored in. In essence, we must move beyond notions of responsibility to address how the weak might bargain politically by consenting or not to the rule of the powerful, as it is here that we can realistically suggest why it is in the interest of hegemonic actors to continue to provide ‘global public goods.’ This leads us to consider the legitimation of power (Habermas 1976): going beyond Gramsci’s (1937) idea that democracy is possible when material conditions of the working classes improve, Habermas (1976:67) noted that democratisation, despite its possible ill effects

on economic efficiency, “is needed to change the structures of power.” Beetham (1991: 41) makes the following case:

An understanding of legitimacy helps explain, for example, why people have the expectations they about a power relationship, why institutions of power differ systematically from one type of society to another, why power is exercised more coercively in some contexts than others. Above all, it helps to explain the erosion of power relations, and those dramatic breaches of social and political order that occur as riots, revolts and revolutions. It is not just because these events are particularly dramatic and fateful that they interest the social scientist. As with so much else about society, it is only when legitimacy is absent that we can fully appreciate its significance where it is present, and where it is so often taken for granted.

While Beetham is clear about the need for legitimacy, he is not as clear on to how to understand legitimacy without relying on the perceptions of citizens. Reliance on the perceptions of citizens can be misleading, as they may be manipulated or have unreasonable expectations. Such exercises, in what amounts to opinion surveys, cannot be overly helpful in discussing legitimacy. Legitimacy is ultimately about the justification of a relationship of power. Thus, the critical focus on *what* the powerful do in the interests of those without such power must be the empirical basis of legitimacy, while their deeds can be understood in terms of legitimating their power.

Significantly, Gramsci and Habermas wrote on domestic level issues—the condition of anarchy that informs international relations makes the idea of democracy at that level absurd. Yet, we must not conclude domestic level theory, especially the critical work of Gramsci and Habermas, has nothing to tell us about relations between powerful states and post colonial states in the absence of a formal global *Leviathan*. Indeed, the existence of such relations in conditions of disparate power suggests that judgements on the nature of the powerful depend particularly on what the powerful do. Thus, the study of what the powerful do should not be based on assumptions, but on careful observation guided and interpreted by theoretical reflection. Students of international relations must recognise the rare moment when powerful states act responsibly, for only then it is possible to ask why a hegemonic state might attain positive relations despite its negative history, as is the case with Japan. The challenge is to identify what exactly transpires in these relations such that power is legitimated—that is, we need to theoretically construct what empirical data suggest the legitimation of power.



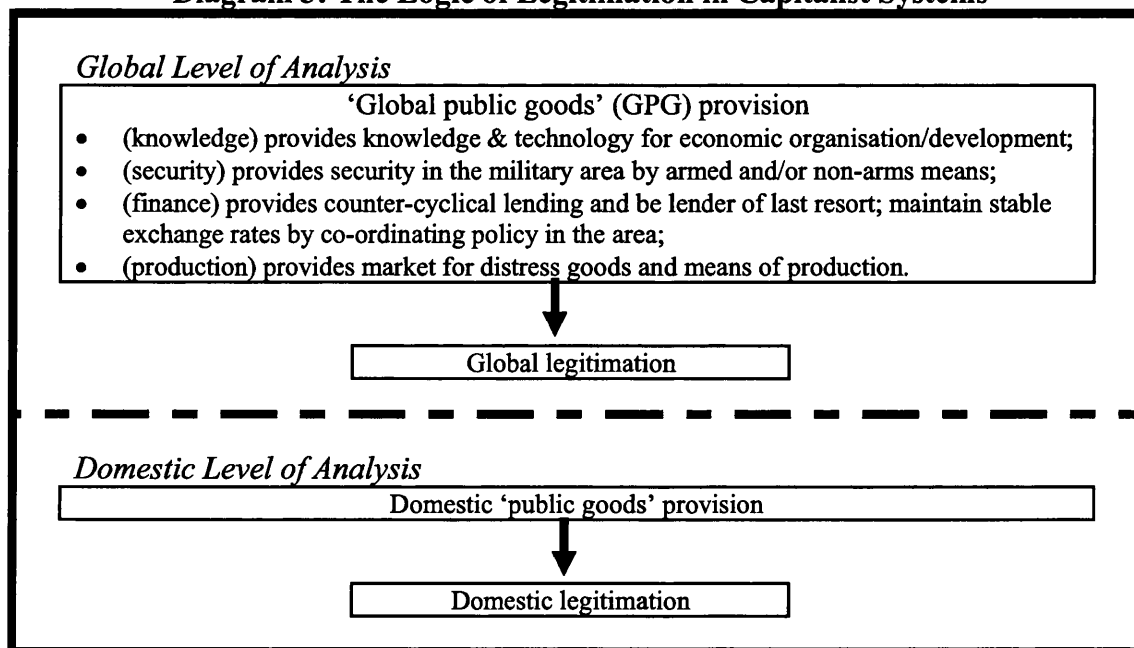
### 3.3.0 THE FRAMEWORK OF STRUCTURAL POWER: LEGITIMATION OF HEGEMONY VIA 'GLOBAL PUBLIC GOODS'

In parallel to Gramsci's Prison Notebooks (1937), this work on the relations between Japan with Eastern Asia puzzles over the successes of powerful states in achieving positive relations with the periphery. In States and Markets (1988a), Susan Strange developed a framework of structural power enabling just such research, she writes:

"Relational power, as conventionally described by realist writers of textbooks on international relations, is the power of A to get B to do something [it] would not otherwise do... Structural power, on the other hand, is the power to shape and determine the structures of the global political economy within which other states, their political institutions, their economic enterprises and (not least) their scientists and other professional people have to operate." This structural power... means rather more than the power to set the agenda of discussion or to design (in American academic language) the international regimes of rules and customs that are supposed to govern international economic relations. That is one aspect of structural power, but not all of it... Structural power, in short, confers the power to decide how things shall be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises." structural power lies with those in a position to exercise control over people's security, mode of production, distribution of finance and the facilitation of knowledge (Strange 1988a: 24-26)

She discussed the concept of *structural power* in four main areas as conferring upon the holder abilities normal states do not have (see Diagram 3 below).<sup>131</sup>

**Diagram 3: The Logic of Legitimation in Capitalist Systems**



For present purposes, the framework allows us to focus our attention on the most important structures and agents that legitimate hegemonic power, thus organising the

domains of power within which ‘global public goods’ are provided. Thus it allows us to more systematically understand if powerful states such as Germany, Japan, and the US—the main promoters of the capitalist international system—follow their rhetoric and act to ensure the structural conditions most conducive to rapid development of post colonial societies.

We can assess ‘global public goods’ within each structure in terms of their adequacy for legitimating hegemonic power. Given the similarity of the operational logic of legitimation within capitalist systems at the domestic and international levels, assessment of legitimation between the governing and the governed is not as difficult as we might think. As Diagram 3 suggests, the notion of consent, met by providing ‘public goods’ is crucial in the process of legitimating any authority, including at the international level of analysis. Legitimation at the international level requires that the ‘public goods’ be delivered such that the gap between the provider and those depending upon it closes.

Below, subsection 3.3.1 discusses how, given that epistemic communities dominate discourses on the nature of international order, the knowledge structure allows us to understand the nature of power, which agenda is dominant, and what actions make it so. An exploration of the security structure follows in subsection 3.3.2, as this structure is instrumental in defending the system in place while also providing the peace necessary for the international political economy to function. The financial structure is addressed in subsection 3.3.3, as its stability and health is crucial to the overall system. In subsection 3.3.4, the production and consumption of goods and services are analysed for their effect in terms of ‘global public goods,’ thus tying the real economy to theory.

### **3.3.1 Knowledge ‘public goods’: technology and organising economy and society**

Susan Strange (1988a:121) argues that while production and financial structures are important, the

“knowledge structure determines what knowledge is discovered, how it is stored, and who communicates it by what means to whom and on what terms... so power and authority are conferred on those occupying key decision-making positions in the knowledge structure.”

She argues that knowledge has become more important in the competition between states than their crude manpower or crude gun power, and therefore states compete for

leadership through competition for the “place at the leading edge of advanced technology” (Strange 1988a: 134). Education and knowledge are thus highly political issues, having a strong impact on the actors in the international system.

Within the structural power framework values are not pre-supposed in the exercise of power. The framework makes the projection of values open to inquiry via its focus on the knowledge structure, which, as this work emphasises, is key to understanding the system as a whole. Miller (1994: 74) writes that the “articulation of any social value is the attempt to legitimate the quest for power,” and conversely, “the will to power must be accompanied by the articulation of a social value, or a set of values, if it is to assume a political quality.” In politics among nations, the corollary of Miller’s point is that powerful states might gain legitimacy in the eyes of post colonial states provided particular social values of importance to the latter are allowed to materialise. The knowledge structure allows us to see how this debate takes place, and to consider who imposes what on whom for what end.

For Susan Strange, the knowledge structure is constituted by the laws and actions that govern and regulate patents and knowledge flows, determining who can learn what, where, and when. This essentially means the hegemon’s control of the knowledge areas for its own exclusive use or for that of the many. The issues of patent rights and control of the international communication system through which ideas and propaganda are transmitted are key examples. But, much more importantly, the knowledge structure is also where the debate over what kind of international order is vied for takes place by exposing the contestants, their institutions, and laying bare their respective agendas. A knowledge structure approach is conducive to assessing how debate is created, and also how consensus about how power should be utilised emerges. It informs us about which actors are powerful enough to impose their system on international order and which actors assess that system based on which specific goals.

The Strangean notion of the importance of a “knowledge structure” fits well with the idea that “political behaviour is shaped by the dominant values of society, which in turn are the product of complex historical forces” (Miller 1994:13). Such a structure would house Miller’s “dominant values” and the “norms” emphasised by Katzenstein (1996a). In sum, when fully developed theoretically, the knowledge structure houses ideas

shaping the values of the polity in question, particularly ones regarding whether society should be guided by the pursuit of wealth, social justice or security (Strange 1988a:1–6), or a combination thereof. Essentially, as Strange has laid down for us with respect to international polity, the knowledge structure is crucial to understanding the role of hegemonic power in shaping international order. She leaves us to develop means to judge the international system from different perspectives, even from the perspective of post colonial states (Stopford & Strange 1992).

The hegemony of leading powers is most potent when it is underpinned by a knowledge structure that ties together each analytical aspect of power—knowledge, security, finance and production, and other minor structures.<sup>132</sup> Hegemony is effective when this knowledge is able to guide policy by providing an understanding of the international setting of the times for each actor in the polity, while also conveying this domestic reality to those on the outside, as with Japan (Katzenstein & Okawara 1992). Empirically, the role of hegemonic power in terms of security and economics is still important, particularly in an Eastern Asia very much dependent on ‘global public goods.’ In Eastern Asia, it is clear from the work of regional scholars that the security provided by the US and Japan is the corner stone of a stable order in the region, enabling it to fend off Soviet ambitions and confront Chinese aggression.<sup>133</sup> On the economic side, it is also clear that politics matter in Eastern Asia—despite ideas of a global market, firms from the leading capitalist states in the region still invest within their respective territories, hence maintaining production and its benefits within.<sup>134</sup>

### **3.3.2 Public goods in security: protecting economy and society**

The rapid development and distribution of knowledge and globalisation more generally, enhanced by the progress of technology influences the security structure. Scholars in the US—from Kindleberger (1986) writing on economic history to Gilpin (1987) working within international relations—suggest that ensuring political order through military pre-eminence is a ‘global public goods’ role for hegemonic powers. This is perhaps second in importance only to that of the guiding ideas of knowledge itself. Depending on the knowledge structure of the day, providing security might also mean *foregoing* options that threaten neighbours and the community of nations, and thus avoiding an arms race. In this sense, it means providing historically vulnerable post colonial states military guarantees of not threatening them. This can be done in concert with other

nations, for example, via United Nations-based peace guarantees, or via specific unilateral policies of assurance building through the non-proliferation and non-ownership of weapons of mass destruction. And, as other threats loom, in, for example, the physical environment, it also means taking the lead in creating a sustainable planet by making sacrifices to maintain the global commons, such as accepting cuts in carbon emissions even at the expense of one's own industry and providing advanced environmental technology to post colonial states.

Security is not only an end, but also a pre-condition to human activity that can be understood to some degree as economic and social. For the liberal international capitalist system to function smoothly, the security provided is essential. International peace allows nations the opportunity for mutually beneficial relations; at least theoretically, if one agrees with the ideas of those like Richard Cobden, who proposes that trade benefits all.<sup>135</sup> Secondly, at the national level, particularly within post colonial states, peace also allows more expenditure on non-military areas such as education and health, thus enhancing citizens' welfare and reinforcing the legitimacy of governments.<sup>136</sup>

### **3.3.3 Public goods in finance: funding economy and society**

Susan Strange's work has influenced recent study of the role of hegemonic powers in maintaining a stable international financial system.<sup>137</sup> True to her predictions (Strange 1986 & 1997) financial crisis have become more of an issue in the post-Bretton Woods era, as the hegemonic function has not been performed while liberalisation has continued unabated. As Kindleberger and Murakami have noted, the leading power must provide 'public goods' in the financial area. First, by providing counter-cyclical, or at least stable, long-term lending to the world economy, the hegemon becomes the major source of investment for the liberal capitalist system. Secondly, the hegemon must police a relatively stable exchange rate system, so it must prevent competitive devaluations to restore external equilibrium by ensuring the existence of short-term finance allowing for internal adjustment. Thirdly, the hegemon must act as co-ordinator for macroeconomic policies to lower inconsistencies between states.

It is also obvious that the preservation of the stability and flow of finance is even more crucial for capitalist development to occur in weakly institutionalised post colonial

states. The hegemon's control of these financial resources through its surplus gained over time gives it the power to either accelerate economic growth or hinder it, thus making decisions regarding finance an obvious factor with which to gauge legitimization. This means determining which states have access to capital and on what terms: essentially understanding the legitimacy of a hegemon providing finance at lower cost than the markets and encouraging crucial direct investment into post colonial states even when it hurts at home. Enhanced legitimacy occurs when the hegemon directs capital specifically for development, as is the case with concessional lending or grants, and also when private flows are encouraged with political direction and insurance guarantees unavailable via the market.

#### **3.3.4 Public goods in production/consumption: enabling economy and society**

The production structure is comprised of the laws and actions that allow movement of goods and services across boundaries and essentially determines what shall be made by who and for whom (Strange 1988a). This focus on production-consumption, which constitutes the real economy, allows for attention to Kindleberger's requirements that the hegemon maintain a relatively open market for distress goods, while also allowing room to address Murakami's idea that hegemons allow certain mature industries to relocate production to post colonial spaces to enhance industrialisation there. By thus providing access to its own market, the hegemon reduces the threat of protectionism in the world economy and also guarantees the rapid development of post colonial states.

The capitalist system relies on the market mechanism for distribution of products. Not only is the product important, but so too is its marketing, and thus the question of who produces what, where, and when, has a corollary in who controls the marketing of what is produced. For emerging post colonial economies both production and markets are problems in terms of what might be produced and how good can be marketed for the highest possible profit. Thus it is crucial to ensure the transfer of the means of production to post colonial states, in keeping with the much-advocated economic liberalism. Such transfers *must* take place, even if this means the "hollowing out" of the advanced country's production base—for example, via provision of incentives to sunset industries such that they can locate to post colonial states. Equally, the guarantee of access to the largest markets (for example, liberalisation of domestic markets and removal of subsidies that block goods from post colonial states) for the sale of the

produced goods is necessary given that post colonial states have a weak domestic demand structure. Thus, the legitimacy of advocates of capitalism ultimately depends on whether the ideas they preach actually lead to rapid development.

**Conclusion: ‘GLOBAL PUBLIC GOODS’ PROVISION:  
LEGITIMATING HEGEMONIC POWER**

Current international relations theory—with the exception of those works that address hegemony in its Gramscian form—tends to be weak with respect to ideas of hegemonic power. Focus on the legitimation of power is important as the anarchic international system is actually ordered hierarchically, with key decisions made for all by a few hegemonic states (Gill 1990). Given the dominance of realist thought within international relations, many scholars privy to shaping its discourse have not adequately considered how, and under what circumstances, relations between powerful and less powerful states can be seen in terms of legitimation. The realist focus on inter-state relations is inflexible in an era when wars between states are becoming less of a factor in global politics (Kaldor 1997, 1998 & 1999), and also when non-state actors such as firms matter, either independently or as part of a state-firm bargain, as is often the case. In normative terms and in terms of realistically understanding the “other,” the sole focus on the state is cumbersome given the need to understand if the practice of international relations and commerce adequately addresses the demands of post colonial states, particularly as economic well-being constitutes the main source of conflict between hegemonic and post colonial states.

The legitimation of hegemony at the international level is not easily manipulated. In contemporary international relations, governments of even the weakest post colonial states have more room to make *reasoned judgements* than do vulnerable individuals in society susceptible to manipulation and psychological control. In addition, it has been shown by Krasner (1985) that some of these minor states can themselves affect change to the structures of power, while groups of such states which band together are even more effective. Legitimation of hegemony at the international level becomes a central concern for understanding the practise of international relations as this realm is ordered by liberal capitalism promoted by powerful states as though this economic path were best for all. Ultimately, the legitimacy of these hegemonic powers depends on how

fruitful the capitalist system is for emerging/developing economies. This consideration is addressed in detail in subsequent chapters with regard to Japan's role in rapid Eastern Asian development, in order to understand how relations might have improved for that country given its leading role in regional economic development, via what can be seen to be the provision of some of the 'global public goods' needed.



## Chapter 4

### Legitimation of Japanese Power in Eastern Asia: the Legitimacy of Meeting “Relative Gains” Demands

In many cases Article 9 of Japan’s constitutional guidelines has often been cited for its constraints on war making and its emphasis on peace. What is less well known is that the preamble to the constitution contains very carefully worded notions of international society that recognise not only peace, but also issues such as slavery and freedom from want:

We desire to occupy an honoured place in an international society striving for the preservation of peace, and the banishment of tyranny and slavery, oppression and intolerance for all time from the earth. We recognize that all peoples of the world have the right to live in peace, free from fear and want.  
[Preamble of The Constitution Of Japan, November 3, 1946.]

These carefully selected words, chosen by Japanese and US drafters, reflect their joint input, according to John Dower (1998). Significantly, the content of the preamble was to be a harbinger of things to come from Japan, as it re-entered the community of nations.<sup>138</sup> Indeed, the preamble can be said to represent an important key to understanding how Japan eventually managed to improve its relations in Eastern Asia.

The first step of re-entering into the community of nations was made when Japan signed the San Francisco Peace Treaty, where it met opposition but also some support from countries less affected by the atrocities committed by the Imperial Japanese Army (IJA). Backed by India and representing Ceylon (Sri Lanka), J.R. Jaywardene quoted the Buddha, noting that “hatred ceases not by hatred but by love” to propose rapprochement between Japan the region.<sup>139</sup> Then after Japanese Prime Minister Yoshida’s proposal for an “Asian” Marshall Plan was rejected by the US, Tokyo regained regional links by pursuing diplomatic means via Ceylon. J. R. Jayawardene, the Ceylonese Finance Minister, advocated the Colombo Plan, which allowed Tokyo to provide credits to the region for the purchase of Japanese goods. However, the commercial success of this for Japan was not matched by diplomatic successes in the region. The rising disparity between Japan and Eastern Asia led to growing anti-Japanese sentiments, which only turned in Japan’s favour after the Fukuda Doctrine of 1977.

In order to understand the positively changed relations between Japan and Eastern Asia, this chapter addresses empirical aspects of Japanese engagement in the region. It first

considers the Yoshida Doctrine, which initiated regional relations during the Cold War. This policy of convenient ‘self-help’, as represented by realism (Yahuda 1996), had to end as Eastern Asians saw Japan’s contribution to regional economic progress as minimal. The lack of material restitution to Eastern Asia by Tokyo was especially unacceptable given that prior to the San Francisco Treaty in 1951, Japan’s wartime victims had required the transfer of Japanese industrial plants as reparations (Tsuru 1993). With monetary reparations provided via trade credits, Japan went on to benefit immensely from access to the region’s markets and labour as well as Eastern Asia’s raw materials, increasing the material gap between itself and the region. The ensuing backlash in Eastern Asia during the 1970s forced Prime Minister Fukuda to face Eastern Asia’s material demands interpreted by the Japan’s leading think tank on the subject, the Institute of Developing Economies (IDE) or *Ajiken*, to move beyond mere economic aid to address core issues of industrialisation and ‘catch up’ economic growth.<sup>140</sup> Thus, the overtly political 1977 Fukuda Doctrine—understood here in terms of the provision of ‘public goods’ to Eastern Asia, including advocacy of a doctrine of ‘developmentalism’ for the region—guided Japanese policy towards meeting these material demands, assessed in detail in Chapters 5 through 7. Arguably, the provision of ‘global public goods’ on demand meant Japanese power was deployed to legitimate its hegemony, and this accounts for its positive relations with Eastern Asia.

Section 4.1.0 suggests that the post-WW II Yoshida Doctrine of constructive relations in Eastern Asia can be understood adequately within realism, but that its inadequacies eventually required Tokyo to accede to regional demands via the post 1970s Fukuda Doctrine, which can be essentially interpreted as a regional hegemonic power’s attempt to provide ‘global public goods.’ Section 4.2.0 focuses on the workings of Japanese think tanks, especially the Institute of Developing Economies or *Ajiken*, emphasising how Marxist oriented economists within these institutions interpreted post colonial Eastern Asian goals for Tokyo bureaucrats, leading to more favourable policy acceptable via the Fukuda Doctrine. Section 4.3.0 shows that Japan under-emphasised its military role while advocating ‘developmentalism’ as the economic model for the region, thus showing how its ‘global public goods’ doctrine was operational in Asia and so providing the proof within the knowledge structure, leaving the financial, production and security structures to be analysed in depth in subsequent chapters.

#### **4.1.0 YOSHIDA'S "REALIST" POLICY towards EASTERN ASIA:**

##### **REAPING THE HARVEST OF REGIONAL RESISTANCE**

Under US occupation and with a democratic system back in place, Japan's leaders had to address strategic issues in a rapidly emerging post colonial international context. The astute leadership of Yoshida Shigeru, the first Japanese Prime Minister after WW II, led to policies that allowed Japan's rapid recovery. Central to Japan's policy was articulating an Eastern Asian foreign policy that had the goal of normalising relations with this crucial region, which had for decades constituted an important market. However, these policies, although explained by realism, did not adequately address post colonial Asian nations' ability to reject renewed economic exploitation by the Japanese firms returning to the region throughout the 1960s and 1970s.

Japan initially ignored regional demands for economic development, while using regional resources and markets, resulting in an anti-Japanese backlash. This in turn required that Japanese policymakers more fully appreciate Eastern Asian demands. Prime Minister Fukuda then initiated the policy of actively assisting the region, a policy best understood in terms of the delivery of 'global public goods' that allowed the countries in the region to rapidly industrialise and develop their economies. This demand-driven policy, consistent with regional norms, aimed to reduce the gap between Japan and the region. Crucially, it constituted legitimate use of Japanese power, and was the cornerstone for Japan's rapidly improved relations with the region in the 1980s.

Subsection 4.1.1 considers Yoshida's post-WW II realist objective of rebuilding Japan to face Chinese and other external threats. Subsection 4.1.2 considers post colonial Eastern Asian demands for reparations from Japan, and the implications of these demands for confirming the normal relative gains drive of states. Subsection 4.1.3 reveals the limits of Yoshida's realism, considering how the role of Japan in Eastern Asia was undermined by the failure of Japanese policy to address the relative material demands of Eastern Asia.

##### **4.1.1 Post-war objectives: the Yoshida Doctrine and realism**

With the end of WW II, the Red Army, after allowing the US into what is now South Korea, was poised to take Japan's northern island of Hokkaido in a gesture of *quid pro quo* with Washington. However, the US was uncooperative, and the direct Russian

threat was allayed by the presence of US troops in Japan. In this context Yoshida Shigeru, diplomat and imprisoned peace advocate, became Japan's first post-war Prime Minister.<sup>141</sup> Despite contest between the superpowers, he quickly saw that Tokyo's primary long-term problem was the angry, radical regime in Peking (Beijing), and became convinced that Japan needed to both fully recover from the war and mend regional relations. Yoshida was interested in engaging China, but found his way blocked by John Foster Dulles.<sup>142</sup>

Yoshida's policy came to be known as the "Yoshida Doctrine." Green (1998:10) argues that the doctrine centred on a close alliance with the US, minimal military rearmament, a focus on economic recovery, and accommodation of the broad views of a ruling conservative coalition. In his biography of Yoshida, Dower (1998:369) explains, "the re-consolidation and re-centralization of conservative authority during the Yoshida era was inseparable from the strategic settlement reached between the US and Japan."<sup>143</sup> Green (1998:10) notes that the alliance with the US bolstered Japan with technology transfers, economic assistance, and markets for those conservatives focused primarily on economic recovery, while for "the hawks, the alliance provided a source of military technology, defence assistance, and political pressure for rearmament in the context of the Cold War. For the doves, the alliance provided a cap on that rearmament," or in the words of one foreign minister, "an honourable watchdog" (*obankensama*) for Japan (Pyle 1996:59).

The circumstances under US occupation changed with the Cold War, allowing the re-emergence of Japan's ill-fated *Taisho* era democracy and re-engagement with Eastern Asia. With the fascists of WW II facing war crimes tribunals, the Supreme Commander for the Allied Powers (SCAP) put the democratic conservative forces led by Yoshida into power. In this position, they cleverly dealt with the demands of labour by co-option rather than coercion, although SCAP had brutally put down massive strikes by Japanese labour in the past. However, this co-optation actually meant committing Japanese business to work in the interests of labour over the long term in exchange for the end of labour unrest. It essentially gave the relationship between labour and capital elements of consent as envisioned by Gramsci, and thus elements of legitimacy as considered by Habermas (1976), confirmed by the reality that rapidly rising wages led to Japan becoming the most equitable of industrialised societies. In this setting, Yoshida's deft

handling of Japanese foreign policy exploited opportunities presented by Cold War rivalry between blocs.

Thus Yoshida's "economic" doctrine concentrated on more than simply wealth creation—it was a means to provide security to Japan, and thus the region, in competition with communist China and Russia. It could be understood with realism no doubt, but the tools and strategy employed were highly sophisticated.<sup>144</sup> Yoshida noted that economics

represents a vital element in determining the political future of Southeast Asia... If China under Communist control makes rapid economic progress, leaving the comparatively slow Southeast Asian countries far behind, there will develop a great margin between the Communist and non-communist states in Asia, enabling Communist China to place the whole of Southeast Asia under her influence without resorting to arms (Cited in Saito 1990: 19).

In the aftermath of WW II, limited room for independent manoeuvre did not prevent strategic thinking on the part of Japanese leaders. Their efforts were marked by the fortuitous circumstances of the Cold War, which allowed Japan to escape complete de-industrialisation via reparations and isolation from its natural markets in the region.

Following the 1951 San Francisco Peace Treaty, which did not deliver the reparations demanded by Eastern Asia, Tokyo attempted to normalise relations in region in order to pursue the trade necessary for disposing of Japan's finished goods. At this point Tokyo began to negotiate bi-lateral deals with Southeast Asian countries, including those in Indochina (Tamotsu 1984:288). Given the lack of proper reparations, Japan's attempts at making amends in Asia were thwarted as Yoshida-led efforts for a formal rebuilding program in Asia along the lines of a Marshall Plan did not enjoy US support (Saito 1990:19–20).<sup>145</sup> Nonetheless, Tokyo did have sympathizers, as Nehru-led India and diplomatically assertive Ceylon (Sri Lanka) were attempting to fully re-instate Japan's rights prior to San Francisco (De Silva 1995:38–40).

The South Asian nations' attempt to bring Japan back into the Asian community bore fruit with the Colombo Plan, implemented in July 1951, with Japan joining in 1954 and securing access to Southeast Asian markets (Katada 1996: 13–14). The plan co-ordinated technical and financial aid to underdeveloped members, with aid provided in the form of loans, grants, or commodities such as fertilisers, equipment, and consumer goods. Assistance was arranged bilaterally and it included training personnel, scientific

research in agriculture and industry, consultative services, and financial aid, with efforts made to use training facilities within the recipient nations and to build up student exchange programmes. While these ideas were useful for post colonial states, Japan's lack of economic power and commitment to gaining such power meant that it neglected its obligations to region, paying little attention to regional economic development.

The hot phase of the Cold War was to rapidly alter Japan's fortunes in the face of US reluctance to continue to fund Japan's post-WW II recovery.<sup>146</sup> The Korean War hastened Japan's re-entry onto the world stage, allowing its economy to regain much of its pre-war vigour as restrictions on Japanese production turned into orders for materiel. As the Cold War continued, Japan drew closer to the US and developed a regional outlook that fit well with US strategic objectives—a policy that it has yet to change even at the beginning of the 21<sup>st</sup> century. Further assisting Japan were strategic circumstances in Southeast Asia, where conservative regimes and Muslim communities were beset by communist insurgencies within, or falling dominoes from without (Stubbs 1989, Sharma 1993: 17 and 111, and Rich & Stubbs 1997).

The US-Japan relationship was essential for the survival of conservative regimes in the region at a time when revolution was in the air. In this strategic setting, conservatives in South Korea, Malaysia, Indonesia, the Philippines, and Thailand were forced to see Japan as a *former* enemy turned indispensable ally of the US. The importance of such strategic thinking was fully appreciated, as US military efforts required bases in Okinawa with access to materiel from factories around the Tokyo and Osaka industrial areas, which in turn depended on raw materials from the forests and mines of Eastern Asia. Thus, within a decade after WW II, Japan had taken the important step of establishing diplomatic and economic contact with the Asians it had previously colonised. Japan did so on terms that could not have been dreamed of at San Francisco in 1951, when Burma did not even attend in protest, and the Philippines and Indonesia only grudgingly accepted the eventual outcome (De Silva 1995: 38–40).

#### **4.1.2 Eastern Asian demands for reparations: the relative gains drive**

Prime Minister Yoshida presided over seven years (1946–47 and 1948–54) to shape Japan's domestic institutions to promote economic success under the US security umbrella. Firms were required to follow the guidelines laid down by the Ministry of

Finance (MOF) and Ministry of International Trade and Industry (MITI). However, new industrialists opposed bureaucratic controls: indeed Mori (1989: 99–107) argues that Sony and Honda corporations succeeded by *defying* MITI's (or the Japanese state's) involvement in the economy. Nonetheless, without administrative guidance or obedience to MITI, Japanese firms not only stood to lose access to capital in Japan, as did fledgling Honda and Sony, but also to sacrifice the markets larger firms needed to dominate Asian production. By toeing the MITI line, Matsushita and Toyota and other large firms were able to rapidly extend themselves into Eastern Asia, and from that base they went on to regionalise and globalise production with relative ease, inviting a backlash.<sup>147</sup> The involvement of the state allowed Japan to overcome the backlash. Indeed, the importance of the state in Japan's developmentalist policies is demonstrated by the fact that to this day, Sony and Honda remain small players compared to the MITI-backed Japanese firms Matsushita and Toyota, both of which dominate their respective areas at a global level. MITI's administrative guidance meant Japanese firms were required to adopt practices in Eastern Asia that complimented political goals, thus ensuring added security for direct investments. This meant, among other things, retaining Eastern Asian workers in times of economic recession.<sup>148</sup> MITI involvement meant that Japanese firms had to take into account political factors, especially considering Japan's history of aggression.

According to Price (2001: 81) Yoshida regarded Japan's great mistake not as its aggression in Asia, but rather its alliance with the Axis powers and the ensuing conflict with the Anglo-American bloc:

As I have stated, and history confirms, ever since the opening of Japan's doors to the Western world more than a century ago, the basic principle of Japanese policy has been the maintenance of close and cordial political and economic ties with Great Britain and the United States. That Japan departed from this basic principle, and became allied with Germany and Italy, was the prime cause for my country being pushed headlong into a reckless war.

Given the Asian countries' resistance to the terms of the peace treaty, Yoshida's accommodation with the US, particularly with their decision to go ahead with San Francisco Peace Treaty was in effect *datsu-a ron* or leaving Asia (to be with the West, as enunciated originally by Fukuzawa).<sup>149</sup> Being with the West had its reward: most non-specialists on Asia overlook the fact that Japan escaped de-industrialisation because

reparations were not carried out in the form originally envisioned, that is, by the transfer of Japanese manufacturing plants (see [Table 2](#)).

**Table 2: Successive Reparations Proposals**

Proposals by the US	Date of Report	Removals of (in million of yen in 1939 prices):		
		Industrial Equipment	Military Equipment	Total
Pauley Proposal	November 1946	990	1,476	2,466
Strike Proposal	March 1948	172	1,476	1,648
Draper-Johnson proposal	May 1948	102	560	662
Actual Removal	Before removals were stopped in the Spring of 1949.	none	none	160

Source: Tsuru (1993).

By the 1960s the immediate task of re-building Japan was successful from its own perspective, marked by the catching up of its manufacturing to world-class levels once again, comparable to the achievements of the 1920s and 1930s when Japanese firms had successfully challenged Western firms. By the 1970s Japan's dominance of manufacturing and exports was undisputed in Asia, and it had again displaced European goods in the region as in the 1920s. Meanwhile, Japan had opened the door to economic growth in the Eastern Asian region with its early raw materials-related investment and trade, however this was along the lines of the US relationship with Latin America and Europe's relationship with Africa, and was thus not very legitimate in the eyes of post colonial intellectuals. This Japanese relationship with Eastern Asia was, in other words, neo-colonial, consistent with the *Dependencia* critique of Cardoso and Faletto (1979). However, the Northeast Asian part of the region (Taiwan and South Korea) received both Japanese and US preferential treatment because of their "frontline" status *vis-à-vis* the Soviet Union and China. Thus, both Taiwan and South Korea rapidly developed using the 'global public goods' offered to them. The relative lack of concern in Tokyo and Washington about slow development in Southeastern Asia at levels offered by the vagaries of the market meant that rising expectations in ASEAN nations were not met, leading to a legitimacy deficit for their combined hegemony. This allowed nationalists in the region to argue that Japan was again exploiting Asia. Such was the case in the Philippines in particular, with its Latin forms of political writing.



The success of the Yoshida Doctrine, although explained by realism, could only go so far: Eastern Asian societies never truly forgot that Japan had not lived up to the ideals of reparations. And, of course, in the end there is no way for Japan to actually “leave Asia.” As Nobel laureate Oe Kenzaburo wrote of this legacy:

The Japanese have not reflected on the meaning of the defeat seriously. In short, we should have negated the entire modernization project and sought a completely new direction, but we didn't. Japan as an Asian nation did not think of co-existing with other nations in Asia but again tried to outrun all the others. For example, Japan harvested a huge profit from the Korean War. (Price 1997: 292).

While Korea and Taiwan have received special attention, the bitterness in Southeast Asia was especially intense given post colonial states' demands for rapid economic development and the attainment of living standards achieved by colonial powers after decades of access to slave labour and cheap raw materials from the colonies. This bitterness was justified, as by the 1960s Japanese policy, dominated by MITI, continued to cater to its firms' needs for markets and raw materials, adhering to the colonial and neo-colonial pattern. By the 1970s, with Japanese property in the region under siege, and with the US weakening its commitment to Asia following defeat to communist Vietnam, Tokyo was forced to end its relationship of realist convenience with Eastern Asia and was finally ready to address the demands of the region.

Underlying material demands for reparations were long-term economic goals for which Eastern Asia had initially turned to Japan for help in the pre-war years, but which had led to betrayal by the invading Imperial Japanese Army (IJA) rather than freedom from European colonialism. Therefore, demands by post colonial states for material restitution from Japan were grounded firmly in the history of the Japan-Eastern Asia relationship. The very bilious rhetoric of material demands from Tokyo was underlined by the historical reality that over the years the periphery had repeatedly been bled to serve the centre's political and economic development, and Japan, an Asian country, had joined Westerners in exploiting the region. The large transfers of wealth left the unwilling donors of the periphery perpetually anaemic and angry; thus, after WW II and independence, the demands leading to the San Francisco Peace Conference were for reparations of Japan's very means of production, which had not been ravaged by war (Tsuru 1993). However, as Table 2 above showed, reparations payments were more or less abandoned by 1948, and the relocation of the plants and equipment was stopped entirely in 1949. By 1951 the issue of reparations was re-opened with the aggregate

obligations of Japan totalling only \$1012 million, the instalments of which, as Tsuru (1993) notes, only accounted for 0.4 % of Japan's national income and thus represented a very inexpensive way of redressing the grievances of Eastern Asians.<sup>150</sup>

#### **4.1.3 Anti-Japanese sentiments: the myopia of ignoring Eastern Asian demands**

The trajectory of growing anti-Japanese sentiments in Eastern Asia became apparent soon after the end of the Yoshida Shigeru era. Overcome by growing organisational factionalism surrounding the distribution of Japan's gains, the governing Liberal Democratic Party (LDP) could not appoint effective prime ministers, with most not lasting longer than a year or two.<sup>151</sup> This turnover undermined Tokyo's political helmsmanship at the world stage even as Japan was becoming a regional, if not a world power. Yoshida's policies of the early post-war years, which had originally led to the Colombo Plan, were not modified to meet the renewed demands of Eastern Asians consistent with the reparation principles of wars elsewhere, thus increasing dissatisfaction and resentment in the region.

Asian demands for reparations were not met, as noted, because of a desire on the part of the US to use Japan for the Korean War. As Japan failed to challenge Washington's Cold War goals in order to fulfil Eastern Asian demands, it soon came to be perceived as exploiting the situation for its own ends. Indeed, Tokyo carried on in the region with Japanese firms gaining access to raw materials and export markets. This meant that while by 1964 Japan had gained its objective of rapid national income growth via heavy domestic investment—signified by the introduction of the first *Shinkansen* (or “bullet” train)—it did little in terms of investing in the infrastructure of the region. By the time Tokyo staged the Olympics that same year it was starkly obvious to the population in Eastern Asia that that Japan had benefited immensely from access to Eastern Asian resources while their own workers and economies had gained relatively less. It was also clear Japan's admission to the OECD in 1964 and its signing of the International Monetary Fund, Article 8, marked its *full* acceptance by the powerful members of the Western Alliance. For Eastern Asians, this acceptance came about *despite* the fact that Tokyo had done little to address unfulfilled demands for reparations.

By the 1970s, concern with Japan's relative gains was widespread. A poll conducted in Indonesia revealed concern that Japanese businesses were using aid exploitatively:

33 % of the 1945-generation were “worried” about the matter while 4 % were not (Weinstein 1976: 262). Thus, despite not being as vehemently anti-Japanese as the Koreans and Chinese of the time, those in Southeast Asian countries saw that rather than making amends in the region, the Japanese instead made profits with tied aid that ensured markets for Japanese firms. Southeast Asian intellectuals (Manglapus 1976; Constantino 1989 & Constantino, et al 1991) were highly critical of Japan, while Western observers such as Weinstein (1976) wrote of a relationship of dependency similar to the malaise in Latin America. By the early 1970s, soaring Japanese surpluses (despite a higher floating yen with the breakdown of the Bretton Woods agreements) and stories of Japanese multi-nationals “extracting wealth” made Japan a prime target of ill will in post colonial Eastern Asia. The “Second Invasion” of Japan was not viewed favourably, and violence erupted against Japanese property (Constantino 1989). When Japan recognised China in 1972, following US leadership, Taiwan retaliated by blocking imports of Japanese autos.<sup>152</sup> Later, Prime Minister Tanaka Kakuei’s visit Southeast Asia in 1974 prompted anti-Japan protests in Thailand and Indonesia.<sup>153</sup> The rise of anti-Japanese sentiments in Southeast Asia signalled to Tokyo that business could not go on as usual for Japan.<sup>154</sup> Such displays of ill will served to underline the necessity of responding to the suspicion and animosity of Southeast Asians and obtaining their consent by ensuring peaceful trade that supported catch-up Asian economic development. This was to be departure from the trickle down of the *laissez faire* approach advocated by the US. Thus the omni-directional foreign policy of Prime Minister Tanaka Kakuei, where Japan followed American foreign policies blindly, had to come to an end by the late 1970s, when policy began to reflect a new realism more in keeping with the changing times.

#### **4.2.0 ANTI-JAPANESE SENTIMENTS AND EASTERN ASIAN DEMANDS: FUKUDA’S DRIVE TO LEGITIMATE JAPAN’S HEGEMONY**

With the help of Japan’s own area specialists—tellingly many were of Marxist orientation, as will be shown in the next section—Japanese politicians, bureaucrats, and businessmen were made to understand that Japan had to become *genuinely* interested in Eastern Asian development if Japanese presence in the region was to continue without violence against Japanese property. After the riots against the Japanese presence, Japanese Prime Minister Fukuda made openly political policies in response to regional

demands, advocating a rapid economic development strategy for Eastern Asia. This departure from the Yoshida Doctrine could no longer be understood by traditional realism, as it actually went so far as to address Eastern Asian economic needs while maintaining Japanese military forces at a bare minimum.<sup>155</sup>

Subsection 4.2.1 discusses the Fukuda Doctrine in terms of its ability to address regional demands. Subsection 4.2.2 considers the legitimization of Japanese hegemony via the communicative action of regional links or networks of elite business people, bureaucrats and academics. Subsection 4.2.3 addresses the crucial issue of the legitimacy of the Fukuda Doctrine, discussing how it met regional needs of rapid economic development via overtly political measures such as Overseas Development Aid (ODA) and Japanese foreign direct investment (JFDI) directed at Eastern Asia, leaving us to inquire how such ideas could have come about. This issue is then addressed in the subsequent section, 4.3.0, which considers Japanese think tanks.

#### **4.2.1 The Fukuda Doctrine: addressing regional demands**

Japan's mild interest in development led to a reaction against its presence in Eastern Asia. In 1977 Takeo Fukuda, who had succeeded Miki Takeo as prime minister in December 1976, responded to this situation in a famous policy speech in Manila that laid out the basic philosophical framework for Japan's relationship with ASEAN, and thus also the rest of Eastern Asia, including Indochina and Northeast Asia. Prime Minister Fukuda outlined three basic principles that would constitute the guiding framework for the new relationship between Japan and ASEAN:

1. Japan, a nation committed to peace, was resolved to contribute to the peace and prosperity of Southeast Asia and would not take the path to become a great military power despite its economic and technological capabilities.
2. Japan, as a true friend of the countries of Southeast Asia, would do its best for consolidating the relationship of mutual confidence and trust based on "heart-to-heart" understanding with these countries and become an equal partner of ASEAN and its member countries. She was determined to co-operate positively with them in their own efforts to strengthen their solidarity and resilience.
3. Together with other nations of the like mind outside the region, Japan would aim at fostering a relationship based on mutual understanding with the nations of Indochina, and thus intend to contribute to the building of peace and prosperity throughout Southeast Asia. We all should recognise that the future stability and prosperity of the ASEAN area could only be assured within a framework of peaceful progress throughout Southeast Asia as a whole.<sup>156</sup>

The Fukuda Doctrine sought to maintain regional stability in Asia through economic means as well as through the traditional means of security co-operation. Other Japanese

leaders have since followed this same doctrine, albeit under their own labels. Prime Minister Ohira Masayoshi (1978–1980) advocated a comprehensive approach to national security in the shadow of the US-Japan security treaty. With Japan’s power growing in the region, he saw that a vibrant industrial base, robust economy, beneficial export relationships, and an active foreign assistance program contributed to national security (Akaha 1991). He also led the “Pacific Basin Cooperation Concept” to establish of the Pacific Economic Cooperation Council (PECC) early in the 1980s.

**Table 3: Progression from Yoshida to the Fukuda Doctrines**

	<b>Yoshida Doctrine</b>	<b>Fukuda Doctrine</b>
<b>Diplomacy</b>	<ul style="list-style-type: none"> <li>• Characterised by <i>real politik</i> and great dependence on the US.</li> <li>• Use link with friendly countries to further develop links with hostile states.</li> <li>• Use multilateralism to position Japan in the international system.</li> </ul>	<ul style="list-style-type: none"> <li>• “Reactive” policies to Eastern Asia, a result of getting some distance from the US.</li> <li>• Develop direct bilateral ties with meaningful interactions.</li> <li>• Continue with multilateralism, with Japan taking on more assertive roles within international institutions such as the World Bank.</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>• Rely on the US.</li> <li>• Postpone development of Japan military.</li> <li>• Strict anti-communist stance in line with US demands.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to rely on US, but develop regional security forums.</li> <li>• Develop defensive structure.</li> <li>• Increasingly co-operate with communist regimes despite US policy.</li> </ul>
<b>Economics</b>	<ul style="list-style-type: none"> <li>• Focus on domestic economic development.</li> <li>• Use regional economies for trade and investment ties.</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on domestic expansion.</li> <li>• Continue trade and investment ties.</li> <li>• Develop regional market with pro-active policies.</li> <li>• Accede to Eastern Asian relative gains objectives.</li> </ul>
<b>Culture</b>	<ul style="list-style-type: none"> <li>• Some official cultural exchange.</li> <li>• Japan isolated. The Japanese tourists mostly travelling to Europe and North America.</li> <li>• Rare Japanese programmes on TV in the region.</li> </ul>	<ul style="list-style-type: none"> <li>• Numerous cultural exchanges.</li> <li>• Japan part of the region, with Japanese tourists obviously present.</li> <li>• Japanese pop culture making it to the TVs and “walkmans” of the region.</li> </ul>

In a departure from the ideas within Yoshida Doctrine—see [Table 3](#) above—the Fukuda Doctrine eventually led to the launching of Asia Pacific Economic Cooperation (APEC) in 1989 and to various other forums in the 1990s, including those in security.<sup>157</sup> The differences between the 1950s Yoshida Doctrine and the post 1970s Fukuda Doctrine played a fundamental role in positively changing perceptions of Japan in Eastern Asia. As argued by Yahuda (1996), the Yoshida Doctrine can be seen as being concerned

with great powers: the US, Russia and especially China. According to this realist worldview, Japan's relations with smaller Eastern Asian countries can be seen as a by-product of the need for normalisation with economic growth to stave off communism. Donnelly and Stubbs (1996:169) point to the gradual "appreciation that communist insurgencies were undermined by increased employment and higher wages and that communist states were interested in sharing the growing economic prosperity of the region by developing better trading links with the ASEAN states." However, after the violence against Japanese property by disaffected elements in Eastern Asian society, it became obvious that merely playing realist power politics was inadequate. Thus, winning heart and minds became important in a way not anticipated by realist theory, unless one *deliberately* includes within this tradition issues of consent and legitimacy raised by Gramsci (1937) and Habermas (1976) respectively.<sup>158</sup> Whereas Yoshida used the Cold War to Japan's advantage, as a realist would when dealing with strong and weak states, Fukuda had to react to the legitimisation crisis left in the wake of such policies. Eastern Asians were interested in closing the material gap with Japan, and the course that offered legitimisation for Japan had to address this issue. This was especially so as Japan had not actually paid the reparations as demanded for its imperial-fascist era aggression in the region.

At this juncture the Japanese government needed to act decisively, and in this the bureaucracy was aided by the knowledge base of Japanese area studies. Interestingly, the most prominent of these was set up by Marxist specialists sympathetic to post colonial Eastern Asian states, at the government sponsored Institute of Developing Economies (IDE) or *Ajiken*. Thus the Fukuda Doctrine had the full benefit of knowledge that true reconciliation with Japan's colonial victims could only take place by leading the region's rapid economic growth at rates that allowed living standards to keep rising with public demands, legitimising governments in the region. This growth eventually became famous as the "East Asian Miracle."<sup>159</sup> While it took place, Tokyo had to have the fortitude to entrust the region with the military security of Japan's own crucial economic interests.<sup>160</sup>

#### **4.2.2 Legitimation of Japanese hegemony via regional links**

The academic debate on the development of Japanese policy in the post WW II era has been dominated by discussion of Japan's lack of leadership initiatives. Yet these

included the efforts of Japanese scholar Kiyoshi Kojima's proposal for a Pacific Free Trade Area (PAFTA), the Pacific Trade and Development Conference (PAFTAD), the Pacific Basin Economic Community (PBEC), the Organization for Pacific Trade and Development (OPTAD), and the Pacific Economic Cooperation Conference (PECC). These institutional initiatives laid the basis for countries in the region to cooperate with each other in dealing with economic affairs in time with the birth of the Asia Pacific Economic Cooperation (APEC) forum was the consequence these efforts. However, in the 1970s, with cooperation at the level of “talk,” the problems arising from reliance on Washington, including the Nixon shock of US rapprochement with China, and the growth of anti-Japanese sentiments in Eastern Asia, forced Japan to utilize available knowledge to address the region’s problems at their roots. Rather than go the way of a military build up, as was possible with Washington’s encouragement, Fukuda set out to address the root causes of anti-Japanese sentiments. Strengthening Japan’s position in the Asian region in reaction to possible US withdrawal, Fukuda announced his doctrine in Manila in August 1977.<sup>161</sup>

The Fukuda Doctrine, which acceded to demands from the region, successfully set the modified intellectual tone for Japan’s engagement in Eastern Asia in the last decades of the 20<sup>th</sup> century. In 2000, a Japanese minister stated:

Let me here offer a pledge to the leaders and peoples of ASEAN. My pledge is that the government and people of Japan will never be sceptical bystanders in regard to ASEAN's efforts to achieve increased resilience and greater regional solidarity. But will always be with you as good partners, walking hand in hand with ASEAN. The ASEAN heads of government, in our recent meetings, called Japan ‘an especially close friend’ of ASEAN. A true friend is one who offers his hand in understanding and cooperation, not only in fair weather, but in adverse circumstances as well. I know Japan will be such a friend to ASEAN.<sup>162</sup>

This speech in Singapore is just one example of the many formal and informal ways in which the Fukuda Doctrine bore fruit, strengthening Japan’s ties in the region and with ASEAN in particular. Significantly, many organisations have sprung up as a result of this doctrine. For example, Japan created the Southeast Asia Promotion Centre for Trade, Investment, and Tourism (SEAPCENTRE), an inter-governmental organisation between ASEAN and Japan. Japan has also enhanced cultural exchanges with ASEAN through the establishment of ASEAN Cultural Fund. Perhaps one of the most important regional organisations that address regional integration is APEC, which has its origins with a network of scholars of which the Japanese were leaders.

One of the dozens of high level organisations with regional influence that exposes Japan to Eastern Asian needs and vice versa is the ASEAN Council of Japan Alumni (ASCOJA) with its meetings every two years (see Table 4).

**Table 4: ASCOJA Conference 1977–2001**

NUMBER	YEAR	CHAPTER/COUNTRY
1st	1977	Jugas, Singapore
2nd	1978	Persada, Jakarta, Indonesia
3rd	1979	Ojsat Bangkok, Thailand
4th	1981	Philfeja Manila, Philippines
5th	1983	Jagam Kuala Lumpur, Malaysia
6th	1985	Jugas, Singapore
7th	1987	Persada Jakarta, Indonesia
8th	1989	Ojsat Bangkok, Thailand
9th	1991	Philfeja Manila, Philippines
10th	1993	Jagam Kuala Lumpur, Malaysia
11th	1995	Jugas Singapore
12th	1997	Persada Jakarta, Indonesia
13th	1999	Ojsat Bangkok, Thailand
14th	2001	Philfeja Manila-Philippines

In 1974 Takeo Fukuda, who was then the Japanese Minister of Foreign Affairs, realised the importance of the alumni. In June 1977, Japan alumni had the opportunity to establish the Council at Manila, Philippines with the support of the government of Japan. At that time, it was estimated that there were approximately 26,000 alumni members from five countries. In August 1977, the first ASCOJA meeting was held in Kuala Lumpur, Malaysia. Since then ASCOJA members have met to discuss regional issues. The meetings have emphasised the increasing depth of the relationship at the now well-known “heart-to-heart” level prioritised in the Fukuda Doctrine. With time, the association has come to reflect more positively on Japan as a result of its ‘global public goods’ role. In a keynote address at the ASCOJA meeting in 2001, former Philippine Foreign Secretary Domingo L. Siazon, Jr. noted:

As former students in Japan, you can appreciate the positive role Japan has played in the industrialization of Southeast Asia. Thanks to *investment, technology transfer, human resources cooperation and market access* from Japan, the original ASEAN members have become important exporters. Through export-driven growth, they diversified their economies, lessening their dependence on agriculture while modernizing their industrial and services sectors [emphasis mine].<sup>163</sup>



Given such network power allowing recognition of Japan's public goods role in Eastern Asia as noted by Katzenstein and Shiraishi (1996), it is understandable how Japanese firms managed to overcome the setbacks of the 1970s attacks on their property. They did so with the assistance of the Ministry of International Trade and Industry (MITI) and the Ministry of Foreign Affairs (MOFA), with Japan's Marxist area specialists at the IDE or *Ajiken* taking on a prominent advisory role with excellent policy papers on the needs of the region. Japanese firms also dealt with the animosity towards them through lower profile investments via joint ventures, as in Thailand (Unger 1989: 119). Such joint investment complimented the developmentalist drive of the elite and the nationalist bourgeoisie in Southeast Asia (Kesavatana 1989: 82–86). They addressed the post colonial state's desire for rapid economic development, which was understood by the Marxist economists at IDE. The continued movement of Japanese firms into Eastern Asia gave them an opportunity to ease the prevailing anti-Japanese feelings there, with firms training a new host labour force, agreeing to higher wages, and improving working conditions (Koike & Inoki 1990; Chew, et al 1993).

#### **4.2.3 Legitimation and the Fukuda Doctrine: meeting regional needs**

From the 1980s onward Japanese policy towards Eastern Asia met regional demands for 'global public goods,' leading even traditional critics of Japan to offer words of appreciation. For example, Singapore's former Prime Minister and now Chief Minister, Lee Kuan Yew, carefully cultivated younger politicians, and according to one of them, Lim Hng Kiang:

Looking back, the Fukuda Doctrine was a very significant and explicit commitment whereby Japan pledged itself as a partner of ASEAN, in its efforts to achieve increased resilience and greater regional solidarity. Although not explicitly stated, the Fukuda Doctrine was a response to the extremely precarious position of ASEAN countries after the fall of Indochina. In other words, it was a strategic and political response to a political and strategic threat. In his 1977 speech, Prime Minister Fukuda also outlined the goal of a united Southeast Asia: of peaceful and co-operative relations between ASEAN and Indochina. It was a bold vision only two years after the victory of communist forces in Vietnam, Laos and Cambodia. But today, ASEAN-10 has become a reality.<sup>164</sup>

Thus, while the Fukuda Doctrine of 1977 can be seen as a continuation of the policy of eschewing Japanese militarism as promulgated under the Yoshida Doctrine, it went further to make Tokyo a more active partner in Eastern Asian economic development via concerted use of Overseas Development Aid (ODA) and Japanese foreign direct investment (JFDI) in an ODA→FDI regime captured by the 'global public goods'

argument.<sup>165</sup> This meant that Japan actually moved beyond the policies of the early post war years, explained adequately by realism, towards meeting material demands that were translated by the country's Marxist-leaning area specialists and economists, so making Tokyo a responsible hegemon.

With the Fukuda era the grant component of ODA began to increase and recipients were allowed a greater degree of control. This was made easier as ODA followed the pattern set by war reparations, where Yen credits were used to give Southeast Asia a choice in what to receive from Japan. Under the circumstances Japanese aid increasingly became one of "self-help," as the concerned governments were encouraged to propose areas of need, often in co-operation with Japanese firms that would bid for the implementation of the contract. The improved programs focused on key domestic 'public goods' in the area of infrastructure, such as power, roads, and seaports, and were followed by the 1987 New Asian Industries Development Plan (NAIDP) among many others. Ultimately, legitimating Japanese hegemony depended on a political understanding of what was expected from Japan in Eastern Asia. The rapid spread of *Ajiken's* ideas in the region was aided by Japanese ODA and further assisted by the region's interest in Japan's own very successful development experience (Arkasnee 1983: 24). These factors combined to lead the region to make rapid economic gains, and this was ultimately what allowed Japanese hegemony to be legitimate, thus explaining its improved relations in Eastern Asia.

#### **4.3.0 THE ORIGINS OF LEGITIMATING JAPANESE HEGEMONY:**

##### **THE MARXIST FOCUS IN JAPAN'S AREA STUDIES**

Since the early Meiji era, Japanese scholars and political leaders have made an intensive effort to understand the world beyond Japan, as with the Iwakura Mission to the West that spurred Japan to "Great Power" status by creating and emulating the useful institutions and dominant norms of the day. This tradition of study continued to include regional area studies resulting in the creation of a large body of scholars, making Japan the leading repository of knowledge about Eastern Asia. In the post war era this knowledge base was further developed with government sponsorship in order to accommodate the state's need to understand the challenges facing Japan in the region. With the network of scholars in place in the region, Japanese ideas could also easily

travel in the opposite direction, to affect policies in Eastern Asia. Indeed, Eastern Asia provides cases of networking between think tanks to propel new policy ideas into decision making at both a domestic and a regional level.<sup>166</sup> The number of think tanks in Eastern Asian countries, are relatively small, however they are relatively powerful as they are well connected to their respective governments, garnering funding from that source. These think tanks had significant policy impact from the late 1970s onward, promoting Eastern Asian economic co-operation through the regional policy community. Thus the evolution of the regional economic idea has been a long process (Woods 1993). Its introduction onto the policy agenda of the states of the Asia Pacific region, and between the state decision making communities of the region, has been via the evolution of a regional ‘policy network.’<sup>167</sup> What is interesting is the location of ideas for these ‘networks,’ and here it is becomes clear that Japanese efforts to inculcate the region with ‘developmentalism’ have succeeded, given their understanding of regional needs. Thus it comes as no surprise that Japanese knowledge in the region has served the region as an ‘international public good’.

Subsection 4.3.1 provides greater detail on some of the key issues mentioned above, exploring the formation and progress of the Institute for Developing Economies (IDE) or Ajiken. Subsection 4.3.2 explores the more academic Kyoto-based Centre for Southeast Asian Studies and “Comprehensive Chîki Kenkyû.” Subsection 4.3.3 points to the weakness of such focused research institutes, given the challenges of globalisation and the decline of commitments to post colonial states’ concerns within the new liberal international order favoured by the “Washington Consensus.”

#### **4.3.1 Japan’s Marxist economic analysis and pro-Eastern Asian policy<sup>168</sup>**

To properly appreciate Japanese policy in the context of economic development in Eastern Asia it is first necessary to understand the role of two key institutions and the extent of their work. In particular, it is necessary to appreciate the Marxist origins of Japanese thinking on Eastern Asia. This subject has not traditionally captured the attention of foreign scholars, who typically criticise Japanese policy as inferior to Western aid policies, considering only the gains achieved by Japan and not those made by Eastern Asia (Arase 1995). Suehiro (1997) notes that in the post war era, popular ideas about Eastern Asia came from several Japanese institutions dedicated to studying

the region, thus bringing home a profoundly important knowledge base. The two main institutions are:

- (1) The *Ajia Mondai Chôsakai* (Research Society for Asian Affairs), which was renamed in 1954 as the *Ajia Kyôkai* (Society for Economic Co-operation in Asia) and then became the current *Ajia Keizai Kenkyûjo*, or *Ajiken*. Known in the English language as the Institute for Asian Economic Affairs, it then became the Institute for Developing Economies or IDE. In 1998 it was put under the Japan External Trade Relations Organisation (JETRO).
- (2) Kyoto University's *Tônan Ajia Kenkyû Sentô* (Center for Southeast Asian Studies).

Suehiro (1997) notes that these institutions developed a uniquely Japanese form of area studies, *chiiki kenkyû*, typified by a bias towards Asia as well as by a purposeful evasion of academic discipline. They were guided by a Marxist understanding of the world, and focused on understanding the developing world in Asia on its own terms. Although such institutions did promote useful policy which helped to guide and improve Japan's relations in Eastern Asia, the focus of Japanese area studies was too narrow to address the strategic changes influencing capitalism that were to undermine 'global public goods' and precipitate crisis in ways suggested by Marx himself.

The most important think tank involved in Japan's interpretation of, and policy towards post colonial Eastern Asia, is the Institute of Developing Economies (IDE) or *Ajiken*. Based in the policy furnace of the Kasumigaseki district in Tokyo, *Ajiken* has influenced Japan's policy towards Eastern Asia since the late 1970s. Suehiro (1997) argues that Japanese non-governmental research institutions like *Ajia Mondai Chôsakai/Ajia Kyôkai* were expected to generate economic co-operation initiatives with the *transparent* objective of winning friends and placating enemies. Research on economic conditions in Asia provided useful data for the government, particularly regional information of a technical (and ostensibly non-ideological) nature. In other words, as Suehiro notes (1997: 20):

although theories of national development were important to the *Ajia Kyôkai*, its basic purposes were the collection, analysis, and distribution of useful political and economic information for policy-specific needs, including the *development of trade and investment ties and the solution of the reparations issue*, both of them ultimately related to the nebulous category of *keizai kyôryoku* or economic co-operation. In practice this meant that scholars were

expected to go into the field or to get primary information resources and to distribute them; it further meant that researchers became experts on the regions under their purview, but that they were not ultimately tied to a specific academic discipline. [My emphasis.]

These government-funded organisations provided researchers from far-flung fields with the chance to build personal networks that would aid further research. It is clear that from the onset their work had geo-strategic and normative elements built in, considering the class-conscious nature of their work and its pro-Asia bias. For those unaware of the post-WW II dominance of Marxist scholars in Japan, the Asia-wide policies sponsored by Tokyo appeared to have much in common with the infamous “Greater East Co-prosperity Sphere,” an idea used as propaganda by the Imperial Japanese Army to gain political advantage in Eastern Asia. With the US rehabilitation of Prime Minister Kishi, who was indicted at the end of WW II for war crimes, the connection to this imperial past remained fraught with tensions. Suehiro (1997:22) points out that *Ajia Mondai Chôsakai/Ajia Kyôkai*’s guiding light Fujizaki,<sup>169</sup>

had close ties to former war criminal Kishi and could be seen as somewhat anti-Western in their political orientation. Kishi, for example, stood against what he viewed as the West’s desire for “democracy based on self-interest” and instead supported what he referred to as a “nation-based” political system. These feelings were echoed by Itagaki, who was attempting to figure out ways to get the energy of *post colonial nationalism* fed into “modern” (or ostensibly productive) nationalism. Building off theories of national development of such economists as Friedrich List, Itagaki and Fujizaki favoured “practical” research, which was also of course consistent with the orientation of *Ajia Kyôkai*’s members from the financial world and the bureaucracy. In fact, a quick survey of authors as well as special themes of *Ajia Mondai* indicates detailed research on nation-building efforts, economic development planning, and the interaction between communism and nationalism in the region and in specific countries comprised virtually all of the content, and that the authors came from the financial world, the bureaucracy, the think tanks, the universities, the media, and other disparate sources.<sup>170</sup> [My emphasis.]

With funding for research on Asia cut in the late 1950s, the leading voices of *Ajia Kyôkai* sought to revive activities by adapting to the new emphasis on Asia implied by Prime Minister Kishi’s two regional trips in 1957, first to Burma, India, Thailand, Ceylon (Sri Lanka), and Taiwan, and then to South Vietnam, Cambodia, Laos, Malaya, Singapore, Indonesia, New Zealand, and the Philippines later in the year.<sup>171</sup> Suehiro notes that in planning the trips, Kishi and his cabinet decided to propose the establishment of this new research institute for the Asian economies, a concept that became the genesis of *Ajia Keizai Kenkyûjo*, or *Ajiken*.

Not surprisingly, MOFA and MITI fought over the role of the proposed centre, with the more powerful MITI winning control of it as a result of the political emphasis on economic gain for Japan. MOFA was left to govern the new *Nihon Kokusai Mondai Kenkyûjo*, or, the Japan Institute of International Affairs. Despite being directed by a businessman put in place by MITI, from the onset the intellectual mindset of *Ajiken* was one that grappled with Southeast Asia on its own terms. *Ajiken* was formally established as a *shadan hôjin* (public association) in 1957, but its status was upgraded to that of *tokushu hôjin* (special public corporation, created by the government to pursue certain objectives) in 1960, at which point it was placed squarely in the middle of Tokyo politics. As it turned out, this Tokyo knowledge base played a key role in shaping Japanese understandings of Eastern Asia and thus how to address anti-Japanese sentiments there. Moreover, it was this institution that spread ‘developmentalist’ ideas within Asia itself, with its influential policy papers and role as host for scores of Asian researchers over four decades. It was the work of *Ajiken* that allowed understandings of ‘developmentalism’ in the West, as their economists developed the original ideas of the World Bank’s 1992 East Asian Miracle report, the pinnacle of *Ajiken* success in challenging Anglo-American dominance within international organisations.

According to Suhiro (1997), *Ajiken*’s first president, Tôhata Seiichi, formerly a professor emeritus at the University of Tokyo and an expert on agricultural economics, saw that Japan needed a new concept of *chiiki kenkyû*, or area studies, that would allow for country-by-country studies. Pre-war research, he argued, had been done when only when opportune for national policy, and so Japanese universities lacked any real system for *chiiki kenkyû*, except in the case of research on China. His desire for comprehensive studies—encompassing, among other things, “legal, political, religious natural, technical, ethnological, and ethnographic issues”—was so persuasive that it shaped the research style of *Ajiken* staff researchers, as evidenced by the large number of *Ajiken* experts dispatched to Asian countries to live for two or three years in the field in order to absorb everything they could about a given country. Indeed, it is useful to think of *Ajiken*’s conception of comprehensive field research as being absorption in a local culture with efforts to come to grips with existing conditions in any one country.<sup>172</sup> Due to its ties to MITI and its research budget and materials, *Ajiken*’s research program affected not only its direct employees, but also those scholars asked to contribute to research projects. For example, when a number of important scholars came together to

form a research association on economic development planning, they emphasised the economic co-operation and investment environments of each individual country.<sup>173</sup>

Suehiro notes that after 1965, *Ajiken*-based researchers became increasingly interested in the specific problems facing Asian countries, such as the structure of village society and land ownership. Even in these new projects, Professor Tôhata urged his colleagues to use the *chiiki kenkyû* methods and at the same time suggested that they work from Japan's experience as a late-industrialising country in order to grasp the special characteristics of Asian villages. When publications from this association began to appear, it was obvious that the scholars involved had heeded this advice, as the volumes tended to feature articles on the current conditions facing individual countries. This type of work has influenced even present research, as in the case of studies of the need for Japan to take on a more aggressive role in *importing* from the region.<sup>174</sup>

Suehiro argues in terms of wider influence of this perspective over time. Researchers at *Ajiken* had themselves been working in this Asia-centred framework since they were in their twenties or thirties, leading to a clear disposition towards deep immersion in current conditions rather than to any sort of disciplinary orthodoxy. This type of approach was often criticised, but ultimately, it meant that the impact of such thinking spread far beyond the walls of *Ajiken*. Not only do scholars who worked with *Ajiken* use the research methods favoured by the organisation in their own work, but also a great number of these researchers moved on to posts at universities. As of 1996, there were 130 former *Ajiken* researchers employed by the nation's universities, teaching *chiiki kenkyû* to a new generation of scholars (Suehiro 1997:24). In addition, scores of Asian researchers have gone through the study rooms and libraries of the Spartan settings at *Ajiken*. These Asian researchers have been instrumental in shaping policy upon their return to their own countries, forming institutes focused on Japanese-style development, or at least intending to.<sup>175</sup> Although the trend of *Ajiken* research continues to be focused on Eastern Asian development, some Japanese researchers and academics are daring to suggest its relevance to Latin America as well (Hosono & Saavedra-Rivano 1998 and Saavedra-Rivano, Akio & Stallings 2001).

#### 4.3.2 Convergence to Ajiken: guiding Japan's 'global public goods'

The second research institution promoting *chiki kenkyū* was the Kyoto-based Southeast Asian Studies and “Comprehensive *chiki kenkyū*.” It began in 1959 and grew into the *Tōnan Ajia Kenkyū Sentā* (The Centre for Southeast Asian Studies) after scholars received a grant from the Ford Foundation in 1963.<sup>176</sup> Away from the policy centre of Kasumigaseki in Tokyo, the Kyoto link is significant as it too eventually entered into practical policymaking to assist Eastern Asian economic development. While this institution initially began as another tradition of research along the lines of disciplinary work, it eventually came to focus on work of the sort that took place in Tokyo. Suehiro (1997) notes four features that distinguish the Centre from MITI-led *Ajiken*:

- (1) Its membership, which was smaller than *Ajiken*'s, was composed almost entirely of scholars, rather than bureaucrats, politicians, and members of the financial world.
- (2) Its research was directed not at policy but rather at issues better described as academic in orientation.
- (3) Members of think tanks and *Chiiki Kenkyū* came from both the natural as well as human and social sciences, as demonstrated by the fact that affiliated researchers were scholars in departments as diverse as medicine, literature, law, education, pharmaceuticals, and geography.
- (4) Unlike *Ajiken*, where most of the researchers had been trained in the Marxist tradition popular among Japanese economists and political scientists, the core members of the Centre for Southeast Asian Studies, and natural scientists in particular, were scholars who demonstrated little interest in the Marxist approach.

Suehiro (1997) argues that according to the Centre's version, which was formulated partially on the basis of American-style area studies, *chiiki kenkyū*, had to be based on:

- (1) the unification of research and training organisations;
- (2) comprehensive research based on interdepartmental co-operation;
- (3) an emphasis on current issues more than on history;
- (4) learning the language of the country one aspired to study;
- (5) the development of discipline-based training;
- (6) field surveys;
- (7) the organisation of relevant source materials and bibliographies.



He argues that, in particular, factors 1, 2, and 5 present a contrast to the *Ajiken* perspective, though the Centre's method changed over time. For example, in the early years of field research in the 1960s, the Centre's *chiiki kenkyû* group projects generally revolved around multidisciplinary studies of, for example, village life in Malaysia. Individual scholars from fields such as physical geography, medicine, sociology, and anthropology would work together to generate comprehensive surveys in what became known as the "core project method." Similarly, the Centre would also sponsor individual researchers who hoped to focus on a given country like Thailand by completing a study within their own discipline, or the "individual project method." Significantly, both of these approaches meant that information was shared between scholars from different disciplines.

During the 1970s, however, an increasing number of scholars, having developed new theoretical interests as a result of the productivity of the multidisciplinary methods, began to adopt arguments from different fields in order to supplement their work. Indeed, many came to work more closely together to write joint papers that effectively merged disciplines into more comprehensive studies of particular aspects of life in Asia. In other words, in contrast to its earlier "multidisciplinary" approach, the Centre's method in the 1970s could best be described as "interdisciplinary." Suehiro (1997: 25–26) notes this trend would accelerate in the 1980s

when Yano Toru, who had been the head of the Joint Research Planning Committee, argued that *chiiki kenkyû* ought to consider the fact that the areas under observation were generally developing countries, and that studies on them would likely be expected to yield useful advice and knowledge; in other words, mere academic pursuits might be sublimated to the need for practical knowledge. In order to forestall the collapse of broad academic pursuits, he argued that the Centre's research ought to be designed to allow experts to grasp all aspects of life in their area of study, meaning that they ought to focus on "comprehensive *chiiki kenkyû*" or "general ecological studies" rather than on specific disciplines.

To the extent that *chiiki kenkyû* began to emerge as total immersion in a foreign culture rather than discipline-driven research, research at the Centre moved further away from the concept of "area studies" popularised in the US and Europe. Ultimately, this meant that research at the Centre began to resemble—in form if not always in content—the kind of *chiiki kenkyû* favoured at *Ajiken*. As its normative lens, it supported Marxist style concern for the development of Eastern Asia as the only viable foreign policy for Japan.<sup>177</sup>

#### 4.3.3 The domestic focus of *chiiki kenkyû*: vulnerability to systemic forces

Suchiro (1997: 26) suggests Japanese *chiiki kenkyû* will continue down the somewhat iconoclastic road it has been paving over the past decades. He notes (1997: 25–26):

perhaps the most interesting example of Japanese areas studies is by Tsuchiya Kenji, a political scientist who did his graduate studies in international relations at the University of Tokyo. In his field work on Indonesia, Tsuchiya found that he was unable to grasp political science in the country without addressing the history of Dutch colonialism, ethnic reactions and ethnic movements, the Indonesian language, traditional music, art, and the like. He termed this comprehensive approach “culturism,” and his work *Kartini no Fûkei* (Kartini’s Scenery) is a vivid symbol of his research style, in its description of the period of Dutch colonialism in Indonesia from the imagined perspective of an Indonesian woman. In a subsequent article in the journal *Shisô*, Tsuchiya argued that in *chiiki kenkyû*, the researcher must be aware of and resigned to the need to ask unceasingly what *chiiki kenkyû* is and what is the basis of this existence, and that the only way that one could demonstrate this awareness was “to come face to face with the aporia of one’s own *chiiki kenkyû*, to draw it to oneself, to make oneself [rather than an academic article—author] the ‘work’ (*sakuhin*) of one’s research.” In other words, for Tsuchiya, this was work as sociology, and the work produced was to transcend simple time/space categories by de-centring the researcher as an objective, external observer.

The institutional background of *chiiki kenkyû* is one of public think tanks aiming at policy-relevant research and at “group research” that has moved scholars towards more comprehensive approaches eschewing strict disciplinary or theoretical formulae (Suchiro 1997: 27). With this pedigree, the fundamentally changed situation in late 20<sup>th</sup> century poses problems for *chiiki kenkyû* on Asia. In the post-Cold War era, industrialisation, economic globalisation, and the development of more rapid telecommunications and increased information sharing has stripped away the “local” context. Without adequate research on the connection and interaction between the local and global, the policy prescriptions of such institutions were bound to be myopic.

The focus of Japanese *chiiki kenkyû* or area studies served to popularise Japan’s own experience in development, but more importantly it also encouraged Tokyo to understand the goals of *nationalists* in Eastern Asia, as only Marxist-oriented critiques could fully transmit the goals of post colonial peoples in their terms. Hence the method of total immersion into each culture in order to understand the world from the local perspective ensured that Tokyo policymakers could truly comprehend the aspirations of Eastern Asians. However, Japanese *chiiki kenkyû*, did not address capitalism at the international level, and thus failed to consider the effects of weakened state control over economic affairs in the face of globalisation due to deregulation and technological

factors. Most importantly, these researchers did not observe that post WW II capitalist growth depended upon the ‘global public goods’ provided by the US, and so they failed to recognize that the lack of such goods in the post-Cold War era increased the likelihood that global capitalism would face a severe crisis.<sup>178</sup>

The problem for Japanese scholars of *chiiki kenkyū* is that empirical knowledge, even the most thorough understanding of “local conditions,” cannot replace theoretical understandings or a more objective method of comparison that comes from willingness to study things *outside* of a particular regions as well. Moreover, a narrow focus on local perspectives cannot lead to structural perspectives. Without the ability to understand the local in relation to the global, *chiiki kenkyū* scholars missed broader systemic shifts that came to affect Eastern Asian societies. Such vulnerabilities came to mean that responses to emerging problems not could keep pace with crises. While it is by now both trite and misleading to speak of “globalisation” and the creation of a “borderless world,” *chiiki kenkyū* scholars simply could not grasp such ideas in time to provide early warning to the Japanese government about crises to come.<sup>179</sup>

Additionally, if, as Suehiro argues, we accept *chiiki kenkyū* as the absorption of specific knowledge about the present conditions of a given area, it becomes almost impossible for the discipline to transmit knowledge to other scholars or to the next generation of researchers. Current understandings suggest that there is no way for one to become a *chiiki kenkyū* expert without thoroughly immersing oneself in one’s subject, learning the language, living with the people, and getting to understand the society thoroughly as a participant, and this problematises one’s own place as an objective observer. He states that while there are no doubt benefits to this approach, it nevertheless presents something of a quandary when teaching students, given that little can be said besides, “Go there and learn”. Suehiro concludes that this results in scores of Japanese experts who thoroughly understand the region but who, in principle, are unable to do much more than provide some specific information on given issues for use in articles, policy papers, and the like, rather than to pass on genuine understanding to other scholars or students. “So rather than generating a large body of knowledge,” he suggests, “we are generating a large number of individual bodies of knowledge about Asia” (Suehiro 1997: 27). He (1997: 20) argues

the organization of knowledge for public purposes actually started to dovetail with a growing anti-theoretical or anti-establishment slant on the part of academics, and is leading us further down the road of—to borrow Clifford Geertz’s famous phrase—“thick description” rather than narrowly disciplined or theoretically productive work.<sup>180</sup>

Although Suehiro suggests that Japanese area studies have not been directed theoretically, in fact the very idea of approaching the post colonial periphery on its own terms is a theoretical stance par excellence. However, its weakness is its lack of regional and global orientation, and its consequent failure to appreciate the connections between the global/regional and the local.

### **Conclusion THE “LOOK EAST” EFFECT IN EASTERN ASIA: LEGITIMATION OF JAPANESE HEGEMONY**

The role of Japan as a purveyor of “developmentalist” ideas in Eastern Asia resulted in the system spreading within the region, even to post colonial states with ties to Britain and Holland, but no historical links to Japan, as is the case with most ASEAN nations. The domestic political rationale for Eastern Asian ‘developmentalism’ lay in the structural limitations experienced by minor countries in the international capitalist system, as can be seen in Peter Katzenstein’s (1978) work on small European states “in the world market.” However, the structural limitations within the international capitalist system for post colonial states are much more challenging. Given Japan’s positive role at the structural level in providing the ideas that organised economy and security—what might be seen metaphorically as regional ‘global public goods’—these conditions could be mitigated to allow catch-up development.

As a result of Japan’s positive regional role, unlike in the early part of the post-war era between 1951 and 1971 when these countries were in political and military turmoil, in the last two decades of the 20<sup>th</sup> century it became clear that the Eastern Asians were both capable of designating Japan a leader, and being able to follow its lead. This was particularly obvious within the policy community, as Malaysian Deputy Prime Minister Y.A.B. Dato Musa Hitam stated in October 1982:

If we are going to learn and benefit as in fact we are doing now, we should learn from the people who are best in the field. That is the policy behind the “Look East” policy now in force (Cited in Abegglen & Stalk: 266).

With the confirmation coming with several states informally or formerly adopting “Look East” policies, such praise in Eastern Asia must be considered beyond mere sloganeering. Japanese policymakers leading the ‘developmentalist’ drive in the region found in such public pronouncements a great deal of encouragement.<sup>181</sup>

In broader terms, the affirmation of Japanese policy may be taken as a sign of the successful legitimization of Japan’s presence. This legitimization was made possible by the provision of ‘public goods’ to Eastern Asia in response to regional demands to be on a path to ‘catch-up’ with the developed world. Confirming that Japan’s relations in the region have improved, the region’s leadership has called for greater co-operation on all fronts from the early days of ASEAN’s existence (ASEAN 1987a and 1987b), with a call for greater Japanese involvement growing louder in the 1980s and 1990s. In this new regional system, Eastern Asians are attempting to tie their economies even closer to Japan, floating ideas such as an East Asian Economic Group or Caucus (EAEG or EAEC) with Tokyo as leader. “Look East” has meant, in practical terms, modernising the region with market economies while also maintaining the guiding hand of the state along the lines pioneered in Japan.

## Chapter 5

### Japanese ‘Developmentalism’ for Post Colonial States: ‘Global Public Goods’ Doctrine for Rapid Economic Development

After gaining praise from Asians for its *Meiji* era resistance to colonialism, Japan became reviled by the 1930s as it sought to coercively establish a “Greater Co-prosperity sphere” in Eastern Asia (Miller 1994:34). Defeat in WW II brought this brazen attempt at imperialism to halt. Following the war, the new government of Prime Minister Yoshida Shigeru in 1946 and its successors in the 1950 and 1960s failed to win over Eastern Asians via aid and trade, with Japanese firms in the region exploiting natural resources in ways that invited comparison to US and European forays into Latin America, Africa and Asia. Thinking Asians saw no advantage in ‘dependent development’ that mirrored Latin America (Manglapus 1976). The surge of Japanese activity in Eastern Asia was eventually challenged, leading to violence against Japan’s property and the political humiliation of its, as with Prime Minister Tanaka Kakui.

By the late 1970s Japan addressed the core concerns of Eastern Asians, as identified by Marxist economists at the Institute of Developing Economies (IDE) or *Ajiken*, shaping the Fukuda Doctrine of 1977. Whilst continuing an epoch defined by the pacifist policy of the Yoshida Doctrine, the new Fukuda Doctrine represented a formalisation of Japan’s active participation in rapid regional economic development. As such, it involved promoting Japan’s own brand of ‘catch up’ development for the countries of Eastern Asia.<sup>182</sup> This new doctrine advocated Japan’s successful experience of ‘developmentalist’ capitalism for Eastern Asia in lieu of the *laissez faire* favoured by the US. Hence, ‘developmentalist’ knowledge became a metaphorical ‘global public good’. In essence, the Japanese government used its own experience of ‘developmentalism’ to win “hearts and minds” in Eastern Asia.

In addition to Japan’s active role in promoting ‘developmentalism’ in Eastern Asia, South Korea’s and Taiwan’s example, which came about in the historical context of Japanese empire (Kohli 1994), became a model for other post colonial states in the region. Japanese developmentalist institutions created for the imperial war machine were well positioned to propel South Korea and Taiwan. While these institutional actions were crucial at the domestic level, their agency was enabled by active Tokyo

involvement in a classic exposition of agency within the structure of Japanese *regional* hegemony. As Eastern Asian states adopted the ‘developmentalism’ encouraged by Tokyo, the success or failure of these ideas at rapidly delivering economic gain came to determine judgments about Japan’s regional hegemony.<sup>183</sup>

This chapter provides evidence of how Japan’s ‘developmentalist’ knowledge was utilised in Eastern Asia with Tokyo’s sponsorship, showing us how the regional approach can be very generally characterised as “governing the market” out of the “periphery” such that South Korea was to become an early example for the region (Wade 1990, Haggard 1990, and Amsden 1989, 1994 & 1995). Japan’s ‘global public goods’ manifested itself in two ways. First, its experience combined with its value as a role model of success for other Asian states made them willing to copy aspects of its ‘developmentalist’ growth. For example, Atul Kohli (1994 & 2003) traces the Japanese lineage of Korea’s ‘developmental state.’ Secondly, and more crucially, as confirmed by Robert Wade (1996), is Japan’s advocacy of ‘developmentalism’ for the region, particularly its support for various policy tools affecting what can be characterised as ‘global public goods’ in the area of knowledge. The results of such propagation are obvious when surveying the region’s systems, and Kenichi Ohno (2001) argues that Eastern Asian results present a marked contrast to those of other postcolonial states with slow or stagnating economic growth.<sup>184</sup> He points to diversity in ecosystem, population, ethnicity, religion, social structure, and political regime in Eastern Asia, as well as to the even greater diversity in GDP, per capita income, and economic development. He argues that despite these variations, Eastern Asia has had high growth rates sustained over long periods, noting that this has been associated with high savings and investment rates, active but managed openness to the external world, export orientation, industrialization, and general improvements in social indicators, particularly education.<sup>185</sup>

Section 5.1.0 address the role of ‘developmentalism’ from *Meiji* to *Heisei*, allowing us to understand the history of Japan’s modernisation as coming from the 19<sup>th</sup> century. Section 5.2.0 discusses the influence of Japanese ideas on the role of ‘developmentalism’ in Eastern Asia. Section 5.3.0 delves into theoretical approaches to economic development and focuses on the role of the state in ‘developmentalism.’

### **5.1.0 ‘DEVELOPMENTALISM’ FROM *MEIJI* TO *HEISEI*:**

#### **THE ROLE OF THE STATE IN JAPAN’S CATCH-UP DEVELOPMENT**

It is important to understand Japan’s experience with ‘developmentalism’ beginning with the Meiji Restoration in order to comprehend how Japan became *the* example for the Eastern Asia region to emulate. Japan’s early post war years were devoted to rebuilding industrial capacity lost to war. Major investments were made in electric power, coal, iron and steel, and chemical fertilizers. By the mid-1950s, production had risen to pre-war levels (Tsuru 1993). Once released from the demands of military-dominated government, the economy, guided by the Japanese Ministry of International Trade and Industry (MITI), not only recovered but surpassed the growth rates of earlier periods. Between 1953 and 1965, Japanese GDP expanded by more than 9 % per year, manufacturing and mining by 13 %, construction by 11 %, and infrastructure by 12 %. In 1965, these sectors employed more than 41 % of the labour force, whereas only 26 % remained in agriculture. The mid-1960s ushered in a new type of industrial development as the economy opened itself to international competition in some industries and developed heavy and chemical manufactures. Whereas textiles and light manufactures maintained their profitability internationally, other products, such as automobiles, ships, and machine tools, assumed new importance. The value added to manufacturing and mining grew at the rate of 17 % per year between 1965 and 1970. Eventually, growth rates slowed to about 8 % and evened out between the industrial and service sectors between 1970 and 1973, as retail trade, finance, real estate, information, and other service industries streamlined their operations.<sup>186</sup> As Chalmers Johnson (1982 & 1987) explains, this was Japan’s “miracle” under the guidance of MITI, and it was the leading case of the ‘developmentalism’ for other nations to aspire to. In what follows, sub-section 5.1.1 traces the historical roots of the Japanese experience of ‘developmentalism’. Subsection 5.1.2 explores the Japanese post-WW II experience with ‘developmentalism.’ Thereafter, subsection 5.1.3 discusses Murakami Yasusuke’s (1996) theoretical perspective on the Japanese experience of ‘developmentalism.’

#### **5.1.1 The roots of ‘developmentalism’ in the *Meiji* Restoration**

One can say the story of Japanese ‘developmentalism’ began with the dawn of the *Meiji* (enlightened rule) era and more or less ended with the onset of the *Heisei* era, which appropriately enough means “clarity and harmony.” The *Meiji* Restoration of the



emperor and the subsequent turn to a more calculated response to aggressive Western encroachment by a modernised central government led to a more self-interested rule than had previously been the case. Japan not only managed to stave off colonisation, but also transformed itself into a major world power. After enduring a century of turmoil in order to ‘catch up’ with the West, Japan’s recent transition to the *Heisei* era signifies that in the last two decades of the 20<sup>th</sup> century the country has achieved clarity of purpose. Japan has promoted ‘developmentalism’ to Eastern Asia, and as a result gained both credibility and the improved regional harmony referred to in Japan’s constitution.

Yamamura, *et al* (1997) note that Meiji era governments adopted a ‘developmentalist’ philosophy, systematically intervening in the economy with a programme of “priority production,” industrial rationalisations, trade protection for “infant” industries, industry-specific subsidies, and encouragement of government-guided cartels among large firms. These policies were designed to promote or otherwise result in a high rate of savings among citizens and encourage investors and large firms to keep pace with the technology curve.<sup>187</sup> Profit-motivated entrepreneurs pioneered in a range of industries established and managed profitable firms. Firms and financial institutions were led by able leaders trained in the new universities of the time, such as Hitotsubashi and Keio as well as older ones such as Imperial (now Tokyo) and Kyoto.<sup>188</sup> These institutions made oligopolistic profits and built extensive networks of ownership and management. Nationalist bankers and businessmen—a good many of whom drew on a *samurai* lineage—were motivated to promote their collective interest and thus the national interest as well.

### **5.1.2 The Japanese post-WW II experience**

Immediately after its defeat in WW II, Japan faced two major reforms while under US occupation: the dissolution of the *zaibatsu* and the redistribution of land. The *zaibatsu* dissolution—a US priority since it was believed that this would remove the influence of a segment of perceived militarism—seemed to end oligopoly within Japan. However, this did not prevent the Japanese government from allowing industrial conglomerates to re-emerge in the form of *keiretsu*, and to manage the competition at sustainable levels. Land reform certainly ended the feudal inheritances of Japan’s past, pushing the country into modernity by empowering a larger segment of the population.<sup>189</sup> The large increase in the number of independent self-reliant farmers that resulted led to a more equal

distribution of income and wealth, and to the growth of a domestic market (the size of which was above 80 % of GDP for the entire post WW II period) able to drive the Japanese economy forward. This in turn sparked a fierce battle among manufacturers to win market-shares, causing them to redouble their efforts to increase productivity as well as to penetrate world markets. In this sense, it was free competition within the domestic market between members of the main industrial groups that became the principle force behind the development of the Japanese economy. However, this is not to under-emphasise the importance of the immediate post war period, where access to the US market was supplemented by demand for materiel from the war in Korea. It took Japan a substantial amount of time to open up its own enormous domestic market economy, given the deeply embedded policies of 'developmentalism.' Businessmen in vigorous competition with each other, while supporting politicians financially, raised productivity in a well protected, closed system. As domestic manufacturers grew to the point where they could compete overseas, they were unleashed one by one on the international market. Politicians, operating under the prevailing structure of one-party and multi-faction rule by Liberal Democrats, endorsed and protected the system as a whole.

As Garon (1987) explains, the Japanese 'developmentalist' system in its modern form emphasised a *balance* between labour and management, guaranteeing calmer unionism. This was in contrast to the use of force by SCAP against these same labour unions in an effort to discourage their support of communist policies and in some cases a pro-Moscow path. Thus 'developmentalism' in its post WW II incarnation meant aspects of authoritarianism were softened in favour of democracy. Japanese policies were severely tested in the country's highly fractious and partisan polity, particularly in the immediate post-war era as the radical left (proscribed since the early 1920) and the extreme right fought for power. Eventually, the radical left was outflanked by the conservative Liberal Democratic Party (LDP) policies. The LDP boldly addressed the issues raised by both labour and the peace movement with compromises enshrined in the spirit of the constitution. The extreme right became isolated on the fringes of the LDP, giving rise to the occasional Japanese foreign policy hiccup.<sup>190</sup> The LDP thus managed to follow a "middle-of-the-road" conservative programme. The business elite in Japan was forced to consider the demands of labour with a seriousness not observed in most industrialised nations, barring perhaps West Germany. Compared to the pre-war period of

authoritarian ‘developmentalism’ in Japan, from the 1960s labour gained guarantees of job security, low wage differentials between floor workers and managers (the lowest multiple among industrialised nations), healthcare and holiday packages. As the *zaibatsu* re-emerged in the form of the *keiretsu*, this highly significant labour-management compact was built in, constituting a crucial discontinuity with the military aspects of pre-war Japan. Indeed, the concessions made to the left went beyond traditional labour issues, to include provisions for a non-militaristic Japanese foreign policy, as shown in Chapter 7, with the military downgraded in status in relation to other careers.<sup>191</sup>

The Japanese strategy of ‘developmentalism’ was effective as long as Japan was still in the ‘catch up’ phase as argued by Murakami (1996). With the ‘catch up’ phase over, and the primary task no longer being to import technology and systems from overseas, but rather to develop Japan's own technology and systems. Remnants of ‘developmentalism’ limited the growth of the Japanese economy with excessive bureaucratic regulation and interference which hampered innovation in technologies and systems. Furthermore, the “iron triangle” of politicians, bureaucrats and businessmen (that is, a coalition of minority vested interest groups) did not reflect the interests of the Japanese people as a whole in an era of wider franchise and genuine democracy. The “iron triangle” has degenerated, channelling profits and political advantages to coalition partners and becoming a hotbed of corruption and patronage. Moreover, the continuation of Japan’s ‘developmentalism’ well after the ‘catch up’ phase was widely seen as protectionism at best and mercantilism at worst, raising the ire of even friendly states. As the Japanese economy became more powerful, external pressure induced further movement towards liberalism, making it the largest or second largest market for all the post colonial Eastern Asian states and the US, while for China, Japan rapidly became the leading market.

### **5.1.3 Murakami Yasusuke and the Japanese experience of ‘developmentalism’**

The work of the late, highly respected Professor Yasusuke Murakami of Tokyo University best assesses Japan’s experience with ‘developmentalism,’ translating it into a system with a beginning and an end, and defining its connection to hegemonic responsibility. Murakami’s final work (edited and translated into English by Kozo Yamamura in 1996) distils decades of research and thought. In the first volume of this

two-volume work, Murakami challenged the classical view on modernization that sets democratic liberalisation as a precondition for industrialisation. He argued that, contrary to the notion of England as the “model” case of the modernization process, its “take-off” to industrialisation was actually induced by the state-led mercantilistic policies under absolute monarchy. In the second volume, Murakami developed a model of decreasing-costs to industry and justified what he called the ‘developmentalism’ of Japan and other East Asian countries not as an anomaly but as a rational strategy for exploiting the growth potential of decreasing-cost industries. In his work, Murakami defined ‘developmentalism’ as an economic system where a government intervenes in markets in order to promote industrialization when necessary over the long-term, in contrast with the classical system of *laissez faire* capitalism where government intervention is generally avoided altogether.

Murakami argued Japan’s ‘developmentalism’ could be characterised thus:

- first, its purpose was to ‘catch up’ with the level of industrialization in the Western front-runner countries.
- second, political dictatorship or authoritarianism induced industrialization based fundamentally on the market economy.
- third, the above was achieved by means of an “iron triangle” formed by bureaucrats, politicians and businessmen. Bureaucrats kept the domestic market closed, while importing technology and systems from industrialised countries, then conveyed these to the private sector through regulations and market intervention, thus promoting rapid industrialisation.

Arguably, these goals were possible as a result of some basic qualities within Japan also present to some degree in other societies in the region. In order to arrive at an understanding of Japanese political economy, Murakami and his cohorts first developed the idea of a *multilinear* evolution of human societies. That is, for them a social system was not closed, leading to a linear thesis such as Fukuyama’s (1993) final destination. It was instead open in the sense that society was conceived of as subject to changes in the environment, which is itself composed of nature and other societies. Murakami also saw that a social system might be regarded as a self-organizing system. His work influenced other scholars, particularly in Japan. For example, Hirayama (1994) finds that there are two distinct organizational patterns in Japanese history. First, he notes the hierarchical

organizational pattern originating in the *Ie-moto* system, which is in the final analysis a result of Confucist values. The second is the network organizational pattern originating in the *Ken-mon* system of Japan's middle ages. Hirayama argues that both patterns of organization are observable in Japan even today, and continue to affect Japanese politics and the management of concerns such as the economy. For example, both the hierarchy of Japanese politics and the network system affected the vigour with which Japan adapted the ideas of Friedrich List (1841) in the local context in order to organise the economy. Further assisting Japan's successful adaptation of the Meiji reforms—especially the 'developmentalist' components—was the relative homogeneity in Japan that made religious, ethnic or linguistic cleavages unlikely. Thus when confronted by the 'other' in the person of US Admiral Matthew Perry (and his squadron of menacing "black ships"), homogeneity went some distance in forging a consensus among the Japanese that the nation needed to 'catch up' or face colonization and humiliation with the rest of Asia.

Certainly, Murakami has had his Japanese critics. For example, Yutaka Kosai (1994) of the Japan Centre for Economic Research (JCER) finds Murakami's work does not exactly correspond to the realities of Japanese and East Asian experiences with economic development. He notes that Murakami (1996) argues that industrial policy helps to prevent excess competition in situations where costs are decreasing (thus allowing for profits for reinvestment elsewhere). Kosai finds Murakami exaggerated the importance of the period of decreasing cost, and hence the role of cartels in industrial policy. Nonetheless, despite not providing the most fitting explanation for industrialisation trajectories, Murakami's general argument that government can help with industrial policy remains intact, and in recent times has been further supported by the work others, such as Michael Porter (1990). Anticipating the complaint of his major critics—that mercantilist practices will undermine the international system—Murakami goes on to propose a liberal world order in which 'developmentalism' in post colonial countries is tolerated, while governments of the hegemonic nations (such as Japan and the US) refrain from pursuing the same course and instead provide 'global public goods.' Arguably, Japan's gradual liberalisation over the 1980s and 1990s has gone a long way in fulfilling such criteria.

## **5.2.0 JAPANESE IDEAS AS AN ‘GLOBAL PUBLIC GOOD’:**

### **THE SPREAD OF ‘DEVELOPMENTALISM’ IN EASTERN ASIA**

The economic and military successes of Japan influenced the political and economic direction of Eastern Asia, promoting aversion to the *carte blanche* acceptance of Western ideas ranging from liberalism to communism. ‘Developmentalism’ in Eastern Asia followed the Japanese model in separate waves, divided by historical circumstance. Formally encouraged in this direction by Japan, the countries of Eastern Asia with direct historical experience of Japan’s ‘developmentalism’—that is, Taiwan and South Korea—led the way. Southeast Asian countries formed the next wave, and in their case policies of ‘developmentalism’ were backed by extensive involvement on the part of the Japanese government (Rix 1989; Doner 1996; Johnstone 1997). In the 1990s, it became apparent that Indo-China had joined this list, led by Vietnam.

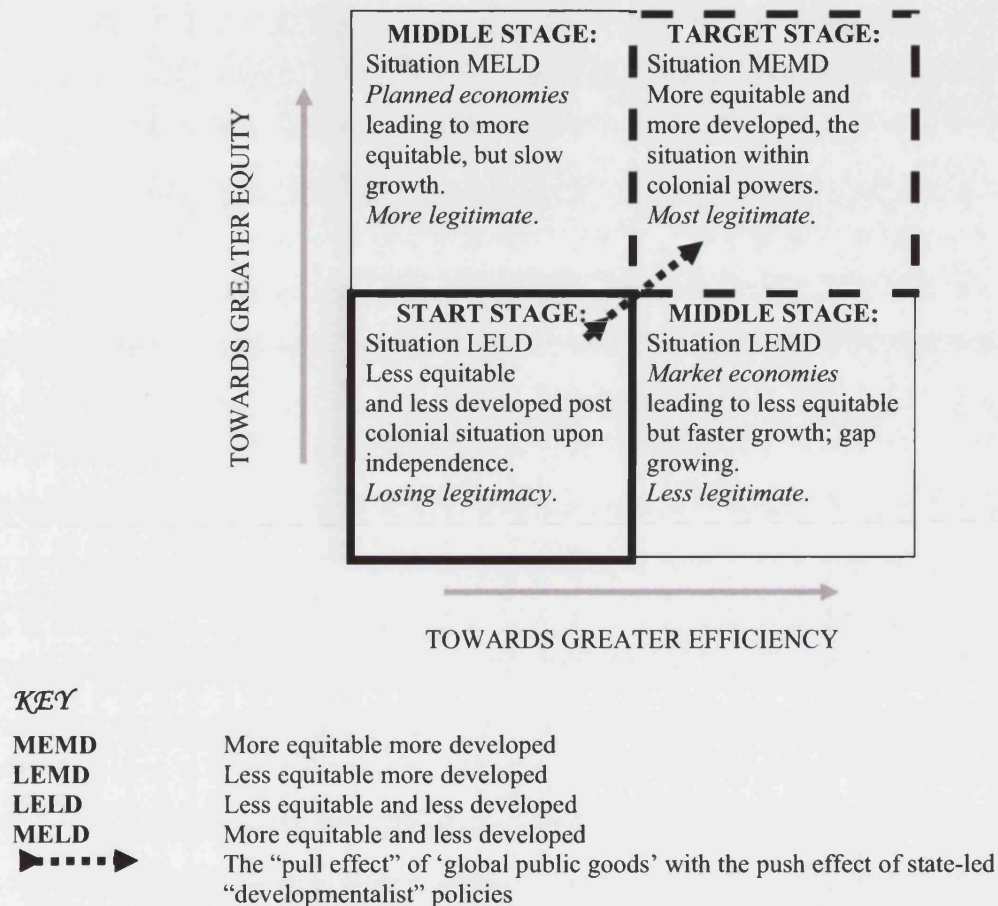
Not only has Japan had a demonstrative effect on Eastern Asia, but also in the overtly political era following Prime Minister Fukuda, as exemplified by the Fukuda Doctrine, Tokyo has actively assisted with the implementation of developmentalist capitalism. This active Japanese role, although mainly manifested in the behaviour of the state and firms, also incorporates society. This is seen in the two sub-sections below. Subsection 5.2.1 explores how Japanese ‘developmentalism’ is able to influence Eastern Asian nations to adopt a similar model, beginning with Taiwan and South Korea. In 5.2.2 we consider how Japan *reactively* advocated ‘developmentalism’ for Eastern Asia, and especially Southeast Asia, thereby legitimating its power.

#### **5.2.1 The influence of Japan’s ‘developmentalism’ on post colonial Eastern Asia**

Particular circumstances, ranging from wars to crises, affected the Japanese project of ‘developmentalism.’ However, the systematic work of Japanese political economist Murakami Yasusuke (1996) challenged the “Washington Consensus” of *laissez faire* for all. This challenge was particularly pertinent to the unfairness of demanding *laissez faire* practices on the part of economically weak post colonial states, which could not participate in the market. Essentially, ‘developmentalism’ is a hybrid capitalist way of promoting economic growth with the “state as gate-keeper” (Pempel 1979). For their part, governments of post colonial states found their very legitimacy depended on delivering the better future promised at independence: their very survival thus depended on rapidly meeting pent-up demand (Stubbs 1994 & 2000). Under the circumstances,

the ideas of ‘developmentalism’ were preached to states able to receive this message with relative ease. As Diagram 4 (reproduced from Diagram 3) shows below, postcolonial governments sought rapid movement from LELD to MEMD status.

**Diagram 4: Considering Agency and Structure in “Choices” of Economic Systems**



In Eastern Asia, ‘developmentalist’ policies—those discussed by Haggard (1990), Wade (1990), Amsden (1989, 1994 & 1995) and others—which were pursued at the local level for the rapid movement from LELD to MEMD relied on external assistance for their ultimate success. Significantly, it was not only a local level exercise of political and economic wisdom implied by those focused on the domestic level of analysis. External assistance can be understood by perceiving the importance of ‘international public goods’ in the tradition of Kindleberger (1986), who argued that in previous periods of hegemony such goods allowed capitalism to function as a viable economic system. Cold War politics gave the US strong incentive to be an early post-WW II provider of ‘global public goods,’ especially in terms of access to US markets. Following the collapse of the Gold Standard with Nixon and weakness in US hegemony,

Japan became an increasingly important purveyor of ‘global public goods’ in Eastern Asia, especially from the 1980s onwards. Japan’s contribution of ‘global public goods’ was especially significant in the realms of finance, production facilities, absorbable technology and access to its markets—all of which will be dealt with in detail in the chapter to follow. However, the most important Japanese contribution was in the area of knowledge, in terms of providing the public good of a ‘developmentalist’ philosophy to counter the US demand for *laissez faire* for post colonial states.

With the desire for rapid economic development implicit in drives for independence on the part of colonial states, Japanese economic success inspired regional moves to govern markets and draw East and Southeast Asian countries out of the periphery (Johnson 1982, Wade 1990, Haggard 1990, Amsden 1994, Yanagihara and Sambomatsu 1997). Influenced in the Meiji era by the writings of Friedrich List (1851) and his prescription for Germany, the Japanese model of state provision of a secure domestic political economy aimed at creating comparative advantage and targeting strategic industries has been copied with success in Eastern Asia. The idea of firms and banks working close together has also been carried over from Japan to the region, creating a dynamic manufacturing-based economy with less reliance on stock-markets for finance capital than in the Anglo-American model. These arrangements assist ‘catch up’ for the region’s states which stands in sharp contrast to Anglo-American ideas of organising capital, which require all countries to repeat the stages of development of mature industrialised nations with the idea that true ‘catch up’ is never actually possible. Naturally, as a result of the success of ‘developmentalist’ ideas in Taiwan and South Korea, other post colonial states in Eastern Asia have made the case that the Japanese model is useful for facilitating their own transitions to the MEMD level. Essentially, the Japanese political economic system of states-and-markets forms the core of the knowledge structure in Eastern Asia that addresses the need for ‘catch-up’ with Western colonial states.

‘Developmentalism’ is in a sense a logical, even natural, outcome of nations’ attempts to compete with other nations and/or defend against sieges by external forces. This was certainly the case in Germany’s national system phase, as envisioned by List (1841), when this country succeeded in overcoming its lateness to industrialisation and surpassed Great Britain. This was also the case with Japan’s ‘developmentalism,’ as it



overcame the siege by Western warships and the accompanying “unequal treaties” it had been forced to accede to. Well into the 20<sup>th</sup> century, we see two more examples of ‘developmentalism’ in Taiwan and South Korea, both of which were influenced by lessons of ‘developmentalism’ from the era of Japanese imperialism, and both of which were spurred on by the military siege from the north. These two transformations in post colonial Eastern Asia led other nations in Asia to consider forms of state intervention in the economy. ASEAN countries, especially Malaysia and Thailand, are well on their way, followed by Indonesia and Vietnam among others. ‘Developmentalism’ spread to less likely recipients with weaker institutions due to in part to the vigorous advocacy by Japan, which defied the 1980s “Washington Consensus” of the US Treasury, the World Bank and the IMF that insisted imposing the virtues of the Anglo-American model.

### **5.2.2 Advocating ‘developmentalism’ for Eastern Asia: Japan’s reactive policy**

Spurred on by the Fukuda Doctrine’s overtly political agenda, which emerged in response to the attacks on Japan’s policies and its property in the region, from the late 1970s Japanese policy-makers promoted ‘developmentalism’ for Eastern Asia in a highly systematic manner. Significantly, by the late 1970s interactions of post-WW II domestic and regional politics, aided by Japanese think tanks such as IDE/*Ajiken*, had promoted two key beliefs in Tokyo:

- (1) that nations caught in poverty would be inherently unstable, and
- (2) that Asian countries were more nationalistic than ideologically dogmatic.<sup>192</sup>

Seeing that most of the Eastern Asian regimes were attempting to emulate Japanese growth, Tokyo had little difficulty in encouraging these post colonial states to learn directly from Japanese experts. Japan’s economic success affected the incentive structures of other states in Eastern Asia, particularly from the early 1980s, with Tokyo beset by requests for assistance in human resource development, planning and institutional development among many other things.<sup>193</sup> ‘Developmentalist’ practices helped these Eastern Asian post colonial governments to narrow the income gap within their societies such that they are among the lowest in the post colonial world. ‘Developmentalism’ has been significant for the region in terms of how it has increased the *rate* of growth of economic development, such that the gap between the industrialized nations and themselves could narrow.

In the post-WW II era, Tokyo bureaucrats helped form new Japanese and regional institutions such as IDE/*Ajiken* and the Asian Development Bank (ADB), enabling a knowledge structure that could better interpret the outside for political leaders while also transmitting Japan's internal changes abroad.<sup>194</sup> These actions meant that 'developmentalism' would, despite origins in the *Meiji* period, continue to be relevant in the 21<sup>st</sup> century under the guidance of the powerful Ministries of International Trade and Industry (MITI) and Finance (MOF), and could even spread to Eastern Asia. This process of encouraging and supporting 'developmentalism' took place while Japan itself was moving away from the model, having recognized that 'catch up' had occurred.

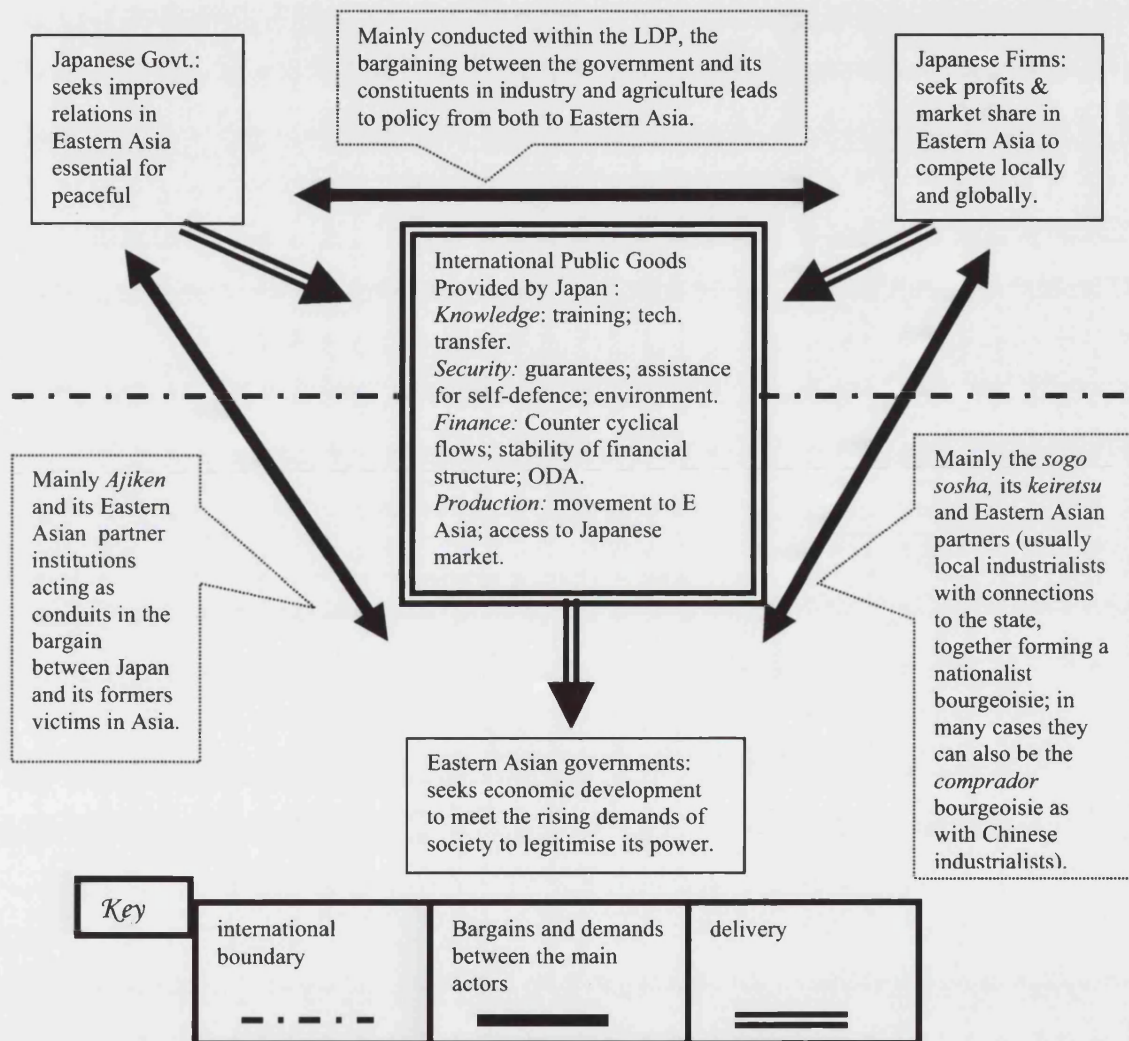
Japanese policy delivered 'global public goods' in the area of knowledge under the influence of *chiiki kenkyû* or area studies that began in the early 1950s. *Chiiki kenkyû* served Japan well, enabling it to cope with the crisis of the anti-Japanese sentiments in the 1970s by transmitting Eastern Asian demands to Tokyo. *Ajiken* studies covered issues of concern to Eastern Asia from economic growth to environmental and cultural preservation. This allowed senior officials at MITI and MOFA to understand regional demands and diffuse negative sentiments against Japan in the region by providing the necessary 'public goods.'<sup>195</sup> At the same time, Japanese *sogo sosha*, or trading firms, with their long presence in the region had their own network for transmitting information about local conditions home.<sup>196</sup>

While it was true that by the late 1970s the emergence of a third way of conducting state-market relations in Japan induced leaders of Eastern Asia to follow suit, the actual "take off" in many of these places could not occur until Japan became heavily involved with implementing its Overseas Development Assistance (ODA) in ways that ensured Japanese direct investment, or the ODA►FDI regime. As a direct result of Japan's role, specialised domestic institutions developed in each of these states in Eastern Asia, affording each government more control over economic levers than in systems operating in Anglo-American models. At the domestic level, these institutions were fashioned after Tokyo's MITI, the Economic Planning Agency (EPA), and other relevant Japanese institutions (Doner 1996).

Significantly, diplomacy in Eastern Asia also involved Japanese firms. However, Japanese firms' activities were more reliant on both governments than suggested by

Stopford and Strange (1992) in their more general model. In many ways, the post-Fukuda era of meeting Eastern Asian demands can be best captured by Stopford and Strange's (1992) idea of triangular diplomacy, modified to reflect Japan's Eastern Asian realities below in Diagram 5.

**Diagram 5: States-Firm Triangular Diplomacy in Eastern Asia**



With the encouragement of the Japanese government via ODA policies and supportive policies in Eastern Asian host states, Japanese investment benefited the region so that the movement to industrialisation demanded by post colonial nations materialised much sooner than would otherwise have been the case. In the economies where high growth was demanded, the Fukuda Doctrine's essential response was to *combine* aid and investment in an ODA►FDI regime. This response to regional demands helped legitimate Japan's ties with its war time victims, as it proceeded to assist the rapid

economic development of the region in a manner consistent with the original intent behind the reparations demands.<sup>197</sup> Rix (1993:148) argues that the Fukuda Doctrine shaped the way policy was developed thereafter. Certainly Japanese leaders have not subsequently deviated from the doctrine's basic tenet of economic development for the region. The Fukuda legacy has been firmly institutionalised, with Japan's leaders routinely being part of the ASEAN summit meetings and post colonial Eastern Asian issues having acquired a place at the top of Tokyo's political agenda. This, combined with the regularity of prime ministerial level exchanges, has placed the broad parameters of aid to ASEAN into the realm of "gift-giving" diplomacy, removed from the strictly bureaucratic arena (Rix 1993:148-150). Beyond this Japan represents the region even in G7 forums, voicing regional concerns over issues such as the undesirability of *carte blanche* liberalisation, consistent with protecting post colonial states' interests.

In spearheading 'developmentalism' in Asia, Tokyo championed the cause of the weaker Southeast Asian states in particular, but also supported other areas, whether in South Asia, Sub-Saharan African or Latin America. For example, aid levels to South Asia are significant with respect to infrastructure, while Japan's interest in Sub-Saharan Africa is transmitted via the Tokyo International Conference for African Development (TICAD). In addition, Japan played a significant if relatively unknown role in the resolution of the Latin American debt crisis, proposing the *first* Miyazawa Plan as a guideline for the now famous Brady Plan (Hamada 1995:156; Rapkin and Strand 1996:21).

Of great 'global public goods' significance to post colonial Eastern Asia was Japanese activism in the important state vs. market debate, where Tokyo's efforts paid off particularly in the World Bank (Rapkin and Strand 1996).<sup>198</sup> The now famous 1993 World Bank report on East Asia, which was funded by the Japanese Ministry of Finance, was a profoundly political document in which the World Bank reluctantly conceded that government intervention had played some role in economic development in East Asia. The Bank's publication of the 1997 World Development Report: The State in a Changing World represented a paradigm shift in policy, as this institution began to take heed of more factors enabling economic development. Indeed, the dominance of

Chicago's neo-classical ideas of unfettered markets have been challenged, as evidenced by the remarks of the Bank's president Wolfensohn (1997:4):

...nobody in this business—including the World Bank—has all the answers... our partnership with Japan is critically important. It is not just a financial partnership, but also an intellectual collaboration. This must draw deeply on Japan's own experience as a country, with its extraordinarily successful use of aid in a development process that was fundamentally driven by self-help...

Curiously, almost arguing against Wolfensohn, Mark T. Berger (1999) makes the case that the report reflected the ongoing renovation of *neo-liberalism*, grounded in the liberal notion of the state as neutral arbiter.<sup>199</sup> He notes that the effort to accommodate state-centred approaches within the wider neo-liberal understanding of capitalist development apparent in the Bank's 1993 report on East Asia was even more apparent in the 1997 World Development Report: the State in a Changing World, which was launched with considerable fanfare at the annual IMF-World Bank meeting in Hong Kong in the middle of 1997. Whatever the labels attached, the agenda of the Eastern Asian states is to govern the market to move out of the periphery, and this is what is indispensable.

### **5.3.0 BRINGING THE STATE BACK AND 'DEVELOPMENTALISM':**

#### **ECONOMIC DEVELOPMENT THEORY AT THE DOMESTIC LEVEL**

For those from the progressive Western academy, successes with state-led development have meant an opportunity to challenge the orthodoxy of Anglo-American notions of political economy. Thus, the progressive ideas in Bringing the State Back In (1985), have now been complimented by numerous other works with a similar tilt but with case studies of Eastern Asia.<sup>200</sup> Nonetheless, by and large, such attempts to influence policy were to fail in the face of the intellectual hegemony exerted by the 'Washington consensus,' which was shaped by the US government, led by the neo-classicists in the Treasury, followed happily by officials of the IMF and World Bank trained in Chicago, and superbly supported by their private sector colleagues in New York and London's City.<sup>201</sup> The imposition of severe conditionality by the IMF in Latin America and Africa over the 1980s and 1990s was broken only by events in Eastern Asia, where, in contrast, several post colonial states were successful with their state-led models of development precisely because of the absence of the 'Washington Consensus' and the provision of 'global public goods' to the region. Indeed, these Eastern Asian success stories led

Japan to directly challenge the ‘Washington consensus.’ Given the crucial importance of the Eastern Asia for Japan and the drastic difference between Japan’s goals and methods and those of the US, the Ministry of Finance (MOF) sponsored the 1993 publication of the World Bank’s The East Asian Miracle: Economic Growth and Public Policy, a full-scale challenge of liberal economics in so far as its applicability to post colonial states was concerned.

Reflecting Japan’s activism, the 1993 World Bank report noted that the “The East Asia miracle” of achieving high growth with equity, was due to a combination of fundamentally sound development policies, tailored interventions, and an unusually rapid accumulation of physical and human capital. The making of the “miracle” was no simple matter, as the World Bank’s policy research report The East Asian Miracle: Economic Growth and Public Policy makes clear.<sup>202</sup> It argues that numerous ingredients went into recipes for success in Hong Kong, Indonesia, Japan, Malaysia, the Republic of Korea, Singapore, Taiwan (China), and Thailand. Significantly, these included the market-oriented aspects, but also state intervention. The Eastern Asian experience points to the tools needed by a country to join the regional production network:

- (1) good government-business relationship, leading to “selective intervention” and export promotion
- (2) income equality and shared growth and high savings and investment
- (3) high levels of education.

To address the combination of state, market and ‘global public goods’ necessary for development, subsection 5.3.1 looks at how state behaviour holds the key to organising the economy in cooperation with business so as to achieve selective intervention. Subsection 5.3.2 addresses the role of the state in promoting high savings, investment and export promotion, while subsection 5.3.3 examines the issue of education, which is considered in terms of its impact on productivity and economic development.

### **5.3.1 State’s key role: selective intervention and government-business relations**

It is by now well known that among late developing countries, the state often plays a “developmental” role in capitalist transformation (Johnson 1982 & Evans 1998). For Johnson, this means a government-business relationship, leading to “selective intervention” and export promotion. In most of these economies governments

intervened—systematically and through multiple channels—to foster development, and in some cases the development of specific industries.<sup>203</sup> Policy interventions took many forms. Policies to bolster savings, build strong financial markets, and promote investment with equity included keeping deposit rates low and maintaining ceilings on borrowing rates to increase profits and retained earnings, establishing and financially supporting government banks, and sharing information widely between public and private sectors. Policies to bolster industry included targeting and subsidising credit to selected industries, protecting domestic import substitutes, supporting declining industries, and establishing firm- and industry-specific export targets.

As a direct result of the ‘developmentalism’ adopted by post colonial Eastern Asian states, most of the region recorded a quarter of a century of rapid economic growth. This growth was seen in the rest of world as nothing short of miraculous, given that no other regional economy in history had grown so quickly. Correctly focusing on some aspects of ‘global public goods’ the Economist declared,

What has made emerging Asia's governments exceptional is that they have been economically enlightened. Many Asian businessmen would define enlightenment in one word: stability. Asia's strong governments have rarely flinched from taking tough measures to maintain macroeconomic stability. Just as important, they have ensured that economic policies are predictable. At the same time they have kept their economies in shape through controlled exposure to international competition.<sup>204</sup>

Missing the importance of structure and in keeping with domestic level explanations of liberal economics, the Economist added that the

gulf between emerging Asia and Latin America could be measured by rate of growth and income inequality. Over the past quarter of a century most Latin American countries tried to foster domestic industry by protecting it from competition. This protection was often paid for by discriminatory taxes on farming, thus impoverishing farmers. Asian governments realised, in the words of Lee Kuan Yew, that they ‘must create an agricultural surplus to get their industrial sector going.’ Rich and industrious rice-farmers have been the foundation of Asia's industrialisation. In Japan, South Korea, Taiwan and China, investments to make farming more productive were accompanied by radical land reform. The link with income equality is self-evident. The Philippines' failure to introduce serious land reform is the main reason why it is the sick man of South-East Asia and not an emerging economy.<sup>205</sup>

Unlike those forcing known economic models on Eastern Asia, the role of the state was significant for observers such as Wade (1990 & 1999), who noted that ‘developmentalism’ *recognised* that governments had a role to play. It was also considered to be in some ways a natural response for governments that needed legitimacy at home (Stubbs 1995 & 2000). Indeed, the role of the state in promoting

economic development in Eastern Asia went far beyond Smith's (1776) idea of the state providing limited 'public goods' or Ricardo's (1817) notion that the states accept *static* comparative advantage. Moreover, it exceeded even the role expected of a legitimating entity in Weber's (1968) rationalisation of the state's *raison d'etre*.

In Eastern Asia, the state assumed the role of guardian, providing necessary 'public goods'. The state was *everything* in these planned economies, as relying on market competition in a developing economy without state intervention resulted in powerful actors dominating. The state nurtured domestic "infant" firms by providing subsidies to ensure survival in the face of outside competition, lifting these as industries became commercially viable. It was a partner in some ventures, while in others it was the initiator and main owner. As a result, these countries came to rely "on manufactures rather than tropical agriculture as the path out of poverty."<sup>206</sup> In Eastern Asia, the state guaranteed even the relationships that joined foreign and domestic actors, by providing both with direct insurance for trade as well as unwritten assurances based on personal contacts between networks of known officials within institutions.

For "developing" countries, which are by definition on a "catch-up" path, the role of the state was far more crucial than in industrialised nations. This should be easy to understand, as waiting for the evolution of comparative advantage would be akin to taking the British road to industrialisation—long, dangerous and very dirty. In contrast, intervention in the market through the *creation* of comparative advantages has meant rapid advancement. Indeed, "late comer" nations have found state intervention allows for faster travel along the road to industrialisation. Indeed, the German and Japanese examples—where each went on to dominate their respective regions within 50 years, after they joined the race in the 19<sup>th</sup> century—are difficult to argue against, while South Korea and Taiwan achieved their potential in even less time.

### **5.3.2 Policies of 'developmentalism': high savings, investment and exports**

Compared to the Western industrialised nations, post colonial states take a different path under developmentalist policies, and this is particularly the case in the area of finance. The Eastern Asian developmentalist model was not one based solely on market principles.<sup>207</sup> Many Eastern Asia countries share features with Japan. For example, Eastern Asians save more compared to Western countries, with saving done mostly by



households.<sup>208</sup> These households use low-risk banks rather than higher-risk equities, similar to the Japanese postal banking system, which has deposits larger than all Japan's commercial banks combined. Corporate investment is financed largely by loans from banks with lower interest rates than can be expected in a purely market system.<sup>209</sup> Long-term relations between firms and banks secured these high levels of corporate debt in Eastern Asia in a Japanese style *keiretsu* system, with the government standing ready to support both firms and banks in the event of shocks. Wade stresses that without long-term relations, such shocks would lead to creditors calling in loans and liquidating firms, with larger settlements leading to a chain reaction.<sup>210</sup>

The World Bank has noted that Eastern Asian governments have attacked the problems of weak capital markets (and imperfect banking systems characterised by asymmetric information) through a three-pronged approach:

- (1) Many created specialised development banks that were important sources of long-term financing for investment at early stages of development.
- (2) During selected periods, some Eastern Asian governments used financial repression to aid the banking system or to bolster ailing industries; they worked to create the institutional foundations of bond and equity markets.
- (3) Finally, with the recognition that most investment would come from retained earnings, governments encouraged the retention and reinvestment of corporate earnings.

### **5.3.3 Education, productivity, competitiveness and economic development**

The World Bank notes that aside from the ability to sustain rapid growth with fairly equal income distributions, the Eastern Asian Economies (that is mainly Taiwan and South Korea, but also some of the ASEAN nations considered here) also differ from other developing economies in terms of other factors traditionally associated with economic growth. It argues that elevated rates of investment, exceeding 20 % of GDP on average between 1960 and 1990, including remarkably high rates of private investment, combined with rising endowments of human capital because of universal basic education, tells a large part of the growth story.<sup>211</sup> The World Bank argues that these factors account for roughly two-thirds of the growth in Eastern Asia, while the remainder is attributable to productivity growth.<sup>212</sup> In fact, productivity growth in Eastern Asian economies exceeds that of most other developing and industrial

economies. This superior performance comes from the combination of success at allocating capital to high-yielding investments and success at catching up technologically to the industrial economies in areas such as electronics, high value textiles, canned goods, to mention a few.

Alice Amsden (1995:7) makes the case that late industrialisation has evolved on the basis of pure learning or borrowing technology that is already commercialised by firms in other countries. She argues that the general properties of industrialisation based on learning are different from those of an industrialisation based on new products and processes. Thus Amsden finds that the focus of late industrialisation is on making borrowed technology work, and adapting it in order to improve it. The strategic focus of the firm in late industrialisation has initially been on the shop floor, not the R&D laboratory, and the protagonist of the 'catch up' story has traditionally been the production engineer. Hence, increasing productivity has been at the centre of 'developmentalism,' making the government intrusive in a way that has not been identified in the past. This is further conformed by economists interested in the sources of Eastern Asian growth.<sup>213</sup> Until now, the debate between such economists over East Asia has focused on the measurement issue, and the question has been about whether productivity growth rates were actually low. With the consensus on high productivity now emerging, Peter Robertson asks what allowed "East Asia to obtain productivity growth rates comparable with the OECD, when other developing economies in Africa, South Asia and South America, were languishing with zero or negative productivity growth."<sup>214</sup> In his first answer, he and other scholars found that physical capital accumulation, achieved by raising demand for labour in the *modern* sectors of developing economies, has a significant effect on productivity growth, increasing the effective return to physical capital by around 30 % in many countries. They concluded that the productivity gains through labour reallocation are potentially a significant contributing factor to transitional growth episodes in industrializing countries. Interestingly, their work does not measure equivalent effects for human capital, which most Eastern Asian countries have invested in heavily with Japanese help. Japan, having perfected the late industrialisation path, has advocated this method to parts of Asia interested in listening. It has spearheaded the drive for productivity from the 1960s via the Asian Productivity Organisation (APO), a crucial point to be taken up in the later chapters on the subject of Japan's 'global public goods' role in knowledge.

In the early 1990s, literature on the 'Asian Miracle' offered a range of explanations for the remarkable growth record of the Asian "high performers," but almost all the contributions agreed on the importance of education. In their analysis of 'the key to the Asian miracle,' Campos and Root (1996: 56), stressed Eastern Asian states "have invested heavily in education and, unlike many other developing countries, have concentrated on primary and secondary schooling. They argued that the share of the educational budgets allocated by these states to basic (primary and secondary) education is significantly higher than the share allocated by other developing countries, but in contrast, tertiary education has been left largely to the private sector." Furthermore, the World Bank's 1993 report argued that:

in nearly all the rapidly growing East Asian economies, the growth and transformation of systems of education and training during the past three decades has been dramatic. The quantity of education children received increased at the same time that the quality of schooling, and of training in the home, markedly improved' (World Bank 1993: 43).

The report stressed that most of the Eastern Asian economies had higher enrolment rates than would have been predicted for their level of income from a sample of over 90 developing economies. Other studies from the World Bank have also stressed the improvements in both quantity and quality of education in the Eastern Asian Economies, where quality is measured by declines in repetition and dropout rates (Birdsall, Ross & Sabot 1995: 481). These authors point to the *virtuous circle* found in much of East Asia, where education stimulates growth and growth stimulates education. In addition, they argue that high rates of investment in education lowered inequality, which in turn further stimulated both economic growth and more investment in education. Furthermore, rapid growth in the highly performing Asian Economies has hastened demographic transition, allowing governments to increase the educational budget per student and thereby improve the quality of instruction.

There can be little doubt these views have become the orthodoxy. Indeed, it is now frequently asserted in the literature on educational development that the Asian tigers have created a "new model," a key component of which is "forging newer, closer links between education, training, and economic growth" (Ashton & Sung 1997: 207). Ashton & Sung (1997: 207) argue that in the so-called Asian Tigers, "the relationship between education and economic growth has been much stronger, with the educational

system and its output exhibiting a very strong and much closer linkage to the requirements of the economy.” Woo-Cumings (1995: 67) goes so far as to propose, “the Asian state in seeking to co-ordinate not only the development but also the utilisation of human resources involves itself in manpower planning and job placement and increasingly in the co-ordination of science and technology.”

## **Conclusion EASTERN ASIAN DEVELOPMENTALIST PRACTICE:**

### **THE ROLE OF THE STATE OVER MARKET**

The role of the state is by now a well-debated subject on two counts. First, stemming from the Marxist critique of *laissez faire*, control of the state is seen as crucial for growth with equity. Secondly, the debate on the role of the state has at times concerned the efficacy of economic growth itself. State led ‘developmentalism’ as advocated by Japan reflects a mixture of both debates. In terms of priorities, the state does not just set them, but often acts as catalyst or even participant, motivated by nationalism. Japan’s adaptation of ‘developmentalism’ for itself is not accidental. Gellner’s (1983) linkage between nationalism and industrialization was well articulated long ago by Friedrich List (1841), who considered it a condition for Germany to gain relatively vis-à-vis the UK. Significantly, Japan embraced List’s ideas during the Meiji period. Following the *Taisho* democracy of the early 20<sup>th</sup> century, the destruction of the remnants of feudalism under SCAP and the compromise between firms and labour overseen by the LDP, ‘developmentalism’ had to mean growth with equity.

Under ‘developmentalism,’ the state provides material resources and management, and also promotes a developmentalist ideology which legitimates the modernization project, and thereby the state itself. Thus Japan’s promotion of ‘developmentalism’ for Eastern Asia must be understood as an attempt to legitimate its position in the region. Gerschenkron’s (1962:29) emphasis on the important role of “an ideology of delayed industrialization” in breaking “through the barriers of stagnation in a backward country...to place its energies in the service of economic development” rationalises the Japanese and German experiences, and extrapolates them to other late comers. Thus, only by exploring the legitimization drives of powerful states can ‘developmentalism’ be understood better.

Despite Japan's agency in promoting 'developmentalism' in Eastern Asia, its efforts are all but ignored in the English language literature on the subject. This is especially the case when it comes to understanding the depth of the effort emanating from Tokyo's IDE/*Ajiken* that allowed policy makers to understand post colonial states' demands, and one might add, the consequences of not meeting these, given the violence visited on Japanese property in the region. One of the standard texts on Eastern Asian development by Stephen Haggard (1990) pays little attention to the actual role of Japanese scholars in promoting Eastern Asian 'developmentalism'—indeed Haggard puzzles over the development trajectory of resource-rich Malaysia, but does not continue to ask the next logical question of why Kuala Lumpur adopted the “Look East” policy.<sup>215</sup> Even Robert Wade (1990), whose work won the American Political Science Award (APSA) award for the best work that year, did not quite understand the Japanese role, as it was only in 1996 that he dealt with it in his “The World Bank and the art of paradigm maintenance: the East Asian Miracle in Political perspective.”<sup>216</sup>

The present work connects the policy-making process in Tokyo with the decidedly politically left, pro-Eastern Asian orientation popular among the many Marxist social scientists in Japan. Arguably, it is high time to acknowledge the Marxist origins of Japanese area studies and the manner in which this influenced Japan's foreign policy such that it moved away from myopic self-interest policies—accepted by realists believing in the omnipotence of military power—to policies that recognised the importance of even minor post colonial states and their ability to persevere with demands. Arguably, it is the clarity of this *Heisei* vision that has enabled Japan to acquire more friends and fewer enemies in Eastern Asia, in sharp contrast the situation during the years directly following the WW II.

## Chapter 6

### **Legitimizing Japan's Regional Hegemony in Eastern Asia: 'Global Public Goods' in Technology, Finance and Production for Rapid Economic Development**

Japanese ideas of 'developmentalism' that offered resistance to the US goals of imposing *laissez faire* essentially played a 'global public goods' role in Eastern Asia, thus allowing latecomers to industrialisation to use ideas of 'catch-up' development effectively. 'Developmentalism' set the economic rules by which the region of Eastern Asia was to function and gain international recognition via the creation of the "East Asian economic miracle." In some cases the process of engaging in 'developmentalism' was embedded early, as it was with South Korea and Taiwan, both long term colonies of Japan.<sup>217</sup> In other cases these institutions had to be developed bottom-up and top-down, as with Southeast Asian states. Even though close study of the region of Eastern Asia suggests a strong Japanese role in the region, the literature on economic development itself has not acknowledged this fully.<sup>218</sup> The dominant literature in that discipline suggests that the economic development of Eastern Asia has been mainly led by the governing actions of individual states in the region, as argued by Wade (1990), Haggard (1990) and Amsden (1994 & 1995) in the culmination of the research agenda of Bringing the State Back In (Evans, et al 1985). Certainly, these institutional lessons have debunked the Orientalist notions of the Asian Drama (Myrdal 1968), but more importantly they have also challenged ad-hoc neo-liberal ideas that have interpreted Eastern Asian success stories of the 1980s and beyond to suit a particular purpose.

In terms of the origins of the state-led model of 'developmentalism' in Eastern Asia in particular, these nationalist efforts were inspired by the example of Japan's success in thwarting Western imperialism (Kohli 1994). Beyond such inspiration came the painful first-hand knowledge from Japanese imperialism itself, which left a legacy of useful infrastructure and institutions geared for industrialisation and economic development (Kohli 2003). However, one must move beyond this literature to better appreciate the activist role of Japan in fostering regional economic development in the late 20<sup>th</sup> century. Missing a level of analysis, Kohli's (2003) most recent work still does not fully capture Japan's role in Eastern Asian development as could be done by discussing its role in providing 'global public goods.'

Well beyond both inspiration and embedded ideas of ‘developmentalism’ was Japan’s late 20<sup>th</sup> century pacific re-engagement with post colonial Eastern Asia and its steady support for rapid industrialisation and development in the region. Japan’s deliberate inculcation of ‘developmentalist’ practises in Asia was not limited to transplanting ideas that the regions’ states were open to in any case. Indeed, Japanese policy in the last two decades of the 20<sup>th</sup> century extended to aspects of an enabling structure demanded by post colonial states. These can be understood in terms of ‘global public goods’ and assessed realistically using the Susan Strange’s (1988a) framework of the key structures of knowledge, security, finance and production, as her approach ties post colonial demands to their desire for an enabling structure, recognizing that it is not only agency that matters, but also the structure in which it is embedded. After the provision of ideas of ‘developmentalism’ to Eastern Asia, the ‘harder’ economic aspects of Japan’s provision of ‘global public goods’ offers evidence of very active efforts by Tokyo to legitimate its power, particularly from the late 1970s onwards under the auspices of the Fukuda Doctrine. Japan embarked on this course as it was considered necessary to meet material demands from the Eastern Asian region in order to improve poisoned regional relations. Unlike the military security side, where Japan had limited room to manoeuvre, the economic realm had a wide scope in terms of the impact of policy on other countries. Significantly, Japan’s efforts to legitimate its power in Eastern Asia have met with increasing success, and concurrent to this Japan’s relations in the region have improved.

To systematically understand Japan’s delivery of ‘global public goods’ in the economic realm, this chapter has three sections, which cover knowledge (technology), financial and production structures. Section 6.1.0 provides evidence for technology transfer via direct investment, concluding that Eastern Asia surpassed most other post colonial regions and even middle income nations even with Japan’s dated technology. Section 6.2.0 considers financial ‘global public goods,’ and provides evidence for the legitimization of Japanese power through examining the country’s role in recycling its surplus, acting as the lender of last resort in the region, and helping to co-ordinate macro-economic policies and maintain stable exchange rates. Section 6.3.0 presents evidence of ‘global public goods’ in the area of production, considering how Japanese firms shifted manufacturing to the region while Tokyo opened its market for Eastern Asian goods, with the *sogo sosha* distributing these within Japan.

## 6.1.0 LEGITIMATION AND 'PUBLIC GOODS' IN KNOWLEDGE:

### TRANSFER OF ABSORBABLE TECHNOLOGY FROM JAPAN

In addition to the defining role of knowledge in organising economy and society, one obvious component of the knowledge structure is technology itself. Thus in assessing the nature of Japan's regional hegemony, one of the most crucial areas of concern is the transfer of technology from Japan to Eastern Asia. However, in this regard two observations are required:

- (1) While technology as knowledge is self-evident, it is also misunderstood as something that is culturally specific and labelled with misleading terms like "Western technology." In reality, the advancement of science has been inter-generational and trans-cultural, as suggested by historians and anthropologists, whose work can no longer be Eurocentric, given the evidence for diffusion of technology over time and space. Following this line of thinking, Japanese success in developing forms of modern technology, and the role of its well-funded scientists and technicians in shaping technology to meet local requirements, has shown the futility of thinking ethnocentrically about knowledge, while also showing how other cultures use and develop technology.
- (2) Technology transfer is contingent on the *absorptive capacity* of post colonial states, and we can see this with Japan's case. Driven by military challenges posed by Western imperialist powers, within 50 years of the Meiji restoration Japan was able to 'catch up' and move into the modern technological age achieving military parity. The successful diffusion of technology has depended on the presence of scholars, or at least artisans capable of understanding key concepts, and government with the correct policies.<sup>219</sup> This line of reasoning suggests that the key to Japan's success was a well-developed human resource base dating to the early 1800s and before. This allowed the rate of *absorption* of new ideas to be high enough that the local expertise necessary to take old ideas a step further emerged sooner, rather than later.

Having noted two problems with ethnocentric thinking and absorptive capacity that prevent clear thinking about the matter of technology transfer, it is useful to note that Japan's success with science has led to the spread of similar institutions of science and technology in Eastern Asia. In areas where there was Japanese involvement via colonial organization of the economy, the rate of absorption of technology has been faster. This is the case with South Korea and Taiwan, both of which had access to higher education



in Japan and faced Japanese organisation of the economy in their own territory during the colonial era.<sup>220</sup> The South Korean and Taiwanese ability to absorb technology is however not easily replicated in Southeast Asia, with its historically weaker human resource base. In Southeast Asia formal education largely remained undeveloped outside religious functions until well after the end of colonial rule, when mass campaigns were launched. The historical lack of investment in education in Thailand (in contrast to the emphasis on religion) meant weak educational institutions for the modern era. Deliberately regressive colonial policies in the Philippines, Indochina, Indonesia, and to a lesser extent Malaysia, meant weak or underdeveloped educational systems there. However, since the end of WW II, in a manner consistent with an 'global public goods' role, Japan has encouraged Thailand, Malaysia and Indonesia, and also the Philippines and Vietnam to develop human resources, leading each to absorb technology faster. Rent-seeking Japanese firms too have played their part by training workers and sponsoring students, while their direct investment into these countries are at the core of technology transfer.

To understand the details of Japan's 'global public goods' role in area of applied knowledge, subsection 6.1.1 addresses Japanese government efforts to transfer technology to Eastern Asia, showing how government-funded organizations trained students and how other knowledge was spread to increase the productivity of the region. Subsection 6.1.2 shows how Japanese firms managed technology transfer to Eastern Asia in a limited manner, with technology provided according to the level of absorptive capacity, as with the case of Malaysia. Subsection 6.1.3 suggests that even in the technology area Japan has managed to gain a legitimate role in Eastern Asia when compared to the other post colonial regions.

#### **6.1.1 Japanese government and technology transfer to Eastern Asia**

That said, outside the leading technologies, the Japanese government has assisted Eastern Asian nations in its drive to adopt modern technology through bilateral and multilateral programs. Japan's efforts have mainly concentrated on improving the absorptive capacity of the recipients such that they can absorb transfers by private firms. While there are numerous institutions involved in technology transfer, it is particularly important to consider the Japan International Co-operation Agency (JICA)/Association for Overseas Technical Scholarship (AOTS), and the *Monbusho* (the Japanese Ministry

of Education), all parts of the official apparatus that delivers ‘global public goods’ in the applied knowledge area.<sup>221</sup>

Created in August 1974 under MOFA, Japan International Co-operation Agency (JICA) is the leading institution responsible for implementing Japanese government-sponsored technical co-operation programs. JICA strengthened co-ordination between the governmental and non-governmental co-operative programs, organically combining financial co-operation with technical co-operation. JICA inherited the responsibilities previously assumed by the Overseas Technical Co-operation Agency (created in 1962) and the Overseas Emigration Agency (created in 1963). This organization has also absorbed and expanded parts of financing activities once the responsibility of the Overseas Trade Development Association, and implements the functions of the Overseas Agricultural Development Foundation. JICA has clarified the responsibilities of Japan Overseas Co-operation Volunteers (JOCV), defining the promotion and support required for co-operation activities of the youth. To address its responsibilities, JICA has about 1,200 staff members and the organization comprises 18 departments, four offices, and two secretariats. In its domestic out-reach it maintains 20 agencies in 21 locations across Japan and 50 offices in regions around the globe, including Asia, the Middle East, Africa, Latin America and Oceania.<sup>222</sup>

In operational terms JICA is responsible for the technical co-operation aspect of Japan's ODA programs. Technical co-operation promotes the transfer of technology and knowledge that can enhance the “socio-economic development of the developing countries.” JICA carries out a variety of programs to support the “nation building of developing countries” through such technical co-operation. Its programs include:

- (1) Technical Co-operation (Training in Japan, Dispatch of Experts, Provision of Equipment, Project-type Technical Co-operation, Development Study)
- (2) Dispatch of Japan Overseas Co-operation Volunteers (JOCV)
- (3) Training and Recruitment of Qualified Personnel for Technical Co-operation
- (4) Survey and Administration of Grant Aid Programs
- (5) Development Investment and Financing
- (6) Support for Japanese Emigrants
- (7) Disaster Relief

The program for technical training of overseas participants is aimed at key administrators, technicians, and researchers in developing regions, and involves the transfer of knowledge and technology required by individual countries. This is the most

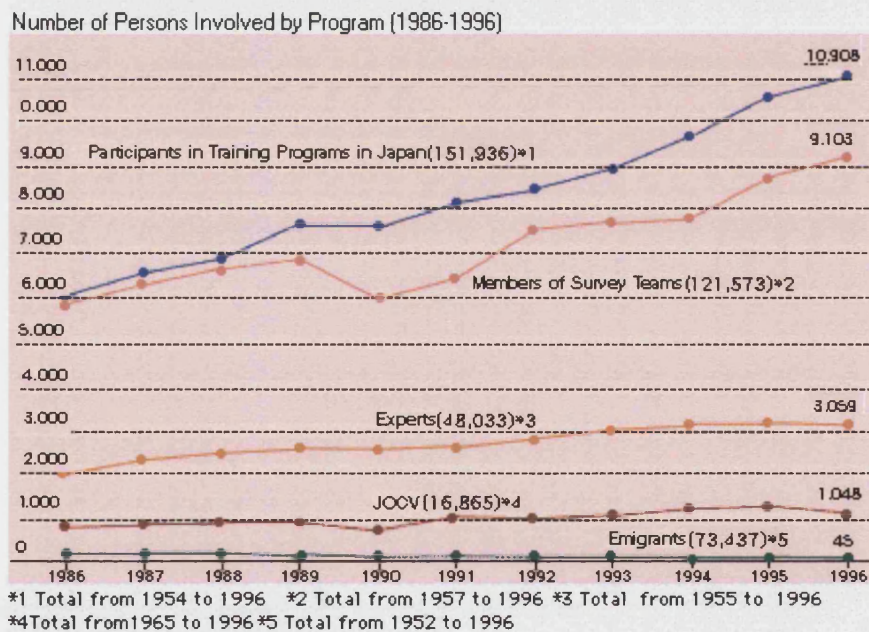
basic “human development” program implemented by JICA. Since the programme’s inception in 1954, it has grown steadily in scale and has become substantially more varied and advanced in content. As the reproduced [Table 5](#) and [Chart 9](#) below suggests, the number of total participants has grown steadily over time, with overseas participants making nearly half of the overall number, while few remained in Japan as immigrants.

**Table 5: JICA and Pre-JICA Overseas Participants and Japanese Personnel**

	On Duty (1998)	Total (1954-1998)
Overseas Participants	1,049	192,191
Experts	1,794	62,048
Survey Team Members	375	157,752
Japan Overseas Cooperation Volunteers	2,643	22,168

[Source: Ministry of Foreign Affairs, *Annual Report*]

**Chart 9: Number of Persons Involved by Program**



[Source: Ministry of Foreign Affairs]

The program for the technical training of overseas participants enables a flexible and dynamic response by Japan, making it possible to provide essential aid on request. It is a program that facilitates urgent response to pressing issues such as financial crises (for example in Asia in 1997), support for the transition to democracy (in, for example, Cambodia) and ending ethnic strife (for example in Sri Lanka).<sup>223</sup> It allows for a flexible response for maximum effectiveness and encourages the formation of links with other programs as well as the private sector (for example, Japanese firms) in

responding to recipients' needs. Significantly, JICA officials openly note that a prominent feature of the technical training program is that, in contrast to other types of co-operation, it generally starts in Japan, benefiting its international relations in practice.

This is a program that is made possible due to the collaboration and participation of many people, including organizations and instructors, who directly teach the training participants, regional exchange organizations, and members of local communities. The program's activities are effective not only on the level of technical co-operation: *they also serve to establish communities of people who are knowledgeable and friendly toward Japan.* Conversely, training participants engage in exchange and friendship activities throughout Japan, thereby making their own contribution to fostering international understanding among Japanese people. [My emphasis.]

In terms of transfer of technology, JICA officials see several advantages to implementing technical co-operation in Japan. These include:

- (1) enabling participants to see how new technology and approaches not available in the participants' own countries are actually put into effect, thereby increasing motivation;
- (2) conveying Japan's own experience to the world; and,
- (3) providing an opportunity for the exchange of opinions with training participants from other countries tackling similar problems, fostering the sharing of know-how.

While the number of individuals involved in Japanese programmes has risen, so too has the students, not all of whom are sponsored by Japan. What is remarkable is the number of students from Eastern Asia with increasing numbers as they absorb knowledge that they use in their home countries, especially in export industries.<sup>224</sup>

**Table 6: Overseas Students, by Country/Region**

Country	1990	1995	2000	2001
<b>Total [Persons. As of May 1]</b>	<b>41,347</b>	<b>53,847</b>	<b>64,011</b>	<b>78,812</b>
China	18,063	24,026	32,297	44,014
Korea, Rep. Of	8,050	12,644	12,851	14,725
Taiwan	6,484	5,180	4,189	4,252
Malaysia	1,544	2,230	1,856	1,803
Thailand	856	1,010	1,245	1,411
Indonesia	948	1,085	1,348	1,388
USA	1,180	1,087	1,044	1,141
Vietnam	46	204	717	938
Bangladesh	394	710	800	805
Philippines	479	433	477	490
Sri Lanka	148	285	429	471
Others	3,155	4,953	6,758	7,374

Source: Ministry of Education, Culture, Sports, Science and Technology.

Internationally and regionally focused institutions, funded mainly by Japan, have played remarkable roles too. The Japan External Trade Organisation (JETRO), one of the leading agencies of MITI, has assisted in technology transfer in Eastern Asia. However, the more important role—given the importance of productivity for stable long-term growth, as noted by Amsden (1995)—has been played by the Asian Productivity Organisation (APO), headquartered in Tokyo with Japanese leadership.<sup>225</sup>

Created in 1961, the Asian Productivity Organisation (APO) is an intergovernmental organisation representing the needs of its members: Bangladesh, China, Fiji, Hong Kong, India, Indonesia, Iran, Japan, South Korea, Malaysia, Mongolia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, and Vietnam. The organisation oversees productivity development throughout its member states, and to accomplish this it co-ordinates and assists individual nation's productivity activities. According to the APO, these countries, through their respective *national* productivity organisations, work closely together “for mutual co-operation, economic progress, and a better quality of life for their peoples.” The APO receives assistance and support from many international organisations and institutions in the implementation of projects, but the majority of funds come from the Japanese government.

The APO sees itself as being in the vanguard of developing human resources by providing training and upgrading skills in both the public and private sectors. It does so by organising courses and seminars to upgrade skills in a wide range of fields including information technology, agricultural technology and biotechnology, small industries management, quality management, and environmental management. In addition to human resources development, projects reflect the strategic mix of APO activities to assist member countries in their productivity promotion endeavours. These projects address the need to devise policy measures for the development of small and medium-scale industries, including supporting industries such that they:

- produce higher value-added products
- provide the infrastructure necessary for attracting more investment
- create the necessary environment for facilitating technology transfer

Efforts are also made to help member countries to formulate long-term productivity goals and promotional strategies. In the area of agriculture and rural development, the

APO has a number of programs that are of critical importance for public policy as well as for the further development of agriculture projects. They include:

- biotechnology applications,
- agriculture education systems,
- appropriate energy sources,
- information systems in rural areas

These areas of activity add a forward-looking dimension to development in rural areas and support efforts made by member countries to meet challenges in agriculture with increased productivity. APO publications enhance Eastern Asian productivity in general.

Relevant mainly to manufacturing, they cover:

- Total Quality Control (TQC)
- Total Product Management (TQM)
- 5S—derived from the first letters of the Japanese terms for organisation (*seiri*), neatness (*seiton*), cleaning (*seiso*), standardisation (*seiketsu*), and discipline (*shitsuke*)—campaign dedicated to organising the work-place, keeping it neat and clean, and maintaining the standardised conditions and discipline needed to do a good job.<sup>226</sup>

For example, the second edition of Ishikawa Kaoru's 1986 work was on its 15th printing in 2000. This volume helps supervisors and line personnel to apply the on-line quality control techniques that revolutionised Japanese manufacturing. Another example is Shigeru Mizuno's Company-wide Total Quality Control, which provides thorough coverage of all the elements needed for the implementation of quality control on a company-wide basis.<sup>227</sup> Other lessons are also provided, as with the essence of Japanese design review, which is based on the belief that “two heads are better than one,” and that there are considerable benefits to be reaped from “getting things right the first time.”<sup>228</sup> The emphasis in APO publications has changed over time, with recent attention to the process of design review, with a focus on current issues in Japanese design review and the sharing of practical expertise developed by leading companies.<sup>229</sup> Innovative product development has also been featured with the APO, as the countries in the region have more or less surpassed all but a handful of the world's leading nations in terms of production, and thus require new products in order to continue to be on the leading edge.<sup>230</sup> JICA officials argue that the advantages of technical co-operation projects involving the dispatch of experts are that they:

- (1) enable appropriate development and dissemination of technology, i.e., technology which accords with local conditions;
- (2) provide for provision of appropriate instruction while ensuring that technology is introduced and takes root in the recipient country;

- (3) enable suitable advice to be offered on setting up organizations and institutions in accordance with each stage, from planning to implementation;
- (4) ensure maximum effectiveness while planning for co-ordination and links with aid from Japan and other donors;
- (5) and finally, they make it possible to provide on-site aid with a *clearly visible profile*.

JICA has made an effort to be highly visible, with their actions suggesting deeper implications for the resulting relations between Japan and its imperial era victims. Participants have contributed to their own nations in various ways. While some have gone on to become national leaders, top-rank researchers and administrators, others have become involved in the dissemination of technology in farming villages far removed from national capitals. The effect of JICA in promoting Japanese relations has been cumulative, as suggested by the aggregation of contacts around Eastern Asia. Both Chart 9 and Table 6 provide a sense of the steady growth of this network.

### **6.1.2 Japanese firms and technology transfer to Eastern Asia<sup>231</sup>**

While Japan's legitimization of hegemony is strengthened by its role in technology transfer, Japanese firms also contribute while their main goal is of course long term profits. Thus the counterpart to the role of the state in Eastern Asian technology transfer and development is the role of firms in direct investment in the region. Business organisation, human resource training and technology transfer are all part of the knowledge equation that enables recipients to move to higher value added production, and thus more rapid growth patterns. Significantly, Japanese firms were particularly important as a means of influencing such aspects of Eastern Asia's technological revolution. In this vein, Giovanni Capannelli (1996) notes that treating technological knowledge as an endogenous variable in the modelling of economic growth has greatly *increased* theoretical economists' appraisal of the importance of FDI as a major channel for late starting countries' process of technology development. He suggests that although emphasis is still placed on problems related to the investment and technology *source* at the expense of the *recipient*, this new field of research promises to yield many interesting results. It has been especially important in terms of providing a bridge, with many empirical studies stressing the importance of both knowledge creation and transfer via non-market mechanisms (Wong 1991, Yamashita 1991 and Palacios 1995). Capannelli notes that a remarkable characteristic of technology transfer is the fact that the successful implementation of the process is not only limited to a simple market

transaction, as is the case with technology trade, but instead requires a certain amount of investment and interactive efforts from both the sourcing and the receiving agents. In other words,

a proper function for the achievement evaluation of technology transfer will necessarily include variables and conditions related to both sides of the process. However, the economic analysis of inter-firm technology transfer has mainly focused on the determinants of the transfer cost for the technology source, while those of the technology recipient side were generally taken as given. Nevertheless, the recent identification of the dual role played by R&D, both for the generation of new knowledge and the enlargement of the capacity to absorb the technology created by external sources and which is available from the environment, implicitly suggests that the proper implementation of a technology transfer process requires the simultaneous presence of economic convenience both for the *source to sustain the cost of transfer, and for the recipient to invest in the enlargement of its absorptive capacity.*

Consistent with the traditional view of technology transfer, Capannelli's study on Malaysia argues that there is plenty of room to improve policy for local sourcing by Japanese firms. However, he argues that a major reason for the low procurement ratio from local firms relates to the scarcity of local suppliers and to their relatively lower quality standard of production compared to that of more competitive Japanese (or third country) firms.<sup>232</sup> With respect to external actors interested in promoting Eastern Asian development, Capannelli suggests that

Japanese government agencies, like the JETRO (Japan External Trade Organisation) or the JICA (Japan International Co-operation Agency), can undertake some concrete measures such as the implementation of transfer programs for specific technologies whose main applications have already followed the relocation of consumer electronics to Malaysia. The moulding technology for plastic injection operations is, for instance, an interesting field where Japan has already accumulated great knowledge and experience, which can not however be properly used domestically due to the hollowing out of the downstream industries.<sup>233</sup>

While there remain still more actions for Japanese agencies to commit to, as suggested by Capannelli, the positive circularity of trade and investment favours economic growth as a result of the increased dynamism of the host economies and generates two distinct effects. The first of these is the direct inducement of employment, income, and export growth, which has been the focus of the previous section. The second consists of more indirect, but lasting benefits from the potential of technology transfer. Recent contributions to the literature have stressed the second aspect as one of the most fundamental ways to introduce new ideas and new information in developing countries and in turn to help the process of technological learning and development of local technological capacities (Romer 1993 and Ruffin 1989).



Capannelli suggests that there is a great deal of scholarship on economic modelling and empirical research on FDI and international technology transfer that has produced interesting results on the determinants of transfer (Teece 1977; W. H. Davidson & D. G. McFetridge 1985; I. Horstmann, & J. R. Markusen 1987; Wang & Blostrom, 1992; Ramachandran, 1993; Suzuki 1993; J.G. Montalvo & Y. Yafeh 1994; Wakasugi 1995). However, analysis has mainly focused on the relationships between the mother company in the technology sourcing country and the local subsidiaries in the recipient country. Against this literature, Capannelli argues that older models fail to consider the effects of technology transfer through *buyer-supplier* relations between locally based foreign MNCs and the domestic firms in the recipient country, which is a common phenomenon with Japanese FDI, where joint-ventures often mean local partners both upstream and downstream. He notes that Japanese firms tended to increase their local procurement ratio the longer their production was relocated in Malaysia, observing that this situation led to higher local sales ratio and more stringent government regulations for local sourcing (Capannelli 1996:29). His insights support the general pattern of Japanese investment in mature areas such as Taiwan and Singapore, where small and medium firms supply Japanese MNCs, confirming the view that these governments are reaping the rewards of targeted educational policies over the 1970s and 1980s. As Capannelli (1996:29) notes:

during the last decade a growing number of joint-ventures between local partners and third country firms have been established, and those in the field of electronics, which are usually quite successful, are especially formed with Singaporean or Taiwanese companies that had already acquired long experience as suppliers of the Japanese MNCs in their own countries. Moreover, it can be also argued that such a scarce presence of local firms has indeed facilitated the recent relocation from Japan of many small and medium suppliers, due to low entry barriers.

Capannelli's work supports conventional wisdom on the very high procurement ratios between Japanese firms. The Japanese subcontracting system has traditionally favoured long-term relationships, and thus many Japanese parts suppliers have a strong incentive to follow the relocation of their customers, particularly to places such as Malaysia (or Eastern Asia) given the open-door policy for Japanese firms in those spaces.<sup>234</sup> Although the process of industry relocation is proceeding at a fast pace, with Japan enduring a "hollowing out" and a subsequent employment crisis over the 1990s, the technology adopted by the subsidiaries in Eastern Asia is inferior to that used by parent companies in Japan. Capannelli argues that this is due to the cost of technology transfer

and the presence of a different economic environment in the host country, particularly with regard to the average level of the host employees' technical skills and experience, and to the presence of weak economic infrastructure. In particular, the continuation of technology that lags behind Japanese standards is related to management of plant and equipment, areas requiring substantial knowledge and information processing abilities.

### **6.1.3 Problems of legitimization: technology transfer, absorption, and TRIPS**

From the Meiji era onwards, Japanese *sogo shosha*, or trading companies, sought control of Japan's trade and were relied upon to act as an information conduit for Tokyo. Their role eventually grew in Eastern Asia as a whole as Japan's trading prowess gained momentum, mainly because of the success of the Imperial Japanese Army in conquering new regions. During the period of colonisation by Japan (approximately 1900-1945) the Northeast region of Asia served mainly as a source of raw materials. However, with the onset of WW II this area began to house industrial bases, particularly in the case of what is now North Korea. During WW II, Southeast Asia also supplied the Imperial Japanese Army. However, this period was not one where technology transfer was deliberately facilitated, and so any technology transfer that did occur was unintentional. Thus Northeast Asia, which has a longer history with Japan, has had a more mature relationship with Japanese firms, and Southeast Asia, which has had a shorter history, has had a less mature relationship with this former imperial power.

As Japan sought to improve its relations in Eastern Asia in the post-WW II era, more deliberate efforts at technology transfer were made by Tokyo. Indeed, this began as early as the 1950s, when several Japanese organisations were set up with precisely this purpose in mind. The gradual normalisation of ties induced by the Cold War led to the continuation of raw material supplies to Japan, while manufactured goods were imported from Japan. During this time, technology flows from Japan were very slow, as noted by those critical of Japanese investment. From the 1970s onwards, Japanese firms responded to regional demands with joint ventures with Southeast Asian firms (Unger 1993; Ebina 1996). At times the local partner could be private, or even the host-state itself (Jomo 1994, 1996 & 1997). This FDI led to limited forms of technology transfer, as critics pointed out (Weinstein 1976). Starting in the late 1970s, particularly since with the Fukuda Doctrine, the Japanese government and host governments made more efforts to increase these transfers, particularly by emphasising education abroad for

Eastern Asian students and by training workers at home with foreign help. Following this, from the 1980s onwards Japanese firms have used a great deal of in-house training to meet the higher standards of overseas and regional manufacturing, with some firms even bringing Eastern Asian workers to Japan for short on-the-floor training sessions.<sup>235</sup>

Leading edge technology is held in Japan as it engages in what Walter Hatch (2002) notes is “rearguard regionalisation.”<sup>236</sup> Ambivalence regarding the legitimacy of Japan’s role in the area of technology can be traced to ideas of immediate ‘catch up’ espoused by well-meaning critics. Thus, for Hatch (1998) technology flows have given rise to a form of negative dependency, even though it is obvious that enough technology has been transferred for Eastern Asian countries to race ahead of most other regions, including Southern and Eastern Europe, and even parts of the deep South in the US. Critics fail to understand that dependency on Japanese technology has not meant *underdevelopment*, as in Latin America under US hegemony following the Monroe Doctrine, or Africa under European domination. Confirming the positive relationship with Tokyo, Eastern Asians were eager to send their officials and students in larger and larger numbers to Japan. That Eastern Asia could be technologically independent in time is a possibility, as indeed South Korea and Taiwan have shown by surpassing Japan in some areas of innovation. However, this new independence has come about as a result of success of these two countries’ educational systems in turning out technicians capable of absorbing knowledge from abroad and creating new knowledge soon after, just as the Japanese did in the past. In contrast, Southeast Asians were only beginning to break into new knowledge sectors in the late 1990s. In this they were led by Singapore, particularly in the information technology area. Clearly, until their education systems are able to produce high science, these Southeast Asian nations will continue to lag.<sup>237</sup>

As Capanelli (1996) notes,

although we can expect that a longer production experience and a different resource allocation in Japan imposed by the shift of comparative advantages will induce an increase in locally-based R&D activities, the basic knowledge and the core technologies are still maintained within Japan. To this regard, our findings indirectly confirm the “technological black box” hypothesis proposed by Yamashita, according to which the participation of the local staff on the final product assembly operations, and of the local firms in the provision of parts and components is still limited to simple technological tasks.<sup>238</sup> In fact, as our theoretical framework suggests, the cost of transfer for the technology source is still too high, especially because the recipient side’s absorptive capacity is not developed enough. This may be referred both to the case of parts suppliers as well as to the level of the local staff technological skill.

Even after considering the slower than desired technology transfer from Japan to Eastern Asia, the method and manner of the management and production of Japanese firms have benefited the region just as even limited access to Japanese technology has done. The state of Japanese knowledge influences regional labour-management relations, and has given rise to a management philosophy emphasising in-house training of top workers and long-term employment wherever possible (Koike & Inoki 1990; Morshima 1996; Lawler & Atmiyananda 1996).<sup>239</sup>

The production philosophy of many Japanese large end-goods producers, who have pioneered and perfected “just-in-time production,” “total-quality” and shop floor innovations/improvements, are used elsewhere (Humphrey 1996 & Roy Choudhry 1997).<sup>240</sup> The *keiretsu* approach to production, with state protection at the early stages, as noted by Abegglen and Stalk (1985) and Eccleston (1989), is also being used in South Korea, Malaysia, Indonesia, China and India among others. What is remarkable is the diffusion of older Japanese technology, especially to Southeast Asia, by targeted migrations with the assistance of MITI. This has meant a rapid gain in Southeast Asia’s ability to export manufactures, even in competition with Taiwan and South Korea. This movement of productive forces from Japan to Southeast Asia has integrated the region ever more tightly, as argued by Hatch and Yamamura (1996). This has ensured that the policies of MITI are crucial for Southeast Asia as well as for Japan.<sup>241</sup>

Governments that receive FDI have claimed that foreign firms, including those from Japan, have not transferred technology. While there is truth to this in 1970s and before, from the 1980s onwards, this thesis on technology transfer has been challenged at least with respect to Japan’s role in Eastern Asia. Japanese production technology, industrial organisation processes and human resource management led to the revamping of much of the world’s production centres in the 1980s and 1990s, and most of all in Eastern Asia. While Western firms studied and copied Japanese methods, Eastern Asia was a prime focus for Japanese firms as they built regional production networks. Even as Japanese firms attempt to use regional bases for production they have found it none too easy, as the capacity of the host to rapidly assimilate technology has not been good; yet they have persevered, delivering spectacular results. The improvement of Eastern Asian production with even older Japanese technology has helped the region to advance to an industrial production base from a predominantly agrarian and raw material base.

Arguably, the legitimate use of Japanese power comes precisely from the gains made by Eastern Asia, which are quite remarkable when compared to Latin America's dependent underdevelopment.

The transfer of technology in the early post-WW II era leading up to the 1980s took place in a time when there were fewer laws governing patent rights. As post colonial Asian countries in particular have managed to increase productivity and move to higher technology areas of production, they have faced increasing challenges from Western firms via the GATT-WTO regime of Trade-Related Aspects of Intellectual Property Rights (TRIPS). Officially the 1986-94 Uruguay Round trade rules for intellectual property rights were portrayed as introducing order and predictability, and promoting the systematic settlement of disputes. There are seven area of intellectual property covered by the TRIPS agreement:

- (1) Copyright and related rights
- (2) Trademarks, including service marks
- (3) Geographical indications
- (4) Industrial designs
- (5) Patents
- (6) Layout-designs (topographies) of integrated circuits
- (7) Undisclosed information, including trade secrets

The WTO claims that TRIPS is an attempt to eliminate difference in the way these rights are protected around the world, and to codify each according to common international rules. In theory, "When there are trade disputes over intellectual property rights, the WTO's dispute settlement system is now available." In practice, this rule of the law of the powerful has meant the post colonial states in Asia and other places are in a weaker position to move up the ladder of industrialisation and are therefore less likely to reap the material benefits of doing so. With the success of the Eastern Asian use of mature technology to capture markets, studies have considered intellectual property issues in the region, and some of the literature has criticized the protectionist tendencies of richer countries which are supported under TRIPS, though Japan is singled out as a model to be emulated.<sup>242</sup> The effect of TRIPS on 'developmentalism' is thus of concern to these and other scholars interested in the development of post colonial states, while Japan is not considered a problem industrialised nation.<sup>243</sup>

## **6.2.0 FINANCE FOR RAPID REGIONAL ECONOMIC DEVELOPMENT: JAPANESE PROVISION OF PUBLIC GOODS AND LEGITIMACY**

Japan's external assets have grown even in economic hard times, as shown by Chart 3 in Chapter 1. However, by the mid-1980s, particularly after the Plaza Accords, Japan's trade account no longer represented its entire current account surplus, as profits from investments abroad began to show early effects. The economic woes in Japan over the 1990s lead to government debt levels of over 130 % of GDP, however it is not widely known that this debt was financed by domestic savings, with government deficit absorbing the private surplus (Chart 3, Chapter 1). Japan's economic power has allowed it to provide 'global public goods' in finance, especially since the 1980s. By the 1990s Japanese savings accounted for roughly one third of the world's total, making it the lynchpin of the global financial system as it recycled its surplus in order to keep the international capitalist system functional, particularly by keeping the US economy afloat by its purchases of US Treasury Bills (USTBs).<sup>244</sup> These savings did not show signs of diminishing in the short term, as Japan continued to produce approximately 1 of every 6 USD in the world economy. Even in times of recession, the country's domestic savings rates have only gone up from the low 30% range to the mid 30% range (Chart 3).<sup>245</sup> Indeed, between 1970 and 1995, Japan's private surplus exceeded private investment except between 1973-74 and 1989-91 (Chart 3). With the Black Monday rescue of Wall Street in September 1987, Japanese intervention in the financial structure became important even for the US. This highlights how Japan's savings were key to enabling the tax cuts in Washington that ultimately led to the recovery of the US economy in the 1990s despite record Reagan deficits. As Hamada (1995:152) shows, Japan's purchases of US bonds also occurred via the City of London as Japan allowed Europe to act as its intermediary in recycling surplus funds.<sup>246</sup>

Playing the legitimating role of hegemon in finance over the last decades of the 20th century, Japan provided counter-cyclical funds to Eastern Asia via government projects such as Overseas Development Aid (ODA) as well as measures allowing private capital flows into the region by deregulating controls in Tokyo. Significantly, this role was not confined to Eastern Asia alone. Japan has acted as the lender of last resort to avert crisis situations in other regions, as was the case in the resolution of the Latin American debt crisis. Unfortunately it is not well known that Japan came up with the first Miyazawa Plan, which served as a guideline for the now famous Brady Plan (Hamada 1995:156;

Rapkin and Strand 1996:21). In Eastern Asia, Japan was able to act as the lender of last resort via the Overseas Economic Cooperation Fund (OECF) when many of the region's countries suffered from balance of payments problems that could not be addressed via the IMF, as with much of communist Indochina. Furthermore, low Japanese interest rates eased regional macro-economic adjustment and debt service by driving down the cost of money. Where possible, Japan also co-operated with G7 nations to manage movements in the currency markets, even though this was not always possible given the dominance of US domestic interests over the international agenda; for example, Washington used exchange rate manipulation to force Japan to impose voluntary export restraints (VERs). Stable currencies were essential for emerging economies, particularly for those countries that had pegged their exchange rate to the US dollar in order to trade in more predictable waters. By 1996, Tokyo was bolder and more coherent in its leadership, advancing the development of a "new international system" to enable economic security for all countries, and using its presence in the G7 to champion the causes of Eastern Asia in particular and developing countries in general (Sato 1996), thereby continuing to legitimate its power.

In order to illuminate the nature of 'global public goods' in the financial structure, aspects of Japanese policy affecting Eastern Asia are assessed below in subsection 6.2.1. In subsection 6.2.2 bilateral and multilateral efforts are further discussed in terms of their 'global public goods' policy role. In subsection 6.2.3 private flows, not traditionally part of the 'global public goods' language, as assessed in terms of their potential as another form of Japan's engagement. In subsection 6.2.4, Japan's ODA►FDI regime is shown to contribute to legitimating Japanese power through its ability to influence private investment from not only Japan, but also other wealthy nations.

### **6.2.1 Japan's 'global public goods' in finance affecting Eastern Asia**

Japan's domestic decisions often affected countries in Eastern Asia, suggesting Tokyo's structural power. Under pressure from Eastern Asian nations, Japan has become more aware of these effects and officials have, over time, made decisions at home while also considering the region, showing a 'global public goods' role. Key among these is the level of the Japanese exchange rate, which has increased in value against the US dollar after the end of the Gold Standard under Nixon. The gradual appreciation of the JPY

against the USD aided Eastern Asian exports to and investments from Japan, as their currencies were pegged to the US currency until the early 1990s.<sup>247</sup> The increasing use of the JPY as a regional currency signified a need for a more active Japanese policy, among other things to ease balance of payment problems. In the case of states that Tokyo had surpluses with, it used the Overseas Economic Co-operation Fund (OECF) to provide low interest JPY loans to ease balance of payment problems. Asian central banks' holdings of JPY as a proportion of their foreign-exchange reserves rose from 13.9 % in 1980 to 17.5 % in 1989.<sup>248</sup> Those Asian countries with large international debts balanced their debt load by diversifying from USD into JPY as well. Between 1980 and 1988, JPY-denominated debt as a proportion of total debt held by Indonesia, South Korea, Malaysia, the Philippines and Thailand nearly doubled, to about 40 %. Bonds issued in JPY represented another way the Eastern Asian region benefited, as these issues came with Japanese government guarantees to attract Japanese savings into these instruments. The interest rates of the JPY bonds issued was higher than those issued by Japan, but effectively lower than bonds issued in USD, thus making it cheaper for the issuing government and profitable for Japanese investors wanting to avoid exchange rate risks. The risk borrowers undertook was low enough that even after paying for any appreciation of the JPY vs. the USD, they were still generally better off than when borrowing at commercial rates (Yamada 1998).

Interest in the international role of the JPY was first sparked during discussions regarding a new international monetary system in the wake of the collapse of the Bretton Woods system, with the adoption of a floating exchange rate system in March 1973. During this period, the US continued to suffer a secular decline in its global economic standing, thus encouraging a further decline in international confidence in the dollar. Simultaneously, Japan and Germany, helped along by currencies that were devalued, emerged from these shocks with renewed vigour to claim an increasingly important role in the global economy, generating growing interest in the international roles of the JPY and German mark. Japan's power in the financial structure led to new legislation that effectively promoted cross-border monetary flow and access to Japanese capital.<sup>249</sup> In December 1980, a thoroughly revised Foreign Exchange and Foreign Trade Control Law went into effect. In October 1983, the internationalisation of the JPY and the liberalisation of financial and capital markets became major policy objectives of the Comprehensive Economic Measures adopted by the government. Then,



coinciding with President Reagan's visit to Japan, the Yen-Dollar Committee was established in November 1983 and eventually reached an agreement (in May 1984) concerning the further liberalisation of Japan's financial and capital markets, the internationalisation of the JPY, and the lowering of the barriers to access for foreign financial institutions participating in Japan's financial and capital markets. At the same time, "Current Status and Prospects for Financial Liberalisation and the Internationalisation of the Yen" was announced. This document systematically outlined specific approaches and measures for promoting the internationalisation of the JPY. Against the background of growing domestic and global interest in the internationalisation of the JPY, the Minister of Finance assigned the task of conducting deliberations on the internationalisation of the JPY to the Council on Foreign Exchange and Other Transactions. In March 1985, the Council submitted its report, which included the following measures for promoting the internationalisation of the JPY:

1. financial liberalisation (particularly the continued liberalisation of interest rates, and the further development and expansion of open short-term capital markets);
2. liberalisation of the Euro-yen market as the first step toward improving the convenience of the yen for non-residents; and
3. establishment of a Tokyo offshore market to facilitate Euro-yen transactions in Tokyo.

In response to these developments, steady progress was made through the second half of the 1980s and the 1990s in the program for financial liberalisation, including the easing and abolition of Euro-yen regulations. The Tokyo offshore market was established in December 1986 and continues to the present.<sup>250</sup>

### **6.2.2 Japan's bilateral and multilateral 'global public goods' delivery**

Japan's bilateral and multilateral contribution in terms of the provision of 'global public goods' in the financial area is significant. With the Fukuda Doctrine, Overseas Development Aid (ODA) became a central part of a more active foreign policy from the 1980s onwards (Orr 1990; Rix 1989). Officially, MOFA (1999) notes that ODA provision:

1. is an obligation that Japan must satisfy as the world's second-largest economy,
2. bolsters Japan's standing and credibility in the eyes of the international community, and
3. contributes to promoting the national interest of Japan, which depends on world peace and stability, particularly given Japan's dependence on imports of resources, energy, food, and other basic materials.

Early Japanese aid was tied to goods and services provided by Japanese firms, though by the late 1980s this type of component had dropped substantially, with Western firms and firms from the host country also winning contracts. The degree of provision of tied Japanese ODA was influenced by the MITI—MOFA rivalry, while it was co-ordinated with the private sector with some input from MOF.<sup>251</sup> Such co-ordination was achieved with fewer problems than could have been expected, mainly due to Japan's experience of reparations "payments" in the 1950s and 1960s, which was basically the provision of JPY credits for purchases of Japanese made goods, coordinated by MITI and MOFA.<sup>252</sup>

Japanese aid grew to be first or second highest in the world in USD terms by the late 1980s and 1990s on the back of the Plaza Accords that doubled the value of the yen transferring power from the US to Japan as argues by Murphy (1996). Nonetheless, Japan's aid has hovered around 0.3 % of GDP, never reaching the 0.7 target for OECD nations, as promised. However, the Japanese focus on Asia has meant these nations have received the bulk of the ODA even in the 1990s, even when they have become relatively well off (Table 7).

**Table 7: Geographical Distribution of Japan's ODA Loans 1994-1998**

(Exchange of note basis; ¥100 million, %)		1994		1995		1996		1997		1998	
REGION		Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
	Asia	7,682	87.8	8,943	78.6	9,976	76.6	8,599	77.8	10,078	91.5
	(ASEAN, Cambodia)	(4,260)	(48.7)	(5,083)	(44.7)	(5,137)	(39.4)	(4,062)	(36.7)	(7,308)	(66.3)
	Middle East	346	4.0	1,103	9.7	747	5.7	478	4.3	383	3.5
	Africa	292	3.3	427	3.8	454	3.5	243	2.2	307	2.8
	Latin America	329	3.8	765	6.7	1,814	13.9	1,347	12.2	96	0.9
	Eastern Europe	71	0.8	97	0.9	39	0.3	368	3.3	152	1.4
	Oceania and others	31	0.4	43	0.4	0	0.0	23	0.2	0	0.0
TOTAL		8,751	100.0	11,379	100.0	13,030	100.0	11,058	100.0	11,016	100.0

Source: Annual Report, Tokyo: MOFA, 1999.

As noted, and to the dismay of emissaries from other regions, Japan's ODA has been concentrated on Asia, consistent with regional demands for economic development. From about 1966 to 1998, the ten leading recipients were all in Asia (Table 8) much to dismay of countries elsewhere, particularly in Africa, where emissaries saw Japan as the "last hope" in solving catastrophic problems of development.

**Table 8: Japan's ODA 1966-1998 (Asia, Oceania, & Middle East)**

Area	Countries	FY 1998				FY 1966-1998		
		Number	Amount (Mil.)	Share (%)		Number	Amount (\ Mil.)	Share (%)
Asia	Afghanistan	-	-	-		1	720	0
	Armenia	1	5,399	0.5		1	5,399	0
	Azerbaijan	-	-	-		1	20,699	0.1
	Bangladesh	-	-	-		62	516,366	2.9
	Cambodia	-	-	-		2	1277	0
	China	15	206,583	18.6		239	2,260,873	12.6
	Georgia	-	-	-		1	5,332	0
	India	1	11,537	1		143	1,641,785	9.1
	Indonesia	4	230,480	20.7		589	3,345,859	18.6
	Kazakhstan	1	22,122	2		3	50,888	0.3
	Republic of Korea	-	-	-		91	595,971	3.3
	Kyrgyz	1	5,250	0.5		5	23,347	0.1
	Laos	-	-	-		3	9,093	0.1
	Malaysia	5	107,695	9.7		67	701,804	3.9
	Mongolia	-	-	-		7	29,987	0.2
	Myanmar	-	-	-		66	402,972	2.2
	Nepal	-	-	-		8	58,035	0.3
	Pakistan	-	-	-		68	644,664	3.6
	The Philippines	14	157,011	14.1		223	1,608,706	9
	Singapore	-	-	-		2	1,181	0
	Sri Lanka	4	26,102	2.3		75	461,461	2.6
	Thailand	13	147,562	13.3		220	1,631,196	9.1
	Turkmenistan	-	-	-		1	4,505	0
	Uzbekistan	-	-	-		3	34,328	0.2
	Viet Nam	9	88,000	7.9		56	506,374	2.8
	Others	-	-	-		5	12,492	0.1
	Total	68	1,007,741	90.7		1,942	14,575,313	81.2
Oceania	Fiji					1	2,287	0
	Papua New Guinea					13	56,835	0.3
	Total	0	0	0		14	59,122	0.3
The Middle East	Iran					1	38,614	0.2
	Jordan					15	182,748	1
	Lebanon					1	13,022	0.1
	Syria					4	138,611	0.8
	Turkey					20	347,103	1.9
	Yemen					5	49,319	0.3
	Total	0	0	0		46	769,417	4.3

Source: Ministry of Foreign Affairs.

As some countries in the region graduated, ODA began to shift outside the region, however when the economic development trend could not be sustained with the 1997 financial crisis, as in 1998, ODA was *redirected* to Asia, giving it a 91.5 % share. By 1998 Japan's focus on Asia meant a cumulative total of JPY 14,575,313 million in

ODA loans, or 81.2 % of the total from 1966 to 1988. As suggested by Table 9, the Japanese multi-lateral effort is also immense, as part of ODA is channelled via international organizations such as the UN and its agencies.

**Table 9: Japan's ODA Through International Institutions**

(Net disbursement basis; \$ million, %)	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total grants to international institutions	418.3	540.9	524.0	695.8	660.1	657.7	758.8	826.7	780.4	689.6	697.0
(1) UN agencies	378.2	501.4	483.6	648.7	602.4	593.2	678.1	744.0	701.6	616.5	627.9
(2) Other agencies	40.1	39.5	40.4	47.1	57.7	64.5	80.7	82.7	78.8	73.1	69.1
Total capital subscriptions, etc. to international financial institutions	2,293.5	1,645.6	1,758.3	1,467.6	2,187.6	2,652.0	3,029.3	3,344.2	471.5	2,133.1	1,428.6
(1) World Bank group	1,552.0	930.5	1,198.7	1,186.0	1,282.8	1,603.3	1,762.8	2,323.8	12.4	1,539.7	806.9
(2) Other institutions	741.5	715.1	559.6	281.6	904.8	1,048.7	1,266.6	1,020.4	459.1	593.4	621.7
Grand total	2,711.8	2,186.4	2,282.3	2,163.4	2,847.7	3,309.7	3,788.1	4,170.4	1,251.8	2,822.7	2,125.6
Percentage of total ODA (%)	29.7	24.4	25.2	19.1	24.8	28.6	27.8	28.1	13.3	30.0	19.8

Notes: 1. As the figures in the table are rounded off, they do not necessarily add up to the totals. 2. Includes contributions to EBRD. 3. ODA to Eastern Europe and contributions to the EBRD have not been included in the calculations of percentage of total ODA. Source: Annual Report, Tokyo: MOFA 1999.

The G7 is an important forum in which Japan expresses views on behalf of the Eastern Asian region. In particular, Tokyo has sought to stabilise the international financial system in co-operation with the other leading powers in the G7 club. The percentage of all Japanese aid given through international organizations averaged 21.5 % in the two years 1996 and 1997. As in previous years, this was lower than the Development Assistance Committee (DAC) member average of 31.2 % over the period.

The Plaza Accords of 1985 that led to managed JPY appreciation made it possible for Tokyo to pull Eastern Asia faster on to the economic development track via increases of mutually reinforcing aid and investment. In the areas of both aid and investment, Japan replaced the US as the region's key player. Officials of MOFA, MITI, MOE and to a certain degree the MOC and other Japanese ministries contributed to decisions that led to Eastern Asian countries receiving infrastructure building and technical assistance. In

addition, these countries received soft loans to assist with balance of payments problems.<sup>253</sup> Moreover, Japanese firms' investments in the region led to a surge in exports from new plants, softening the foreign currency needs and also the debt burdens of the recipient nations. While Tokyo has focused on Asia, Japan's positive role is also well recognised in Africa.<sup>254</sup> African nations had a window of opportunity in this respect in the early 1990s when Japan shifted its focus away from Asia, however, with the financial crisis in 1997 the focus has again shifted to Asia.

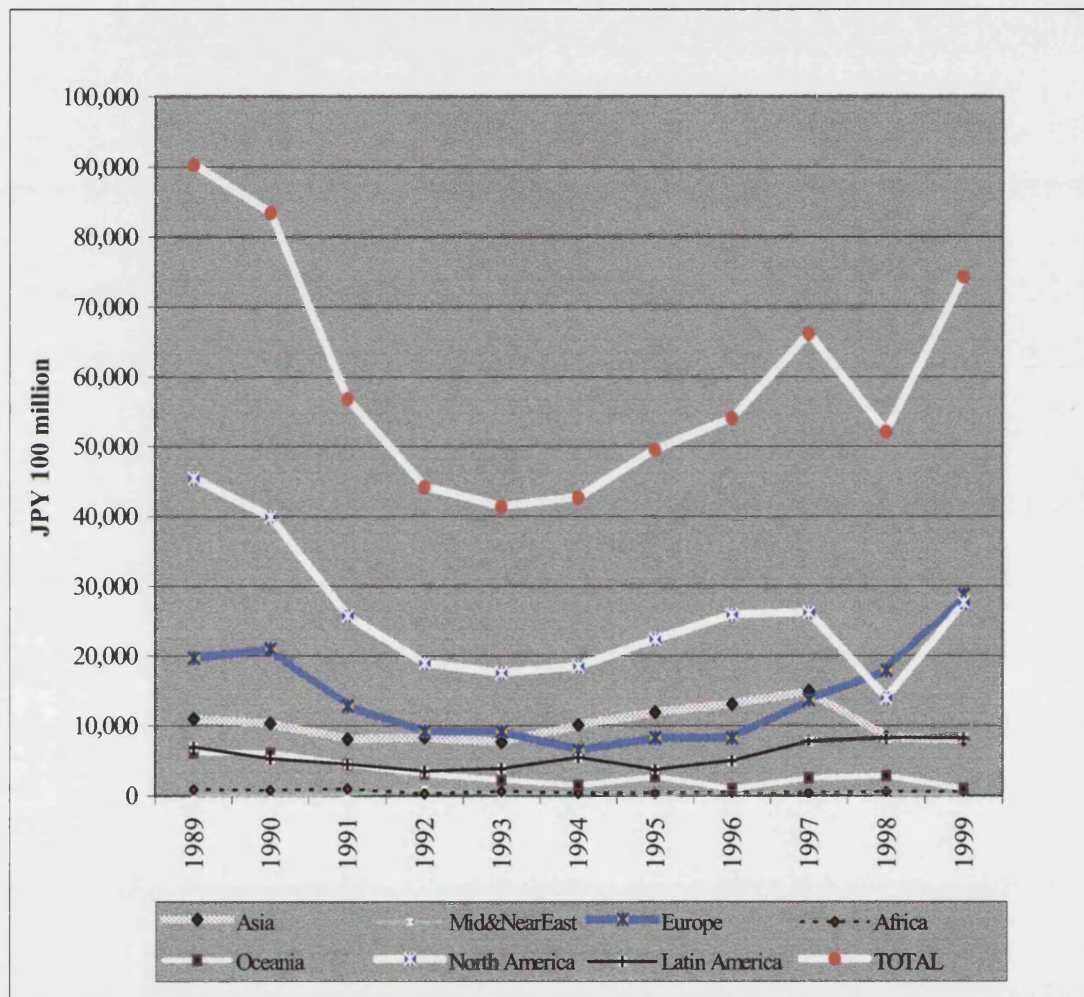
### **6.2.3 Japanese direct investment: private flows as 'global public goods'?**

Japan's private capital flows represent another means of recycling its surplus, and thus another method of 'global public goods' provision, even though this interpretation is viewed unfavourably by those adopting a purists' perspective on 'global public goods'.<sup>255</sup> As Kindleburger (1986:2) notes, "There is something of a tendency today, at least in political science, to draw back and claim that such institutions as open world markets are not public goods because countries can be excluded from them by discrimination." The argument for including capital flows is based on Kindleberger's (1986:8) work. He suggests that they *are* part of 'global public goods' as they do meet the requirements of counter-cyclical flows. World foreign direct investment (FDI) has grown rapidly since the early 1980s and Japan has been the leader in FDI in Eastern Asia, recycling its surplus in this region as well as in other parts of the world. Indeed, from the early 1980s through the mid-1990s, the rate of increase of world FDI was higher than that of world trade. As a result of these developments, and given the scarcity of capital for the purpose, FDI is one of the most important means of financing the development of industries geared for export.<sup>256</sup>

Besides economic theory based arguments, political factors are responsible for FDI flows, in particular when it comes to the political relationship between source and host, as it is this relationship that ultimately guarantees FDI. The political motives driving FDI in Eastern Asia are based on safety concerns in addition to the historical strategic decision to move Japan's surplus with the US to Eastern Asia as a whole in order to strengthen these states against destabilizing societal forces. There are other crucial factors to consider, especially the actions of governments shaping the market. Indeed, FDI need not be made based on static notions of Ricardian comparative advantage, as these can be improved with sound policy on education, etc. Not only can governments

improve the host's desirability, but so too can firms which carry out long range plans. Ultimately much about FDI depends on politics, and specifically the stability conferred by sound relationships between the nations involved. When considering the provision of FDI by Japan's recycling of its recurrent surpluses, a cyclical pattern can be observed in the 1990s as FDI tapered off with demand slowing down and Japan experiencing economic crisis at home (Chart 10).

**Chart 10: Destination of Japanese FDI: Regional Comparison**



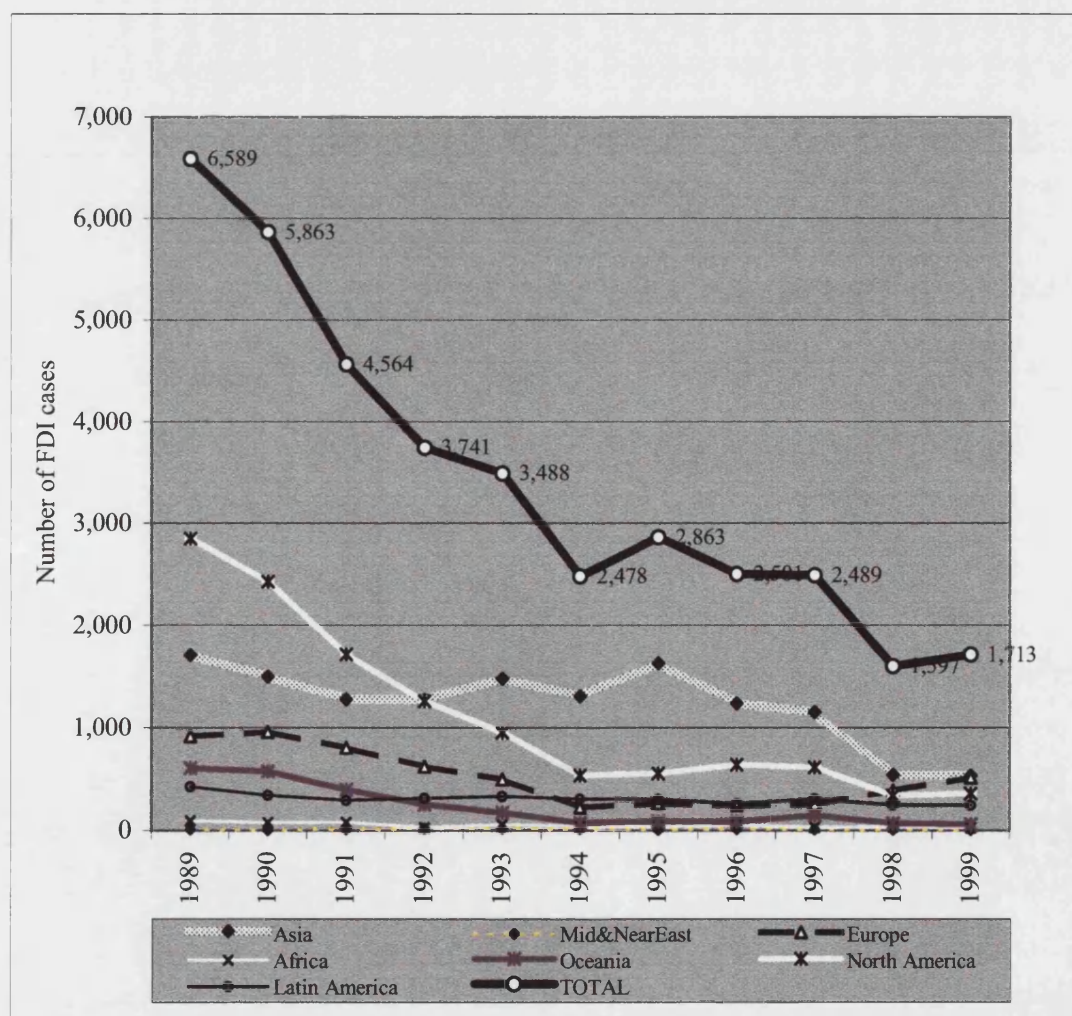
[Source: Export-Import Bank of Japan.]

In the first half of the 1980s, investment increased—in part to enable Japan to avoid trade frictions with Europe and North America in the automobile sector—to reach just over \$12 billion in 1985 (around 1 % of Japan's GDP). In the second half of the 1980s FDI growth accelerated further showing the effect of the 1985 Plaza Accords that doubled the value of the JPY against the USD, but also a continuation of the demand for



Japanese investment abroad, especially in Eastern Asia. Japan's FDI outflows for 1986--89 surpassed the country's total overseas investment for the entire post-war period up to 1986. By the late 1980s, Japan was investing more abroad than any other country in the world, with its FDI growing to \$67.5 billion (around 2.5 % of GDP) in 1989. Arguably, regional comparisons are important. The US has consistently received the larger share of Japanese FDI—in part because of political pressure on Japanese firms—and this has helped to balance the current account in the US. Over the 1990s FDI gradually decreased as Japan suffered economic crisis, but also as the sectors it had invested in the 1980s were saturated, with the number of cases of investment declining throughout the decade (see [Chart 11](#)).

**Chart 11: Japanese FDI—Comparing Regions**



[Source: Export-Import Bank of Japan.]

The saturation suggests that treating it as a ‘global public good’ is useful as Japan’s FDI served to meet regional and world demand. After domestic crisis in the early 1990s, annual outflows declined steadily, both in absolute terms and relative to GDP and fixed investment. However, FDI outflows recovered, spurred by the appreciation of the JPY in 1993-95. There have, however, been notable changes in the regional and sectoral composition of outbound Japanese FDI. During the 1980s, Japanese companies increased their investment in North America. Over this period, industrialised countries saw their share of Japanese FDI grow to more than 75 % of the total (the US alone received 50 % of total Japanese FDI), whereas developing countries (including those in Asia) saw their share drop from 50 % to about 25 %. During this time, Japanese overseas investment in the tertiary sectors—including finance, insurance, transport, and real estate—grew significantly, while the share of FDI in manufacturing and mining declined. However, for Japanese FDI in Asia, the share of electric and electronics industry in total manufacturing increased from 11 % in 1985 to 26 % in 1994, once again demonstrating that it was meeting the demands of the region.

While much has been made of Japanese direct investment, not enough is made of its effects in terms of the provision of so-called ‘global public goods’ and economic development. Consistent with Kindleberger’s (1986) ideas, this method of recycling Japan’s surpluses is important for development in Eastern Asia. In terms of value, Japanese FDI rose from 2.5 % to 3 % of domestic investment between 1982 and 1993 (prior to 1982, Japanese FDI was heavily regulated and hence not as subject to market forces). By 1993, the stock of Japanese FDI abroad stood at \$422.5 billion—almost fifteen times the \$29.9 billion stock of FDI received by Japan, suggesting the degree to which Japan’s surpluses were recycled. In Asia in total, Japanese FDI increased from 12 % in 1985 to 24 % in 1994.

#### **6.2.4 The ODA► FDI regime: Japan’s use of financial power in Eastern Asia**

Japanese ODA is metaphorically speaking an ‘international public good’ as argued by those within the UNDP volume, but particularly, Rajshri Jayaraman and Ravi Kanbur (1999).<sup>257</sup> While providing Eastern Asia with much needed capital by recycling significant surpluses through the region, Tokyo went so far as to institute a regime of development finance and concessionary lending for projects that enhanced the ability of the region to compete for global FDI. Not only did Japan provide financial ‘public



goods' from private sources, but targeted aid at infrastructure that helped to channel direct private investment into productive, mainly export-oriented activity, the core of 'developmentalism.' Japanese officials were not content to let the market take its course, and saw that some government intervention would allow the region as a whole to take a larger share from the global pool. The rapid foreign movement into Southeast Asia triggered higher wages, transfer of skills and higher demand, and this was instrumental for the high rates of growth experienced in the region (Tejima: 1996b).

**Table 10: Summary of ODA Loans by Sector**

(amount ¥100 million, share %)	1994		1995		1996		1997		1998	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Agriculture, forestry, and fisheries	386	4.5	1,459	13.3	1,518	11.8	1,238	11.9	500	5.8
Agriculture and forestry (General Agricultural Development, Animal Husbandry and Forestry)	64	0.7	502	4.6	805	6.3	524	5.0	220	2.6
Fisheries (Building Fishing Bases)	0	0.0	2	0.0	0	0.0	0	0.0	0	0.0
Irrigation and water (Irrigation and Flood Control)	322	3.8	955	8.7	713	5.6	714	6.9	281	3.3
Mining and industry	349	4.1	77	0.7	96	0.7	397	3.8	351	4.1
Mining (Petroleum Development, Development of Mineral Mines)	0	0.0	0	0.0	58	0.5	43	0.4	0	0.0
Industry (Fertilizer Factories and Steel Foundries)	349	4.1	77	0.7	38	0.3	354	3.4	351	4.1
Economic infrastructure	5,956	69.7	6,969	63.8	7,450	58.1	7,056	68.0	5,372	62.5
Land transportation (Roads, Railroads, and Piers)	1,383	16.2	2,397	21.9	2,956	23.0	2,867	27.6	2,378	27.7
Maritime transportation (Port Construction and Ships)	375	4.4	840	7.7	166	1.3	564	5.4	452	5.3
Air transportation (Building Airports)	733	8.6	366	3.3	1,008	7.9	498	4.8	279	3.2
Electricity (Hydropower, Thermal Power, Geothermal Power and Power Lines)	3,232	37.8	3,134	28.7	2,884	22.5	2,816	27.1	2,129	24.8
Gas (Natural Gas Development)	57	0.7	0	0.0	0	0.0	0	0.0	0	0.0
Communications (Telephone Facilities and Microwave Facilities)	176	2.1	232	2.1	436	3.4	311	3.0	134	1.6
Social infrastructure (Water and Sewage Facilities, Medical Facilities, Educational Facilities and Environment)	1,128	13.2	1,479	13.5	3,228	25.2	1,335	12.9	1,633	19.0
Structural adjustments (World Bank and Other Loans for Structural Reform of Cooperative Financing, as well as Sector Program Loans)	278	3.3	248	2.3	103	0.8	320	3.1	740	8.6
Other (Export Promotion)	444	5.2	698	6.4	439	3.4	35	0.3	35	0.0
<b>Total</b>	<b>8,541</b>	<b>100</b>	<b>10,930</b>	<b>100</b>	<b>12,833</b>	<b>100</b>	<b>10,381</b>	<b>100</b>	<b>8,597</b>	<b>100</b>

Excluding commodity loans and rescheduling, Exchange of notes basis.

SOURCE: Annual Report 1999, Tokyo: MOFA and OECF.

By the 1990s ODA loans were well targeted, reflecting Japan's long-term policy of promoting investment-inducing infrastructure, developing human resources, and providing domestic food sources as well as the public infrastructure needed for civil society to properly function (see Table 10 above).

This Fukuda Doctrine-induced policy can be best understood as one of enlightened self-interest, and specifically as a means to legitimate Japanese power. Acting as the purveyor of 'global public goods' in Eastern Asia in order to enable capitalist growth in the region, Japan assisted rapid growth by creating a regime of aid-induced investment, or an ODA►FDI regime. While Overseas Development Assistance (ODA) has been significant in assisting infrastructure projects and human resources development, and other improvements attractive to Japanese firms, what is not appreciated is that it has also played a significant role in luring other foreign investment in manufacturing that followed the Japanese into Eastern Asia in the 1980s, as evidenced by the emergence of "growth triangles" in the region.<sup>258</sup>

It is fair to say that while MITI's interests lay in serving Japanese business, MOFA was interested in repairing relations with Eastern Asia in a manner consistent with the Fukuda Doctrine. The process of repairing relations was intensified in the 1980s, as noted by Wan and Pharr (1996:7), and was propelled in a direction which ensured that ODA facilitated direct investment by Japanese firms in Southeast Asia. The ODA►FDI regime was especially important because it gave the Japanese government the opportunity to direct JFDI to developing countries of its choice. The Japanese government further supported the ODA►FDI regime at the international level, with the creation of the Multilateral-Investment Guarantee Agency (MIGA) in 1985. Funded mainly by the Japanese government but based in Washington D.C. as part of the World Bank and International Monetary Fund (IMF) group, MIGA has played a role in encouraging foreign direct investment in developing countries, and must be seen as part of Tokyo's efforts at the system level.<sup>259</sup> It did not involve shutting out US or European investment, but rather concentrated on creating infrastructure such that the leading effect of Japanese firms enabled these economies to compete for foreign investment from Western countries as well (Katsuhisa & Akifumi 1996:384).

According to Malaysian scholars Usmani and Rashid (2000) the literature on FDI suggests that there are three major benefits associated with foreign investment: technology transfer, job creation and export development. They argue that in postcolonial states, FDI is associated with economic growth for several reasons. They make the case that FDI provides technological and managerial know-how and brings an increase in the aggregate demand, the stock of capital for investment, employment, income, GDP and exports. Addressing the traditional critics of FDI, they argue that when a firm seeks to set up its business activities in another nation, it does so basically to increase its profits. To achieve this, it will outperform local and other international rivals; hence it will be very competitive, bringing in its best technology and managerial skills. This behaviour induces "spill over effects," forcing local rivals to do their best to increase their productivity in order to remain competitive. Ultimately, all of this leads to overall economic growth.

Several studies have assessed the relationship between FDI and growth. Hobday (2001) makes the case that the electronics sector proves to be a rich source of empirical material, both for understanding the processes of economic development and for illustrating the role of latecomer enterprise in engaging with and exploiting international production networks. In research conducted by Harrison (1994) it was found that MNCs have a positive effect on productivity, act as export catalysts, pay higher wages, are more energy efficient, and do not treat the host country as a "pollution haven," though typically there is not much technology transfer. In research conducted by OECD (Thomsen 1999), it was found that integration into the global economy does not come through direct exports of foreign-owned firms only, but is also derived from the presence of foreign MNCs in sectors providing goods and services to exporters. For example, foreign investors have participated actively in the privatisation of utilities in Asia, particularly through "build-operate-transfer" schemes. Power shortages, which plagued growth in countries like the Philippines, have virtually disappeared with the help of Japanese foreign direct investment (JFDI). Although inward FDI does not represent the only option available to developing countries, it does represent the most efficient one for several reasons. Acquiring technological and organizational know-how is an expensive undertaking: given the shortage of capital, developing countries have few options that allow support for a viable and strong domestic sector.

In his study, Pradeep Agrawal (2000), demonstrates the complimentary effect of FDI on investment, with FDI eventually leading to additional investment by host country investors several times larger than the initial FDI inflow. FDI inflows promote GDP growth by providing additional employment in economies with a surplus of labour, and improving technical know-how and human capital. Agrawal thus recommends that further FDI inflows be encouraged, though he does concede that FDI is not beneficial under all conditions, and hence suggests that Southeast Asian countries must drive a hard bargain with the developed countries during trade negotiations. It is essentially such demands that have led to JFDI playing a key role in the region's export boom.

Although empirical studies on FDI are far from unequivocal, the World Trade Organization's review of case studies supports the view that FDI contributes to improving international competitiveness and economic growth in developing countries. Its major findings are:

- (1) FDI and exports of the host-country are complementary to each other.
- (2) MNCs spur growth of the exports of the indigenous manufacturing enterprises.
- (3) Newer technologies are introduced, and competition is stimulated, resulting in increasing productivity.
- (4) FDI has a substantial positive effect on macroeconomic growth and greater spillover effects, especially when the host country has abundant stock of human capital and skilled labour.

In their two-model study, Moran and Bergsten (1998) show that depending on the competitiveness of the industry and the economy of the host country, FDI can either help the host country break out of the vicious cycle of underdevelopment by complementing local savings and supplying more effective management, marketing and technology, or else lower domestic savings, drive local rivals out of business and substitute for imported inputs. New resources from Japan may relieve the bottlenecks that constraint development, raise efficiency, expand output, increase employment and wages and lead to higher economic growth in general. In contrast repatriation of capital may drain capital from the host country, while tight control over technology, higher management functions and export channels may actually prevent beneficial spillover.

UNCTAD (1996) and OECD (1986) studies show that in a majority of cases FDI has positive effects, while in a smaller number of instances it decreases national income even when profitable for the investors. Findings suggest that the likelihood of each of these two different scenarios has typically depended on the host country's policies towards foreign investment. FDI, as in the case of joint ventures or licensing conditions with Japan, has brought capital, technology and management benefits as well as quality control, generating both direct and indirect spillovers. Moran and Bergsten (1998) suggest host countries must themselves take action to attract and utilize FDI in their development programs, as nationalist Eastern Asian states have done.

### **6.3.0 JAPANESE 'GLOBAL PUBLIC GOODS': THE EFFICIENT SPREAD OF REGIONAL PRODUCTION AND MARKET ACCESS**

The effect of security, finance and knowledge (technology) 'public goods' eventually manifests in the real economy in the form of conditions conducive for production and consumption of goods. The free movement of private firms and the opening of the Japanese market aided the region to gain access to production and markets in Japan, and in this sense Japan's actions provide 'global public goods.'<sup>260</sup> Ultimately, it is the rapid growth of production and consumption in Eastern Asia, aided by Japanese provision of 'global public goods,' which underpins Japan's ability to legitimate its regional hegemony in the economic area. Rapid growth in production for the world market in the region has allowed rising real wages, leading to the improved patterns of consumption necessary for domestic demand-driven growth to contribute to overall demand in a virtuous cycle. This trend in overall growth has been fast enough to allow some easing of the differences in living standards between Eastern Asia and the centre, particularly Japan, and the narrowing of this gap is precisely what makes Japanese regional hegemony possible legitimate.

In subsection 6.3.1, Eastern Asian production is linked to Japanese colonial times with the initial development of modern production in Korea, Taiwan and Manchuria. In 6.3.2 the post-war shift in production from Japan to Eastern Asia leading to the 'hollowing out' of Japan is traced, and it is shown that this led to the rapid growth of Eastern Asian economies and to the narrowing of the material gap between the core and the periphery. In subsection 6.3.3, trends in regional trade are assessed together with the growing importance of the Japanese market, which has become either the first or the second

destination of choice for Eastern Asian products. In subsection 6.3.4 it is argued that since the 1980s, Japan has become a leading purveyor of 'global public goods' in the realm of production and markets, providing goods essential for capitalist growth in Eastern Asia that have led to rapid growth and the lessening of regional disparities, thereby legitimating Japanese power.

### **6.3.1 Japanese firms and the development of Eastern Asian production**

It might be said that the first centres of modern production in Eastern Asia outside Japan began under Japanese imperialism. This was indeed the case for Taiwan, Korea and part of China, all of which endured Japanese rule for decades. However, this was not true of Southeast Asia, because of the relatively short period of the Japanese occupation there. To begin with, Taiwan, or Formosa, was ceded to Japan by China in 1895, after which point its industrialisation came about as a result of Japanese colonial rule. Unlike in colonies run by the Japanese military, Taiwanese feelings towards Japan have not been hostile. The effect of Japanese occupation there was to expand and modernise the Taiwanese economy quite rapidly. As WW II strengthened demand, Taiwan became a useful supplier to Japanese firms. In contrast, Korea's by now well-known negative experience with Japan led to an altogether different track towards industrialisation under the Imperial Japanese Army, which organised production in Korea using brutal policies that included forced labour. However, like Taiwan, by WW II Korea was a crucial industrial supply centre for the Japanese war effort. Similar to Korea, Chinese industrialisation also has some ties to Japan. The creation of Manchukuo, which existed as a Japanese-dominated puppet state from 1934 to 1945, meant the industrial development of the region with Japanese investment, as it was to be used as a springboard for further militarist adventures. By the late 1930s, Manchukuo was transformed into the most industrialised region in China. After Japan's defeat in WW II, Manchukuo, or Manchuria, was briefly occupied by Soviet troops (1945-1946), who looted it as they withdrew. Despite this, the area remains China's industrial heartland. Although Japanese practices of forced labour and the pillaging of raw materials in Korea and China were obviously contrary to notions of consent and legitimacy, the knowledge imparted in the process was important for Eastern Asian industrialisation no matter how odious the idea is for the region's victims.<sup>261</sup> With the defeat of Imperial Japan in WW II, the physical and organisational structures of production that remained were utilized by the new regimes in the region.

The return of Japanese firms to Eastern Asia after WW II followed historical colonial patterns, as Japanese firms sought sources of raw materials and markets for finished goods in the region. However, the return of Japanese firms to Eastern Asia occurred within the context of heated discussion about the atrocities committed by the Imperial Japanese Army and vocal demands for war reparations. Initially, direct investment in mainly raw materials production was hardly sufficient to play a role in legitimating Japan's regional hegemony. However, as the governments of the region increased their demands for investment in the value-added sector, Japanese firms began to invest in areas other than the primary goods sector. Of course this took place in the context of Japanese firms seeking higher profits. However, it is clear that the demands from Eastern Asian nations themselves have made a difference. To understand the early actions of the Japanese government and firms in response to Eastern Asian demands, one must consider how:

- Tied-aid policies from the 1960s and through the 1980s gave Japanese construction firms access to infrastructure projects in Eastern Asia, and these fostered new business opportunities for other Japanese firms with greater intelligence of local conditions and demand.<sup>262</sup>
- Japanese firms relied on joint ventures to gain market share and diversify risk, a strategy that took off after anti-Japanese riots in the early 1970.
- Japanese firms used the MITI run programme of trade insurance with JETRO even conducting research and making the connections between the region and Japanese firms.

The post Fukuda era had taken these developments to an altogether different plain:

- Firms made use of incentives provided by the government in Tokyo, as they invested into the manufacturing sectors, thus showing us how much a powerful state can achieve when willing to encourage industrialisation of post colonial states. Overseas Development Assistance (ODA) that led to the ODA►FDI regime meant excellent infrastructure for Japanese firms, whether this meant better roads, air and sea ports, steady power supply, etc.
- Firms embedded with the *Keiretsu* made new connections with host actors in Southeast Asia to initiate new business opportunities, thus ensuring additional Japanese involvement.
- Japanese FDI into production in Eastern Asia had the added guarantees of increasing their access to the Japanese market in addition to the access to the US market.

Finally, in this context we must consider that Japan itself was losing its firms to Eastern Asia, causing economic hardship at home. It demonstrated to some extent that it was

itself moving to a laissez faire model while encouraging the region to grow via 'developmentalism'.

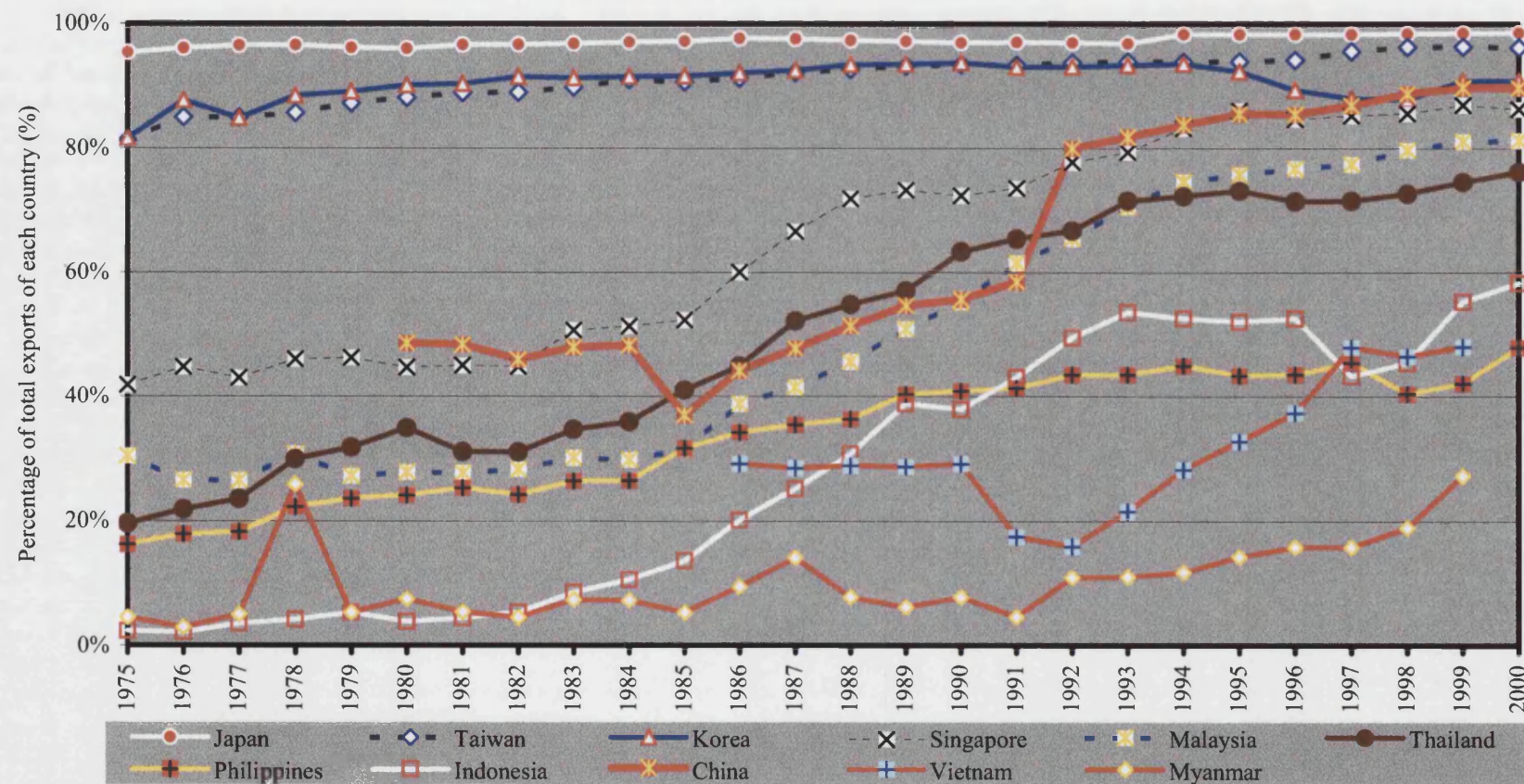
### **6.3.2 The 1990s "hollowing out" of Japan and Eastern Asia's gain in exports**

The effort by Japanese manufacturers to escape domestic unit-labour costs by moving production abroad has been labelled the 'hollowing out' of Japan, leading the country to rely on innovation in high technology, with small and medium enterprises playing a role.<sup>263</sup> Earlier the *Economist* had noted, "Given the ever-rising JPY and its neighbours' growing domestic markets, it is surprising that Japan's companies have remained so loyal to their home for so long."<sup>264</sup> Certainly, compared with its competitors, by the beginning of the 1990s Japan still made a high proportion of its products at home. Indeed, only 9 % of the Japanese manufacturing industry's total productive capacity was located outside Japan at the end of 1991. However, over the 1990s there has been rapid change as JFDI continued into Asia, in addition to North America and Europe, leading to the "hollowing out" of Japan.

Surveys of Japanese companies published in the 1990s by the Export-Import Bank of Japan confirmed the trend (EXIM 1992-1996): according to these, alongside the traditional goal of pursuing low labour costs, Japanese companies were motivated to invest in Asia so as to produce goods for local consumer markets. Tejima Shigeki, director of the Ex-Im Bank's overseas-investment division, notes that in addition to turning to China, companies were gradually shifting production away from relatively high-cost Malaysia and Thailand to Indonesia, the second-favourite country in the Ex-Im survey, and to the Philippines.<sup>265</sup> Significantly, the investments of Japanese companies in Asia have been more profitable than those in the US and Europe. In the developed world, Japanese companies have often built factories as a hedge against protectionism. In Asia, by contrast, the main driving force has been the pursuit of profit. Supporting such findings, a survey from 1992 by Mitsubishi Research Institute found that only 20 % of Japanese-owned plants that opened in America between 1985 and 1990 were profitable two years after the start of production compared to 80 % of those in Asia.<sup>266</sup>



Chart 13: Manufactured Exports in Eastern Asia



Source: ADB, *Key Indicators of Developing Asian and Pacific Countries*, 2001/1993; IMF, *International Financial Statistics Yearbook* 1990. For Japan, *Japan Statistical Yearbook* 2002/1999, Statistics Bureau/Statistical Research and Training Institute, Ministry of Public Management, Home Affairs, Posts and Telecommunications, Japan.

During the 1990s, the integration of Japan with the other economies in Asia Pacific has been intensified by the process of industrial relocation occurring through a massive outflow of foreign direct investment (JFDI) in industries such as transport equipment and electronics. The appreciating trend of the JPY vs. the USD and the increasing cost of production in Japan have accelerated a shift in the structure of the country's comparative advantages. In order to maintain or enlarge market shares, more labour and less technology intensive operations were transferred to more competitive locations, but mostly to Eastern Asia given the historical patterns and the incentives provided by the Japanese government. This occurred despite pressure on major Japanese MNCs to shift production to the sales markets for their products in response to political pressures induced by Japan's huge trade surplus. The electronics industry is a leader when it comes to the movement of production into Asia, and also leads manufactured exports to the US, Japan and Europe.

While Chart 13 above clearly shows the surge in manufactured goods, it is useful to understand the trend in some detail in order to really appreciate the Japanese role. Capannelli (1996) finds that by the mid-1990s Mitsubishi Electronics made all its exportable video recorders in Southeast Asia. Of Matsushita's total overseas production at the time, Asia accounted for 61 %, up from 49 % in 1985. Matsushita has 52 manufacturing operations in Asia, including seven in China. Electronics is the industry within the manufacturing sector that accounts for the largest Japanese FDI outflow during the last decade, and Malaysia is the preferred location for such investment. According to the figures provided by the Electronic Industry Association of Japan (EIAJ), as of March 1994 the presence of foreign affiliates of Japanese electronic firms in Malaysia amounted to 135 projects, or 22.7 % of the 596 in Asia, and 14.1 % of the world-wide total of 958 (Table 11).<sup>267</sup>

**Table 11: Number of Foreign affiliates of Japanese Electronic Firms 1951-1994**

	Asia	Total
Total electronics industry	596	958
Parts and components	385	563
Industrial goods	93	193
Consumer goods	169	285
Televisions	42	85
VTRs	23	47

Source: EIAJ 1994 *Kaigai Houjin Risuto*.

This movement has certainly stabilised Malaysia, and given more strength to its government's pro-Japanese message of "looking East". In terms of direct employment, the effects are not particularly significant as Japanese firms only employed slightly over 600,000 by 1994 (Table 12). The effects are more important when considering the impact on service industries reliant on these jobs, given that they were among the highest paid in the region.

**Table 12: Employment in Foreign Affiliates of Japanese electronic Firms (1994)**

	Asia	Total
Total employment	477,386	646,510
Local staff	473,499	639,835
Japanese expatriates	3,887	6,657

Source: EIAJ 1994 *Kaigai Houjin Risuto*.

The shift of production away from Japan in the 1990s has followed the ODA►FDI logic of providing the 'global public goods' necessary to stabilise markets in Eastern Asia. While the data from the electronics industry is suggestive of other manufacturing, from textiles through to transport equipment, the Japanese government has also been active in facilitating food production in Eastern Asia. It is important to remember that just as investment has a trade generating effect, so too does trade induce new investment. Such effects are due in particular to the possibility of establishing regional production networks, which make use of the different structures of comparative advantage present in the various countries. This linkage also explains out-flowing investment from South Korea and Taiwan (and more recently also from countries like Malaysia or Thailand) towards other less industrialised Asian economies, in order to relocate processes that are no longer competitive in their domestic environments. What is more telling is that a good portion of such intra-regional investment comes from Japanese firms, with, for example, Honda Thailand investing in Vietnam.

Following its entry into the Colombo Plan in 1954, Japan's co-operation in the agricultural field began with training programs for foreign personnel and the dispatch of experts offering technical advice and guidance on rice growing. Gradually, the scope of its programs expanded from rice culture to increased food crop production to include improved agronomic methods, livestock farming, horticulture, and forestry. With the passage of time, it diversified from technical enhancements in specific fields to

improved food processing and distribution, the establishment of rural co-operatives and environmental conservation programmes, with greater emphasis placed on a more comprehensive approach embracing concepts of rural development. MOFA notes that:

In the 1980s, attention was focused largely on inequalities in regional development, for instance, between sub-Saharan Africa and East Asia. Reflecting the international setting that prevailed at that time, the fundamental policy behind Japanese agricultural assistance placed priority on the pursuit of diversified forms of aid tailored to the developmental stage of each recipient. This approach was based on three perspectives: (i) that agricultural aid should contribute to the solution of food-related problems in developing countries; (ii) that agriculture has a crucial role to play in helping developing economies achieve sustainable growth; and (iii) that a stable global balance in food supply and demand can translate into a stable supply of food for Japan.

Many countries in Eastern Asia, for example, the Republic of Korea and Thailand, have been working to diversify their agricultural output since the end of the Green Revolution. As one of several projects designed to support that drive, Japan implemented the Maize Quality Improvement Research Centre Project (project-type technical co-operation, 1989-1992) in Thailand, and since then has supplied financing to farmers as a means of spurring community development and creating opportunities for employment. In Indochina (Viet Nam, Laos, and Cambodia), Japanese projects have been implemented to help build irrigation facilities and other elements of agricultural infrastructure and to test and disseminate improved crop strains and farm techniques, as for example with the Grant Aid Project for Improvement of the Facilities and Equipment of the Faculty of Agriculture, Can Tho University in 1994. Japanese assistance to China has been guided by the priorities of improved farm productivity and has focused on projects that help to alleviate poverty in the country's inland provinces. In South Asia, Japan has provided assistance for poverty alleviation programs based on improvements in food self-sufficiency.

Tokyo has taken on more grassroots oriented projects in the 1990s, and has placed priority on expanding assistance to active NGOs. This is particularly true in the field of agricultural aid, as here NGOs are entrusted to assure direct benefits to farmers and other members of rural society through aid for enhancements in social infrastructure and services. In particular, emphasis has been placed on the leadership of local citizens as agents of development. In addition to conventional technology transfers, Japan has sought to provide aid for projects in participatory development powered by the initiative and ability of local citizens. In line with the fundamental philosophical ideals behind the

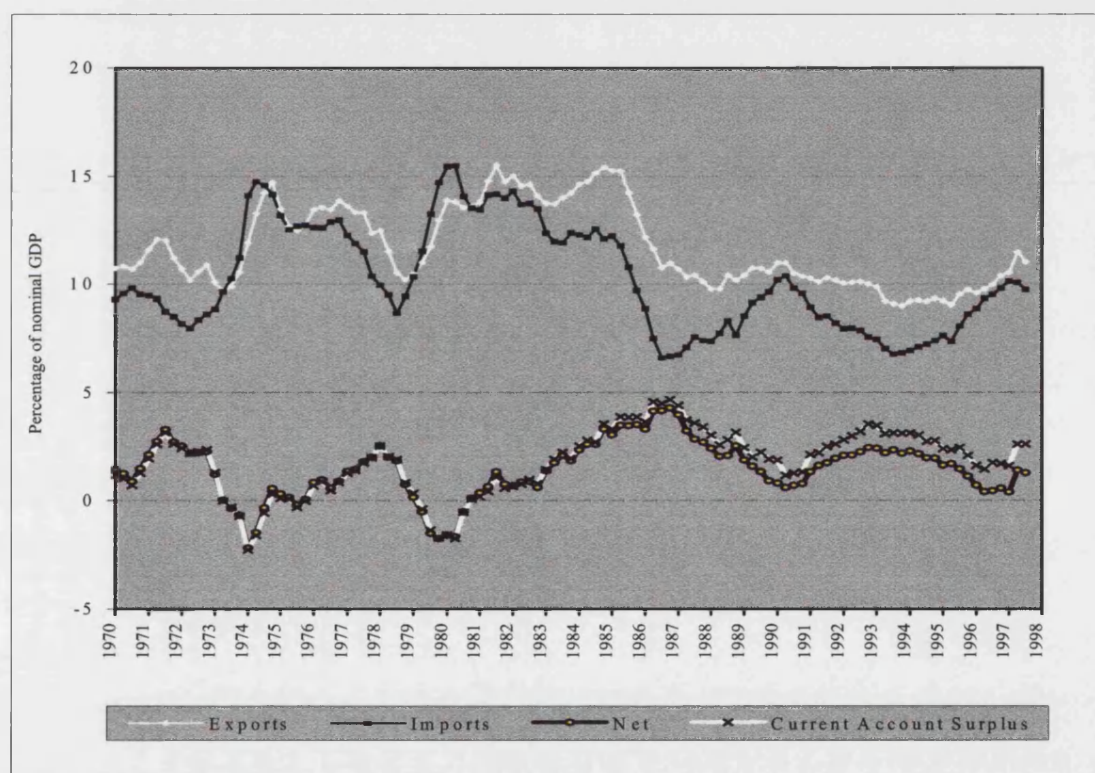


Rome Declaration, Japan provides food aid as an emergency countermeasure against hunger, actively assists developing countries in their efforts to expand domestic food output, and earmarks aid for environmentally sustainable forms of rural development.

### 6.3.3 The growth of the Japanese market for regional products

After WW II, the recovery of the Japanese economy was made possible by the demand created by the Korean War. Over the 1950s and 1960s, Japan ran surpluses with its trading partners. While Japan exported more than it imported, both exports and imports remained between 7 % and 15 % of GDP (Chart 14).

**Chart 14: Exports and Imports of Goods and Services**

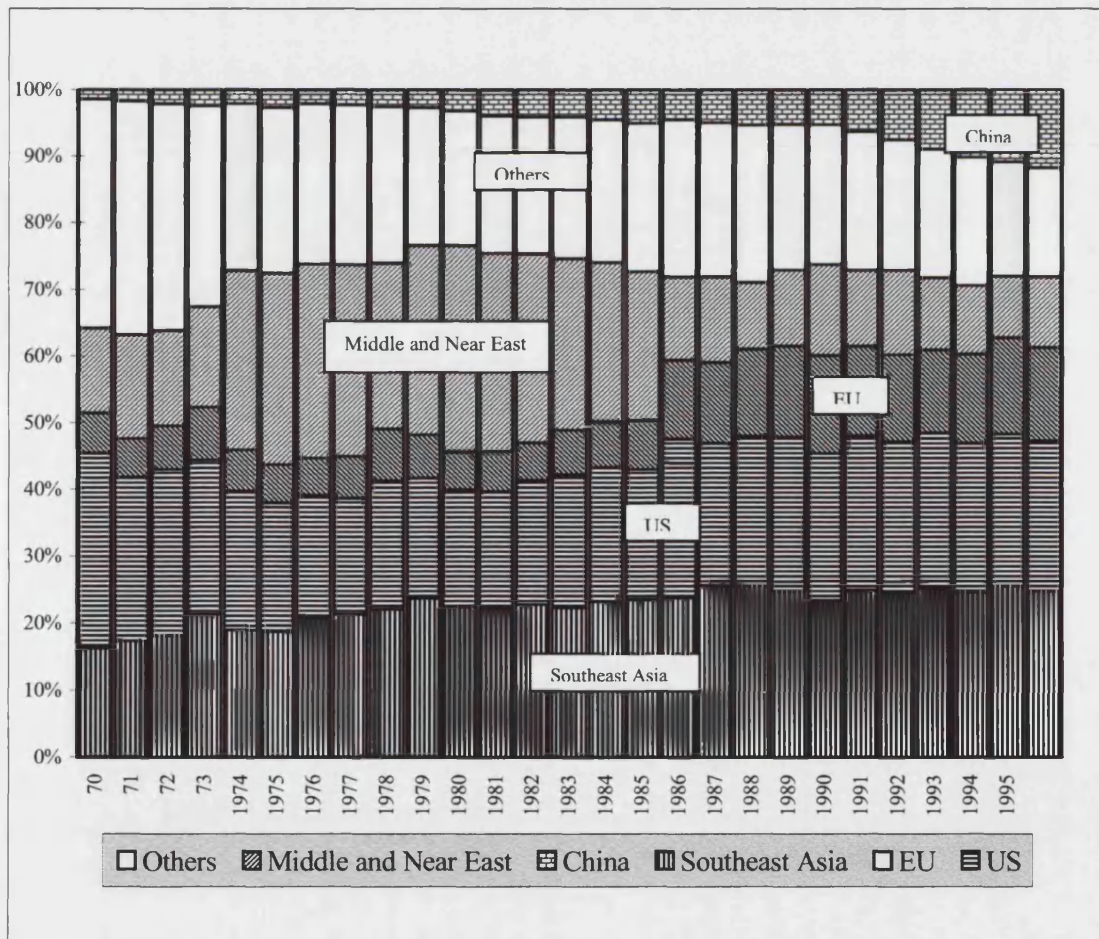


[Source: Ministry of Finance.]

With the growth of imports keeping pace with Japan's economic growth, and with barriers to imports coming down, Japan began to provide Eastern Asia with the 'public good' of access to its markets.<sup>268</sup> Patterns of trade show a long history of Japanese involvement in Eastern Asia. The adaptation of a capitalist economy in the Meiji era led to direct competition with Western powers for markets, and subsequently to the partitioning of China into spheres of influence. Japan's own trading firms provided a

successful counter to Western traders, with Mitsubishi *busan* being the leader in what was then a classic imperial game. With the end of WW II, and suppression of the *zaibatsu* by SCAP a different form of conglomerate, or *keiretsu*, emerged as Eastern Asian nations hosted Japanese firms. With the rise of the *keiretsu*, Japan regained its pre-war production trends in the post WW II period. By the 1960s it enjoyed a growing trade surplus and its population began to enjoy increased purchasing power. The demise of the Gold Standard led to the appreciation of the JPY over time from over 300 to the Dollar to nearly 100, and with this came a surge of Japanese purchasing power (See Chart 15). In this context the share of Eastern Asia has grown to about 20 % of Japan's imports.

**Chart 15: Japan's Imports From Major States and Regions**



[Source: Ministry of Finance.] (Customs clearance basis; weight in yen terms)

A gradual lowering of barriers to imports made Japan the second most important market for many Eastern Asian nations and, if resource trade were counted, the most important

market for some Eastern Asian nations and Australasia. It was also a key market for the US and Canada.<sup>269</sup> The shift of Japanese production abroad also stimulated imports from overseas affiliates, propelling growth in the share of manufactured goods in total imports. One study shows that a higher stock of Japanese FDI has permanently affected imports: between 1990 and 1995, outward FDI may have increased Japanese merchandise imports by around 10 % (Bayoumi & Lipworth 1997).

As Capanelli notes, there are three major categories of trade created by the transfer of Japanese manufacturing operations to Asia Pacific in the post 1980 period:

- (1) Capital goods: As parent companies usually undertake greenfield investment that requires the purchase of machinery and other equipment not generally available in the new locations, in the majority of cases this is sourced in Japan.<sup>270</sup> Accordingly, this kind of trade will likely be more concentrated in the earlier periods after the investment.
- (2) Intermediate goods: These involve the creation of closer backward and forward linkages with the local and the regional industries. In fact, the typical production process for a finished good in the automotive or electronic industry involves several stages, from the manufacturing of parts and components to its final assembly, operated by different production units with specific technological competencies. As a consequence, trade is generated to the extent that such production units are located in different countries. The amount of trade is related to the degree of technological sophistication of the intermediate goods.<sup>271</sup>
- (3) Final goods: In this case, the trade creation effect depends on various cost and demand structures, as well as on the industrial and commercial policies adopted by each country. In Japan, for instance, the import of labour-intensive goods from Asian Pacific neighbours has been largely favoured by the process of industry relocation and by the gradual elimination of non-tariff barriers. Nowadays, for example, standardised consumer electronic goods, like radios, colour televisions, or video-tape recorders are to a very large extent imported from those Asian countries where the Japanese makers have transferred their production plants. The category of trade in final goods has been fostered by the growth of per-capita Asian income that has raised the demand, especially from other countries within the region.

Trade between Japan, Hong Kong, South Korea, the ASEAN five, Australia and New Zealand grew from 33% of the region's total exports and imports in 1980 to 37% in 1989 without posing a threat to other regions.<sup>272</sup> Bilateral trade between Asian countries and Japan, for instance, grew rapidly in the second half of 1980s. According to Frankel, intra-regional trade has been led by a surge in Japanese manufacturing investment in Asia Pacific and trade has created an incentive for further investment, with positive effects on regional economic growth (MOF 1993, Petri 1995 & Yamashita 1995). Interdependence between trade and investment is a result of particular industrial relocation processes carried out by Japanese firms leading to regional clustering, or local specialisation of production. This process has been favoured to a large extent by the strong bilateral connections of the Japanese government, especially MITI, within the region. In addition, multilateral development cooperation programs have also been implemented as a result of APEC initiatives spearheaded by the Japanese and Eastern Asian governments. These mechanisms confirm that the Japanese government did not only rely on the market, but led the way in the region by a policy understood in terms of 'global public goods.'

#### **6.3.4 Legitimizing Japanese power: production and markets**

The shift of Japanese production into Eastern Asia has been at the core of the region's export boom and emerging consumerism in the last two decades of the 20<sup>th</sup> century. The results of Capannelli's study suggest that the process of industrial relocation in consumer electronics, for example, is occurring more intensively in terms of production than technology transfer within the same firm, or from the parent company in Japan to the local subsidiary in a country like Malaysia. While the technological flows could be hastened with better investment in education in the Southeast Asian states, as in the East Asian states, the transfer of even simple tasks has led to direct investment that has rapidly moved the sub-region towards industrialisation. These results imply that after the massive inflow of FDI, which has produced large benefits in terms of production, export, and employment creation, states such as Malaysia must proceed to a further stage of the industry relocation process, where the diffusion of technologies introduced by foreign companies is promoted through specific efforts to enlarge local absorptive capacity. The trend line is promising for even the weakest of the Eastern Asian economies, as Korea and Taiwan have moved ahead to challenge even Japan in some areas, while Malaysia is showing signs that it will soon do the same. As Japanese firms



move more of their production into the region, not only in electronics, but also in areas such as the automobile industry, opportunities for further diffusion will be viable provided weaker economies make use of them.

To better understand the role of Japan in the development of production and consumption in Eastern Asia in the 1980s and beyond, it is necessary to adopt a historical perspective. The development of Japanese productive capacity over time, particularly since the Meiji era, placed basic units of Japanese business in a position to influence events in Eastern Asia. By the early 1900s, Japan was an important player, which was, alongside the major powers, able to influence the industrialisation of colonial possessions in Eastern Asia consistent with its military ambitions as argued by Sen (1983 & 1984). This early 20<sup>th</sup> century relationship with Eastern Asia was based on power politics alone, with no regard to Eastern Asian aspirations for freedom from the humiliation and brutality of colonisation and their desire for the economic development necessary to enjoy the fruits of freedom. After WW II, Japan's role in Eastern Asian industrialisation was to become markedly different, given that Japan was under the obligation to make amends for the extremes of its imperial rule in the region. The Colombo Plan ensured trade between Japan and most of Asia, and following this direct investment by Japanese firms created regional production networks that enable rapid industrialisation in the region. Thus, the growth in wealth in Eastern Asia was assisted by the Japanese government as well as Japanese firms that, particularly after the Fukuda doctrine of 1977, led to a reduction in tension in the region. In the 1980s and 1990s the rapid growth of the region's manufacturing capacity on the back of Japanese FDI and also the new consumerism made possible with earnings from exports to the US and reverse exports to Japan ultimately made Japanese hegemony more legitimate.

## **Conclusion 'GLOBAL PUBLIC GOODS' AND DEVELOPMENT**

The objective of improving Japanese relations in Eastern Asia in the post WW II period, the *raison d'être* of Tokyo's post-WW II foreign policy, was finally achieved in the 1980s with initiatives inspired by Japanese Prime Minister Fukuda Takeo. The Fukuda Doctrine, which prioritised peace and stability in Eastern Asia, was underpinned by peaceful actions and reinforced by attempts to promote economic opportunities for the region. Such measures are understood as constituting metaphorical 'global public goods,' particularly when considering the demands from post colonial states. The

demand for such 'public goods' can be appreciated when one considers colonial peoples' historical desire for long denied development and the insecurity dilemma experienced by post-colonial societies upon independence as a result of the Cold War. Since the emergence of the Fukuda doctrine, Japanese policy has increasingly affected not only the regional system, but also the international system as a whole, with Japan successfully legitimating its power.

With reference to the knowledge structure, Japan both provided the ideas necessary to organise a peaceful order in the region and supported them with a commitment to addressing the deeper concerns regarding economic development such that the gap between post colonial states and affluent nations gradually narrowed. Japan also found ways to impart technology essential for the industrialisation of the region.<sup>273</sup> It was proposed that Japan's metaphorically understood 'global public goods' provision in the financial structure allowed counter-cyclical lending to Eastern Asia. Officially, it acted as lender of last resort with government sponsored activities of the OECF overshadowing the IMF in Eastern Asia, while its ODA►FDI regime meant that the funds from its burgeoning surpluses over the last three decades of the 20<sup>th</sup> century were recycled through the region. Japan also attempted to maintain stable exchange rates by co-operating with the US where possible, while it encouraged better macro-economic policies via its actions in the G7 and its network of policy advisors in the region. When considering 'global public goods' in the structure of production, evidence revealed that Japan has transferred production to Eastern Asia while gradually opening its markets to the region's exports. This has contributed to the dynamism of the region's production trajectory, while also helping to develop the regional market. With the *sogo sosha* distributing regional products in Japan and around the world, Eastern Asia has benefited from being part of the Japanese production network.

The rapid growth in Eastern Asian production for the world market has helped increase real wages, leading to improved consumption in the region essential for domestic demand driven growth. Thus, when considering Japanese policy since the Fukuda Doctrine, it becomes clear that Japan has contributed to lessening the differences in living standards between Eastern Asia and the centre. In doing so, Japan has succeeded in legitimating its hegemony in the Eastern Asia, which accounts for its improved relationship with the region.

## Chapter 7

### Legitimizing Japan's Regional Hegemony in Eastern Asia: 'Global Public Goods' via Pacifism

The oft-quoted Jacob Viner (1948) argued that power accompanies plenty as a key objective of foreign policy. However this insight is all too frequently used to simplify the objectives of major powers for all time and space.<sup>274</sup> In the early 20<sup>th</sup> century, empire building was vigorously opposed, with two latecomers to this enterprise, Japan and Germany, defeated and loath to use military power again. Instead, they chose to exert power with diplomacy, economic aid and other means more acceptable to friend and foe alike.<sup>275</sup> Wiser for its past excesses, Japan in particular has come to realise that its regional hegemony could only be legitimated by addressing post colonial demands. Japan has met these demands with its 'global public goods' role that enables catch-up development and provides a non-threatening military.

Japan's adherence to its peace constitution and its promotion of rapid economic development in Eastern Asia's post colonial states have largely been understood simply as singular events in history with no meaning attached. Relatively less attention has been paid to the crucial regional and international political and economic consequences of these events, while there has been a fair amount of interest in regional anger over Japan's wartime crimes and also the importance of the US role in Japan's peace constitution. Many students of international relations contribute to this singular historical understanding, leaving only those writing from the perspective of domestic politics, such as Katzenstein (1996) and Hook (1996), to point to the importance of society in sustaining pacifism and consequences of Japan's pacific posture.

Whilst Article 9 of the Japanese Constitution is famous, it is not typically understood as a 'global public goods' contribution to the construction of regional peace.<sup>276</sup> In part, this oversight of the implications of Japanese pacifism has been due to dominant and interested US scholarship.<sup>277</sup> This tendency also owes much to the importance that the dominant Western academy accords to periods of war in Europe, which are taken to constitute *the* important historical experience to be of universal relevance.<sup>278</sup> In so far as Asia is concerned, as Muthiah Alagappa argues (1998, 2001 & 2002), such myopia has resulted in a general neglect of Asian origins of theory. This state of affairs has arguably

resulted in underestimating Japan's very significant contribution to international, and especially, regional order, much to the frustration of Japanese policymakers and academics alike (Shinoda 2003:3). Japan represents an important example of this process in Eastern Asia, provided its experience is unveiled from the shrouds of popular history and used to help with regional problems beyond Eastern Asia.

Accepting the nature of globalisation and its effects on economic development, Kaul, et al (1999) argue that '*global public goods*' are crucial for the economic development of postcolonial states.<sup>279</sup> Of these, security is perhaps the most crucial, as Buzan (1983), Job, et al (1992), Betts (1993) and Neuman (1998) suggest the *insecurity* dilemma in post colonial societies are much more acute than generally realised.<sup>280</sup> The chapter considers the implications of Japan's military abeyance for regional peace and cooperation, arguing its contribution to '*global public goods*' in security using the notion of '*global public goods*' to give substance to the Weberian (1968) concern with legitimation. It does so by arguing that legitimation at the international level within the security structure is possible when a hegemonic power adopts a pacifist doctrine. '*Global public goods*'—identified by Kindleberger (1986) as necessary for a stable capitalist system—are provided to followers of hegemonic powers. However, this work goes beyond Kindleberger's stipulation of the need for coercive power to maintain the '*international public good*' of peace by arguing that order might be maintained by a pacifist doctrine. The chapter concludes that the implication of Japan's role in helping to create relative peace and prosperity has been to legitimate its hegemonic power in Eastern Asia, thus allowing it political space to participate in the region at levels of normalcy never imagined after defeat in WW II.

Section 7.1.0 delves into Japan's very popular military abeyance (over the push for militarisation) showing the rationality behind the idea of obtaining security via an alliance with the US, multilateralism and a doctrine of pacifism. In 7.2.0 an analysis of Japan's pacifism provides the basis for understanding the country's ability to legitimate hegemony in Eastern Asia, as these smaller states prefer a stable regional system, and so it is shown that there are strong elements of legitimation from pacifism that requires Japan to depend on the region for the safety of its own merchant shipping.

### **7.1.0 JAPAN'S LATE 20<sup>TH</sup> CENTURY MILITARY ABEYANCE: 'GLOBAL PUBLIC GOODS' IN SECURITY VIA MULTILATERALISM**

Beginning with its membership in the Colombo Plan and United Nations, Japan has followed a strong multilateralist line on providing 'global public goods' in security. It became a member of the most important international and regional forums and using them whenever possible to enhance regional security. Tokyo has also promoted bilateral and multilateral security dialogues, exchanges, and co-operation to address regional security. Examples of such efforts include the ASEAN Regional Forum (ARF), Asia-Pacific Economic Co-operation (APEC) summits, Japan-ASEAN, and ASEAN+3 (ASEAN plus Japan, China, and Republic of Korea) meetings.<sup>281</sup> This emphasis on multilateralism both directly and via bilateralism is both understandable and deliberate. Like other states that do not belong to the superpower category, Japan prefers larger group settings. Thus for Japan, the most comfortable form of meeting its international obligations as a major industrialised power with a regional hegemony is by providing security via a multilateral approach.

As Green (1998: 35–36) notes, security multilateralism is a theme emphasised in the Japanese Diplomatic Blue Book and in numerous commissions and study group reports in Japan, such as the 1994 Prime Minister's Advisory Panel on Defence Issues.<sup>282</sup> He suggests that multilateral security co-operation is an attractive notion in Japan because:

- it implies legitimacy for the use of the Japanese Self Defence Forces (JSDF) abroad
- it can provide confidence building for new security initiatives such as the Guidelines for Defence Co-operation
- it allows Japan to put pressure on China, North Korea, and other regimes without inviting direct bilateral confrontation
- it gives Japan a hedge against possible US withdrawal (abandonment)
- it gives Japan a forum to balance against US unilateralism (entrapment)
- it gives Japan a forum to support the US in non-military ways
- it confers prestige and missions on Japan's foreign policy and defence bureaucracies
- Japan has already successfully led from behind in the creation of APEC and the ARF
- it allows all sides of the security debate to agree on something, even if their visions are quite different.

Green (1998) sees multilateral institutions as relatively low risk for Japan, as they are essentially non-militaristic. Significantly, gains in prestige via multilateralism allow Japan to legitimate its power. In Asia, especially with the Vietnamese case, Japan's

Track II bilateral role supports its multilateralism. As the overall effect of such efforts legitimates Japan's regional hegemony, we are thus able to understand how Japan improves its regional relations to near normalcy.

Below, in subsection 7.1.1 security cooperation in Japanese multilateralism and regionalism is discussed in terms of the contribution to 'global public goods.' In 7.1.2 evidence of successful Track II bilateral and multilateral roles of Japan in Asia is presented as further evidence of Japan's support for regional stability. Then, in order to contextualise pacifism, 7.1.3 considers the realities of Japanese military expenditure, which strongly suggest capabilities for self defence.

### 7.1.1 Japanese multilateralism and regionalism: towards security cooperation

The earliest manifestation of Japan's policy preference towards multilateralism was its role in the United Nations (Drifte 1990 & 2000). Over the last three decades, Japan's commitment to the UN and a 'global public goods' role has been signified by its willingness to become the second leading financial contributor to this organization. Its share has increased over time, to reach over a fifth of the UN's assessments ([Table 13](#)).

**Table 13: Ratio of Assessed Contribution to the United Nations (%)**

Country	1946	1957	1968	1978	1989	1992	1995	1998	1999	2000
<b>USA</b>	39.90	33.30	31.60	25.00	25.00	25.00	25.00	25.00	25.00	25.00
<b>Japan</b>	-	02.00	03.80	08.60	11.40	12.50	14.00	17.98	19.98	20.57
<b>Germany</b>	-	-	-	-	07.70	08.10	08.90	09.63	09.81	09.86
<b>France</b>	06.30	05.70	06.00	05.80	06.30	06.00	06.30	06.49	06.54	06.55
<b>Italy</b>	-	02.10	03.20	03.40	04.00	04.30	04.80	05.39	05.43	05.44
<b>UK</b>	12.00	07.80	06.60	04.50	04.90	05.00	05.30	05.08	05.09	05.09
<b>Russia</b>	06.60	14.00	14.60	11.60	10.00	06.70	05.70	02.87	01.49	01.08

[Source: United Nations Secretariat, Department for Economic and Social Information and Policy Analysis, Statistical Division, New York, USA.]

Although leading nations funding the United Nations have traditionally wielded their influence to secure key appointees of their choice, Tokyo has not typically pursued such narrow objectives, choosing instead to fill positions in keeping with its publicly popular pacific strategy.<sup>283</sup> In the UN, Japan frequently concerns itself with human rights issues, and, when domestically permitted, peacekeeping.<sup>284</sup> In the area of human rights, the Japanese approach focuses on alleviating situations rather than on punitive sanctions.<sup>285</sup>

Japan's role has grown as it has begun to address military roles in international peacekeeping operations (IPKO). In 1992, the Liberal Democratic Party's (LDP) report, *Japan's Role in the International Society*, made the case that Japan should increase its United Nations peacekeeping operations (UNPKOs) and become more assertive when addressing regional security issues.<sup>286</sup> Thailand's decision to spearhead ASEAN's support of a Japanese UN peacekeeping unit in Kampuchea (Donnelly & Stubbs 1996: 183) shows the degree to which there is recognition that Tokyo is expected to do more on the security front than simply bankroll the efforts of others. Nevertheless, it subsequently took over a year for Japan to pass a law allowing commanders to give orders to soldiers to fire in peacekeeping operations—previously, such action was the responsibility of the individual soldier. In the face of societal discomfort with *any* signs of militarism, the traditionally anti-military Japan Socialist Party (JSP) and the Japan Communist Party (JCP) opposed the passage of changes to the existing law in the Diet.

When the UNPKO law came into operation in 1992, a leading newspaper noted, "This shows that the awareness of the nation's political nerve centre in Nagatacho is approaching the standard of global common sense."<sup>287</sup> It editorialised:

Putting the United Nations at the centre of the efforts to solve major international problems is one of the pillars of Japan's diplomacy. Participation in UN peacekeeping operations is Japan's responsibility in contributing to global peace and stability. It is in line with the spirit of pacifism enshrined in the Constitution. Whether they are in the ruling or opposition camps, political parties are responsible for improving and strengthening the system of the nation's contribution to UN peacekeeping operations.

Tokyo has also pursued a permanent seat on the UN Security Council (Drifte 1998 & 2000), having more or less retained its non-permanent seat on the Council since the early 1980s.<sup>288</sup> While sceptics might see this support as being merely "bought," even they must acknowledge that Japan's presence has guaranteed the very existence of the UN, given that the US was in arrears for years. Prime Minister Nakasone Yasuhiro, Japan's second longest serving post-war leader (1982–1987) led the factions within the country seeking a permanent seat for Japan in the UN Security Council. Unlike those opposed to Japan being a close partner of the US in the UN, he saw multilateralism as a viable alternative to going it alone in terms of taking on global responsibilities. Nakasone realistically reasoned, "If Japan were to go nuclear, there would be massive

destabilising repercussions worldwide, along with a disastrous effect on the Japanese economy.”<sup>289</sup> He implicitly understood the nature of Japan’s abeyance to be in the ‘global public good’. Seeing that Japan and Germany had been playing a major role in the new world structure, his prognosis was that the UN would continue to be the prime vehicle for world peace and that its mechanisms could indeed prevent turmoil in international relations. To further underscore Japan’s commitment to regional peace during Nakasone’s tenure, the Showa Emperor, Hirohito, apologised for the colonial era expressing “sincere regret” for the “unfortunate” events of the past (Gordon 2003: 297), though it appears that this apology is not accepted by all.

Japan’s desire for UN Security Council membership is been tempered by its desire for genuine multilateralism in keeping with the General Assembly’s aversion to US unilateralism. Significantly, Japan’s UN missions have been of the non-offensive type. For example, to soothe feelings in Washington and not offend the Arab world during the Persian Gulf crisis of in 1990–1991, Tokyo contributed heavily in monetary terms. Following criticism from the US, Japan dispatched SDF personnel abroad, but in light of concerns expressed by both the Japanese public and the inhabitants of Eastern Asia more generally, it did so only after laying out strict rules of engagement.<sup>290</sup> After 1992, Japan participated in peacekeeping operations in Cambodia (UNTAC), Mozambique (ONUMOZ), in Angola (UNAVEM), El Salvador (ONUSAL), and the United Nations Disengagement Observer Force (UNDOF) where its ‘public goods’ role was not contested but instead more was asked of it. In June 1998, PKO collaboration rules were further revised due to changes in UNPKO activities. Among the changes are rules regarding the dispatch of personnel to supervise elections, material assistance, and the usage of arms. Showing just how well Japan’s ‘public goods’ reputation has traveled, in 2004 the BBC noted “Japan’s deployment of troops to Iraq has been controversial at home, but it has been greeted with high expectations in Iraq.”<sup>291</sup>

Regional co-operation forms another important part of Tokyo’s multilateralist strategy.<sup>292</sup> In Japan’s move to regional multilateralism in the 1990s, ASEAN Regional Forum (ARF) was one option. Japan has continued to champion the idea of collective security in Eastern Asia under the ARF, with the intensity of its efforts increasing in times when the US seems to drift towards China, as during the Clinton administration. As opportunities for bilateral visits and exchanges at the summits have increased, Tokyo



has diligently sought to anchor the region's nations to the bedrock of ARF. It has also pushed to enlarge ARF: for example, Japan has invited Pakistan to join India within this organization (ARF 2000). While ARF is widely seen as merely a "talking shop," it nonetheless offers opportunities for consultation at the highest levels. Japanese officials are conscious that the Asia-Pacific region has no institutionalised regional mechanism related to security comparable to the North Atlantic Treaty Organisation (NATO) or the Organisation for Security and Co-operation in Europe (OSCE) in Europe.<sup>293</sup> To date, in real terms, regional stability has been maintained via bilateral security agreements centred on the US, as officials within ARF themselves recognise (ARF 2000). Given the possibility of US withdrawal, as contemplated during the Clinton era, it has become increasingly important that regional efforts be established to ensure long-term peace in Eastern Asia, and Japan has vigorously pursued this goals via both bilateral treaties and fledgling institutions. Certainly, Japan's efforts have been important for the promotion of Confidence Building Measures (CBMs) in the Asia-Pacific region. Japanese actions have helped to develop bilateral and multilateral security dialogue, and as such have constituted a major contribution to regional peace and stability, which are essential 'global public goods.'

#### **7.1.2 Track II bilateral and multilateral roles of Japan in Asia**

Many of Japan's efforts to provide 'global public goods' via multilateralism would be for naught if not for Track II efforts that ensure agreements made public are reached beforehand behind the scenes. Dialogue has taken place and continues to develop in organisations such as the Council for Security Co-operation in the Asia Pacific (CSCAP) and the Northeast Asia Co-operation Dialogue (NEACD). These Track II meetings are playing an important role in Confidence Building Measures (CBMS) in the Asia-Pacific region (ARF 2000). There has been steady progress in Eastern Asia with respect to peace and stability, and Japan's bilateral efforts to promote multilateralism should neither be missed or misconstrued as traditional bilateralism, where a more powerful actor often works to ensure multilateralism is undermined. Japan's success in this area includes countries in Indochina. It is also employing this method with Burma and North Korea, even though in the case of the latter the challenges are immense.

While not generally known, Japan's role in encouraging Vietnam to join the ranks of ASEAN stands as one of the most successful of Tokyo's Track II efforts to date, having

since set the precedent for other situations in the region.<sup>294</sup> Japan's policy of engagement with Vietnam took place despite US sanctions against the Indochinese nation. When the Thai Prime Minister questioned Japanese Prime Minister Fukuda over the wisdom of engaging Vietnam diplomatically, his reply was indicative of the Japanese approach to security in its totality. For the Japanese leader, engagement of Vietnam achieved important political objectives:

I can understand your anxiety. However, if destitution and poverty continue in the three Indo-Chinese nations, those three countries will rely on the big powers all the more. What will happen in such a case? At the present time Vietnam is trying to reconstruct itself with its own efforts, without relying on big powers. After all we should not be in confrontation. We should abide by peaceful co-existence (Cited in Khamchoo 1988: 245).

Public opposition to militarism in Japan as well as concerns expressed by smaller states prevailed to calm ASEAN and Eastern Asia, allowing the region's economic growth to progress. This was especially true following the chaotic situation created in Indochina by a paranoid US government, as the architect of US policy, Secretary of State Robert McNamara, himself later admitted.<sup>295</sup> Thus, it is not surprising that key Japanese policymakers argue that the sum total of Japan's role in the region should be seen in terms of 'public goods' provision, rather than simply a part of a grand US design.<sup>296</sup>

Thai scholar Khamchoo (1988: 248) argues that private Track II contacts maintained a Japanese presence in Vietnam after its official withdrawal of ODA. That the Ministry of Foreign Affairs (MOFA) did not move to outlaw Japanese firms' contact with Vietnam is an indication of tacit approval of such contact.<sup>297</sup> The Japanese trading firm Nissho Iwai, for example, carried on in Vietnam after its personnel recognized Ho Chi Minh as a nationalist betrayed by the US after WW II. In their view, Roosevelt's untimely death allowed the "red scare" faction in the US State Department to win the day and spoil history.<sup>298</sup> In general, such unofficial ties are crucial in building confidence between nations. It can be said that MOFA succeeded in bringing its vision of Vietnam to bear within ASEAN, and that Tokyo adopted a long-term policy superior to the ideologically moribund US view, which instead led to the killing of over three million Vietnamese.

In the 1990s, the Japanese also supported the inclusion of Myanmar/Burma in ASEAN. Learning from the Japanese approach, which allowed Vietnam's entry into ASEAN, regional leaders invited Rangoon to the association, upsetting distant Western powers. Subsequent ASEAN expansion suggests that Japan's Vietnam policy has been

successful in contributing to security. However, unlike in the case of Vietnam, it appears Tokyo has played only a minor role in the case of Myanmar/Burma. In any case, Myanmar/Burma's tough State Law and Order Restoration Council (SLORC) is dependent on Beijing, whereas Hanoi is a bitter enemy of China. However, the pro-China stance of SLORC is no indication of the future. Myanmar/Burma has entered ASEAN, and its major foreign investors are still Western.<sup>299</sup> Continued MITI guarantees for Japanese firms in Myanmar/Burma, along with renewed ODA flows (under MOFA), suggest that there is significant bureaucratic consensus that Myanmar/Burma is important for Tokyo. With Japanese aid and investments gradually increasing in the 1990s, as pointed out by Mason, and given the unpopularity of the SLORC regime, it is not unreasonable to suppose that Rangoon will eventually conform to ASEAN modes of behaviour.

Significantly, Japan has also been at the forefront of the North Korean issue.<sup>300</sup> In 1991 the Economist noted that countries in the region of Eastern Asia, including China and the Soviet Union, were "delighted that Japan has taken the initiative in trying to get North Korea, bankrupt but still belligerent, to end its isolation."<sup>301</sup> Progress was slowly being made according to the Economist, "thanks to Japanese persistence and the hint of hard currency and soft loans." An early indication of success was North Korea's decision to apply for membership of the United Nations despite South Korea's membership to the organization, which represented a reversal of its previous position that separate memberships would perpetuate the peninsular division. In addition, the Economist noted that Japan could also claim credit for North Korea's decision to accept the UN's nuclear-safeguards accord. Though it signed the Nuclear Non-Proliferation Treaty in 1985, North Korea had refused to accept the mandatory safeguards that accompany it. However, in 1991 it finally agreed to sign the accord that provides for international checks of its nuclear plants, and no longer insisted that US nuclear weapons kept in South Korea also be inspected.

### **7.1.3 The realities of Japanese military expenditure: self defence only**

Japanese military expenditure, while being very high, is nonetheless spent for self defence purposes, as offensive capabilities are minimal thus assuring its neighbours and leading to the provision of 'global public goods' in security. There is a great deal of speculation about Japan's military capability, with many citing Japanese expenditure in

this area as reason for alarm. Japan's military expenditure is by now well known for its ceiling figure of 1% of GDP (see [Table 14](#)).

**Table 14: Japanese Military Budget Breakdown 1987-2001**

FY	Budget of Defence Related Expenditures (F.Y. 1987-2000) <sup>302</sup> (million JPY)				Defence <sup>303</sup> GNP-GDP <sup>304</sup> (%)	Defence <sup>305</sup> in General Account (%)
	Defence related expenditure	Defence Agency	Defence Facilities Admin. Agency	Security Council of Japan		
1987	3,507,832	3,149,435	358,228	169	1.004	6.50
1988	3,728,257	3,356,690	371,392	175	1.013	6.53
1989	3,969,868	3,563,882	405,800	187	1.006	6.49
1990	4,254,090	3,813,376	440,515	200	0.997	6.28
1991	4,439,975	3,978,406	461,360	210	0.954	6.23
1992	4,577,817	4,089,749	487,851	217	0.941	6.30
1993	4,618,124	4,099,113	518,794	217	0.937	6.41
1994	4,651,821	4,111,742	539,859	230	0.959	6.41
1995	4,733,996	4,167,218	566,555	223	0.959	6.65
1996	4,849,085	4,269,537	579,315	234	0.977	6.45
1997	4,953,564	4,363,075	590,241	248	0.959	6.39
1998	4,960,691	4,368,213	592,197	281	0.950	6.36
1999	4,915,422	4,310,584	604,560	277	0.994	6.03
2000	4,935,801	4,336,349	599,154	298	0.989	5.81

[Source: Ministry of Finance and Defence Agency.]

The re-arming of Japan took place gradually over the post-WW II period such that by the 1990s the country had one of the most technologically advanced militaries in the world, even though it was for all intents and purposes not suitable for offensive operations overseas. For those considering the facts while assessing Japanese military power, the reasonable conclusion is that the SDF really is a "self-defence" with no force projection capabilities that powers such as the US even Britain and France possess.

Japanese expenditure has climbed steadily, and given the sheer size of Japan's economy it is indeed very substantial. In 1960, military expenditure amounted to JPY 157,900 million, but by 1995 it had become JPY 4,723,600 million, a 2.76% average annual growth rate over 35 years (Asahi Shimbun 1996: 64–66). Japan ranked fourth in the world in terms of total defence expenditures in 1997, according to [Military Balance](#) (1998–99). By the year 2000 Japan spent approximately \$50 billion a year for defence, which is one-sixth of the US military budget.

Although Japan spends less on defence as a share of GDP, because of the size of its economy it ranks second among all states in sheer USD terms and is seventh in the world in PPP terms, as shown in figures for 2002 in [Table 15](#).

**Table 15: Defence Budgets of Major Spender Countries, in 2002**

Ranking (USD)	Country	Size (B\$)	World (%)	Ranking (PPP USD) <sup>306</sup>	Country	Size (B\$)
1	USA	335.7	43	1	USA	335.7
2	Japan	46.7	6	2	China	142.9
3	UK	36.0	5	3	India	66.5
4	France	33.6	4	4	Russia	55.4
5	China	31.1	4	5	France	36.8
	<b>Sub-ttl top 5</b>	<b>483.1</b>	<b>62</b>		<b>Sub-ttl top 5</b>	<b>637.3</b>
6	Germany	27.7	4	6	UK	34.0
7	S. Arabia	21.6	3	7	Japan	32.8
8	Italy	21.1	3	8	Germany	31.0
9	Iran <sup>307</sup>	17.5	2	9	Saudi Arabia	28.8
10	South Korea	13.5	2	10	Italy	26.9
	<b>Sub-ttl top 10</b>	<b>584.5</b>	<b>75</b>		<b>Sub-ttl top 10</b>	<b>790.8</b>
11	India	12.9	2	11	South Korea	24.3
12	Russia	11.4	2	12	Turkey	23.0
13	Turkey	10.1	1	13	Brazil	22.8
14	Brazil	10.0	1	14	Iran	20.2
15	Israel	9.8	1	15	Pakistan	14.2
	<b>Sub-ttl top 15</b>	<b>638.7</b>	<b>82</b>		<b>Sub-ttl top 15</b>	<b>895.3</b>

[Source: Military expenditure: [SIPRI Yearbook 2003](#), appendix 10A; PPP rates: World Bank, [World Development Indicators 2002](#) (World Bank: Washington, DC, 2002).]

(US \$b., at constant 2000 prices and market and PPP exchange rates. Figures in italics are percentages.)

On first glance Japanese expenditure seems vast. However, PPP calculations give a more accurate picture of the true place of military spending in the economy. In this case, Japan drops out of the top five spenders. After considering the situation in still greater detail, the [Honolulu Star Bulletin](#), noted:

Japan spends more than 40 percent of its budget on personnel and another 10 percent to support US forces in Japan. Thus, the Japanese have spent half of their military budget before they have bought the first bullet, tank, or airplane. In addition, they get few economies of scale in arms production because they procure weapons in small lots. In some cases their costs are nearly twice those in the United States. In sum, in military power, it's not what you spend but what you buy, and the Japanese don't get much for their defence yen.<sup>308</sup>

Still, after prolonged spending, the SDF is formidable compared to the militaries of post colonial states in the region as most of their equipment is older while Japan's equipment is of the latest variety (see [Table 16](#)). Critics of Japan's military strength make the case

that to raise the quality of its defence capability, Japan must devote a significant proportion of its defence spending to improving equipment.

**Table 16: Equipment of the Japanese Self Defence Forces**

AIRCRAFT	Aircraft Type	Purpose	Number
Ground Self-Defence Force	LR-1	Liaison and Reconnaissance	14
	LR-2	Liaison and Reconnaissance	2
	AH-IS	Anti-Tank	88
	OH-6J/D	Liaison and Observation	183
	OH-1	Observation	7
	UH-IH/J	Utilities	148
	V-107/A	Transport	3
	CH-47J/JA	Transport	44
	UH-60JA	Utilities	10
Maritime Self-Defence Force	P-3C	Patrol	100
	HSS-2B	Patrol	30
	SH-60J	Patrol	68
	MH-53E	Minesweeping and Transport	10
Air Self-Defence Force	F-15J/DJ	Combat	203
	F-4EJ	Combat	104
	F-1	Combat	46
	RF-4E/EJ	Reconnaissance	27
	C-1	Transport	27
	C-130H	Transport	16
	E-2C	Early Warning	13
	E-767	Early Warning	4
	CH-47J	Transport	16
GROUND EQUIPMENT	Main Equipment	Number	
Ground Self-Defence Force	Recoilless Guns	3,250	
	Mortar	1,800	
	Field Artillery Pieces	790	
	Rocket Launchers	120	
	Anti-aircraft Guns	110	
	Tanks	1,070	
	Armoured Vehicles	690	
SHIPS	Main Ships	Number	
Maritime Self-Defence Force	Total	144	
	Destroyers	55	
	Submarines	16	
	Mine Warfare Vessels	32	
	Patrol Combatant Crafts	3	
	Landing Ships	9	
	Auxiliary Ships	29	

Source: Defence of Japan, Defence Agency, Tokyo 1997.

However, the share of defence expenditures on equipment upgrading dropped in the 1970s, falling from 24.9 % in fiscal 1972 to 17.1 % in the 1978 fiscal year as the inflation that followed the first oil crisis drove up personnel costs. This figure rebounded to about 28 % in the 1980s with foreign equipment becoming cheaper as the

yen gained in strength. However, with the end of the Cold War, the cost of purchasing equipment dropped again to 19.6 % of total defence-related spending in the fiscal 1999 budget. By 2001, the JDA reported that the GSDF had 1,090 tanks in addition to an improved Hawk missile, short surface-to-air guided missiles, and Stinger missiles. The MSDF had 437 ships totalling approximately 386,000 tons and 214 aircraft, including 42 antisubmarine aircraft, while the ASDF has 363 fighters. When one also considers Japan's superior command, control, co-ordination and intelligence gathering capabilities, the SDF is effective. Although in formal terms Japan's intelligence community is said to be non-existent, Tokyo has other channels to gather intelligence. For example, as a result of its extensive military relationship with the US, Tokyo has access to key information. Equally, if not more important is the Eastern Asian network built by the Japanese *sogo sosha* or trading houses with unparalleled reach.<sup>309</sup>

Given the superiority of technology and the industrial strength backing the SDF, and given that modern warfare has comparatively little to do with personnel, Japan should be considered one of the more powerful military nations in Eastern Asia, as argued by Samuels (1994) and Calder (1996: 84–88). However, the JSDF is exactly that: a self-defence force with minor offensive capability unable to project its power either on to the mainland or into ASEAN nations (see Table D again). The materiel Japan has accumulated are not useful for any foreign incursion: the country has no aircraft carriers, few landing craft, no long range bombers or troop transports in adequate numbers, etc. At best, the Japanese SDF is formidable against an attack on the home islands, and we should expect it to hold off an attack by all but the US armed forces, though not a nuclear attack by any minor force, including North Korea.

While Japan is not capable of deterrence, its own nuclear potential should not be overlooked. Harrison (1996: 8) finds evidence that Japanese leaders had a nuclear option in mind when they initiated a plutonium-based autonomous nuclear fuel cycle. Further suggesting nuclear capabilities, Japan continues to import 30–40 tons of plutonium from reprocessing plants in France and Britain. It is estimated that by 2010, some 90 tons of plutonium will likely have been accumulated in Japan.<sup>310</sup> Confirmation of nuclear potential comes from official levels as well. During the Sato cabinet in the 1960's, it was reported that Japan had secretly studied the development of nuclear weapons. On 17 June 1974, Japanese Prime Minister Tsutomu Hata told reporters “it's

certainly the case that Japan has the capability to possess nuclear weapons but has not made them.” Since then, Japan's nuclear power program based on reprocessed plutonium has aroused widespread suspicion that the country is either secretly planning to develop nuclear weapons or is indeed already in possession of them. It is also possible that in times of crisis Japan's civilian nuclear and space programs could be used for military and intelligence purposes—despite claims that advanced institutional mechanisms prevent such liaisons.<sup>311</sup> Clearly, Japan's nuclear technology and ambiguous inclinations provide scope for a considerable nuclear potential. Certainly the Japanese would not have material or technological difficulties in making nuclear weapons: the country has the raw materials, technology, and capital for developing such weapons.<sup>312</sup> According to experts, Japan could possibly produce functional nuclear weapons in as little as a year's time (Wilcox 1995). To complete its arsenal, Japan would require a reliable delivery system. On February 3, 1994 Japan launched just such a system: an H-2 missile built entirely of Japanese technology. The H-2, capable of deploying satellites into orbit, was built partly in order to wean Japan's space program from dependence on US technology and expertise, and it is not commercially viable. Arguably, the H-2 would make an excellent ICBM, providing the country with a secure launching platform for nuclear weapons.

On the strength of its nuclear industry, its stockpile of weapons-useable plutonium, and with its rocket programme, Japan might be treated more or less as a nuclear weapons state. While there is much interest in, and controversy over the matter, it must nevertheless be noted that in effect Japanese policy has only made certain that Japan has become a *latent* nuclear power *incapable* of deterrence by itself, the stated purpose of nuclear weapons. The looming possibility of nuclear weapons provides Japan with some of the international respect accorded to nuclear powers, and conceivably acts as a hedge against abandonment by the US. However, as it does not have first-strike capability, Japan has carried out this policy without being an offensive threat to any state, and hence it has maintained its ‘global public goods’ role. Yet, the limit of the respect Japan can gain is apparent by the North Korean nuclear capability and this regime's ability to create fear, as with its missile tests over Japan in recent times. Thus Robyn Lim in a special article to The Japan Times, asks, “Why does Japan choose to remain naked to the threat of North Korean missiles?”<sup>313</sup>



### **7.2.0 Legitimation of Japanese hegemony: attaining legitimacy from pacifism**

Japan has chosen pacifism as a means to provide ‘global public goods’ in security and thus improve its relations in Eastern Asia. For those studying domestic politics in Japan, it is difficult to overlook the country’s pacifist structures and society.<sup>314</sup> The roots of pacifism were laid down in the 1947 constitution and were unwittingly nurtured by Japan’s first post-war prime minister, Yoshida Shigeru, who emphasized economic revival over rebuilding the military. Pacifism has since grown into an important societal phenomenon upon which leftist political parties rely for their very existence, thus disallowing any significant amendment of the constitution. Indeed, some argue the Yoshida Doctrine’s emphasis on pacifism is so deeply ingrained in Japan’s national psyche that only an attack on Japan would allow re-armament commensurate with its economic might (Hook 1996). Such reluctance to re-arm has significant normative implications, and can be seen in terms of contributing to the legitimation of Japanese power in Eastern Asia. Japan’s civilian controls ensure the military remains away from decision-making process (Katzenstein 1996). Under these circumstances the Japanese military is able to do little without civilian consent, making any move towards militarisation contingent on active civilian collaboration.

Subsection 7.2.1 considers the unintended effects of constitutional pacifism that led to the rise of societal pacifism. Subsection 7.2.2 examines how Japan successfully legitimates its power through both its own pacifism and concurrent support for policies that have encouraged regional self-defence. Finally, subsection 7.2.3 provides the evidence on Japan’s expensive soldiers, whose numbers are declining due to reasons of demography as well as the unglamorous reputation of the military.

#### **7.2.1 Unintended effects of constitutional pacifism: the rise of societal pacifism**

The unintended effect of the Yoshida Doctrine’s tactical pacifism in the 1950s through to the 1970s was the emergence of this idea as a general norm within Japan. Indeed the Japan Socialist Party (JSP) and Japan Communist Party (JCP) have depended upon the pacifist platform to win votes, going further in the early post-war era to propose the abolishment of the SDF altogether and the abrogation the US-Japan Security Treaty. If not for their anti-military stance, these parties might not have managed to maintain their presence in the Diet on the basis of their outdated economic manifestoes alone.

Confirming the pacifist drift in Japanese policy, in Cultural Norms and National Security: Police and Military in Post-war Japan (1996: 204) Katzenstein argues that “Japan’s security policy will continue to be shaped by the domestic rather than the international balance of power.” He argues that societal and economic norms regarding Japanese military forces have created a stalemate within the bureaucratic institutions with few signs that the hawks can prevail. Katzenstein (1996: 208) proposes that there is evidence to suggest that even in the face of abandonment by the US, Japan’s culture of non-violence would lead to an exploration of all other options before the last resort of “normal” defence. This view is consistent with those of Hook (1996), who sees the norms of a pacifist state as encouraging Japan’s security policies to comply with a civilian internationalist role centred on the UN and multilateralism. According to him, the expanded use of the JSDF abroad will *only* be legitimised within Japan’s pacifist culture, and therefore within the context of participation in UN and support for multilateral initiatives. He argues the US-Japan alliance and the international balance of power are lesser factors in determining Japanese defence policies, making the case that Japan should be integrated into a multilateral regional collective security regime in Asia, moving away from the US-centred security policy.

Japanese civil society has developed a veto in military matters as a result of the public’s unique position as the only population to have suffered a nuclear holocaust. Indeed, this horrific event has led to the formation of a vibrant peace-lobby that maintains close watch over the SDF in order to ensure that Japan’s peace constitution is not violated. The multilateral civilian power arguments of Hook (1996) are based on a clear recognition of the deep-rooted aversion to the use of force in Japan’s post-war political culture.<sup>315</sup> Even Green (1998), a realist proponent of the US-Japan relationship, confirms that multilateralism has a strong following in Japan, and that it is not unrealistic to expect Japan to continue channelling its power in multilateral directions, as it has been doing with parts of its Overseas Development Assistance (ODA). He argues that economic multilateralism, while not necessarily the only outlet for an expanding Japanese security role in Asia, nevertheless constitutes the main method. He points out that even though in the 1990s a multilateral dialogue exists in Asia, multilateral *security* is still an illusion, with ARF and APEC forums creating the impression of international activism on the part of Japan *without* the risk attendant to its international actions.

Domestic norms opposing militarism are firmly grounded in Japan, as argued by Seki (1986), Katzenstein and Ogawara (1992), Katzenstein (1996) and Hook (1996). Anti-militarism in Japan and Tokyo's active projection of peace-oriented economic power has gone far to inspire confidence in Eastern Asia. Indeed, anti-military grassroots movements in Japan have placed even civilian users of atomic energy on the defensive.<sup>316</sup> Japan's peace-oriented security structure is further enhanced by local level contacts within Asia, encouraged by the Ministry of Home Affairs.<sup>317</sup> At the formal level, these connections take place via local governments, government funded non-governmental organisations, privately funded voluntary organisations, and even annual school trips and other exchange programmes in high schools and universities.<sup>318</sup>

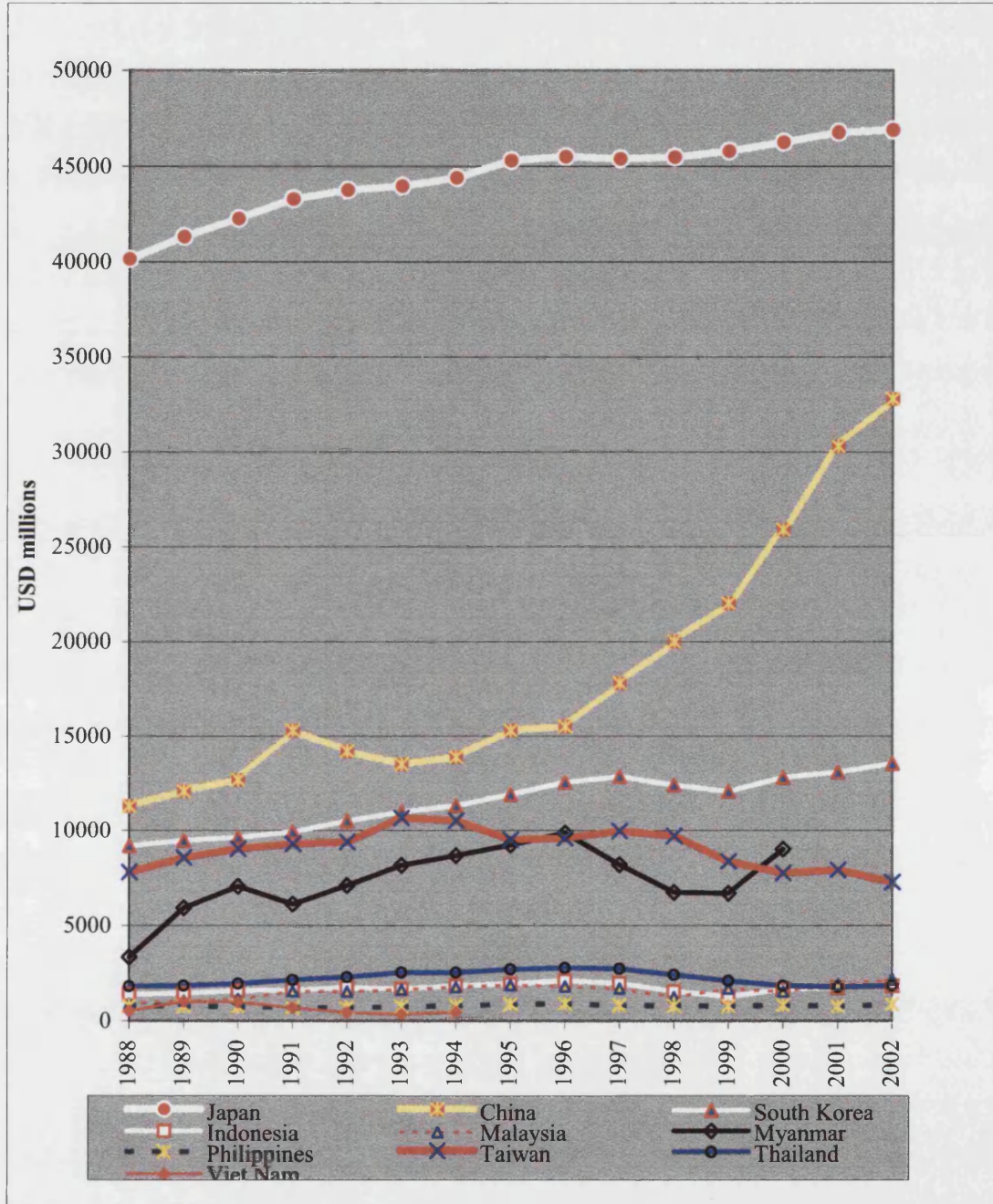
With majority support for the continuation of this pacific security policy, Japan has challenged realist predictions of a return to military assertiveness (Katzenstein 1996 and Hook 1996). Katzenstein (1996) and Hook (1996) argue that this is because traditional neo-realist theory fails to appreciate that political culture can change—that new norms can take hold within a state to constrain its military behaviour even when the external environment appears hostile and the state amasses economic power. Although the continuation of Japanese pacifism is seen as naïve by some international relations scholars of the realist school, missing the realities of Japanese policy is also to miss the significance of conditions crucial for a more peaceful international order. Peace is a public good essential for economic growth, which in turn makes societies more content and states more accepting of the international system. Given that Japanese policy is firmly rooted in domestic cultural norms, we must be open to the possibility that Tokyo's policy to Eastern Asia may be neither coercive nor manipulative. Instead, it may merely represent an attempt to maintain historical boundaries and co-exist peacefully with neighbouring countries.

### **7.2.2 Japan's legitimacy: encouraging regional self-defence**

Military security is such that it is most effectively provided by a powerful state when it does not by itself impose order, but instead is able to enable militarily weak states to be strong enough to protect themselves. Indeed, any hegemonic state that allows postcolonial states to enhance their military capability will achieve higher levels of legitimisation. The steady military spending of the smaller countries such as South Korea,

Thailand and Indonesia, in the face of substantial Chinese increases (see [Chart 16](#) below) has been possible with Japan's economic support via 'global public goods.'

**Chart 16: Military Expenditure in Eastern Asia (USD millions)**



[Source: SIPRI]

The increases in Eastern Asian military spending as a result of the foreign currency earned for them by Japanese firms enhances Japan's position. When we consider the data from Eastern Asia, is clear that there is a strong relationship between military

spending and economic growth. According to the Stockholm International Peace Research Institute (SIPRI), defence spending among minor state South Korea, Taiwan, Indonesia, Malaysia, Singapore and the Philippines in 1980 was nearly half that of 1990.<sup>319</sup> In 1991 the countries of Asia and the Pacific accounted for 35% of world imports of large weapons, more than any other region, including Europe or the Middle East. After China bought \$1.8 billion of weaponry from Russia in 1992, including 24 advanced Su-27 fighters, the US lifted a decade-old ban on the sale of modern fighters to Taiwan, offering 150 F-16s, and in addition the Taiwanese negotiated with France for 60 Mirage 2000s. In the same year, Indonesia bought almost a third of the former East German navy.<sup>320</sup> Arms purchases are one of the best indicators of the region's defence capability, as there is little evidence that Asia's developing countries have used Japanese dual-use technology for their own military technological advancement, though the potential remains high.<sup>321</sup>

While the IMF talks of a notional spending limit on defence of 4.5% of GNP, its leading members, barring Japan, sell advanced weapons around the world.<sup>322</sup> Japanese officials dealing with the IMF refuse to fully endorse the IMF position, even though Japan itself follows a policy of rejecting the lucrative arms trade, much to the chagrin of the *sogo shosha*.<sup>323</sup> By choosing not to strictly enforce the limits for weapons purchases stipulated in its ODA policy, Tokyo has tacitly supported regional arms spending from what amounts to a fungible budget that includes Japanese ODA monies.<sup>324</sup> Indeed, given the foreign exchange earnings Japanese firms bring to Eastern Asian states, it appears that this approval is more than simply tacit. Thus, in military terms Japan has gone beyond curtailing its own military to allow Eastern Asian nations to provide viable defences for themselves. With ideas of self-defence supported by Japan, Tokyo has been careful to delay development of a blue water navy and armed forces capable of offensive operations, and therefore is able to present itself as non-threatening to its neighbours. Instead, Japan relies on Eastern Asia militaries and naval forces even for the safety of its own shipping, via its government-to-government contact.<sup>325</sup>

While the restraint of the Japanese military for over fifty years has assured the region that Japan does not represent a threat, it is Tokyo's quiet encouragement of strong militaries in Eastern Asia via economic assistance that is the lynchpin of its legitimacy. As noted by Maull (1996: 14), apprehension in Tokyo about the depth of US military

commitments explains Japan's silence on Eastern Asian military procurement.<sup>326</sup> Tokyo's actions demonstrate the degree to which it is prepared to rely on the nations of Eastern Asia for the safety of its own commercial fleet, and even for its supply of oil, of which it has only a six months reserve (Table 17).

**Table 17: Japanese Oil Reserves and the Number of Days Equivalence**

End of fiscal year	Oil reserve (10,000 kl)	Day's equivalence: oil reserve/avg daily consumption		
		Total	Public	Private
1990	8,278	142	54	88
1995	8,953	150	76	74
2000	9,080	163	85	78
2001	9,023	166	89	77
Change, 2000-2001	-057	003	04	-01

[Source: Ministry of Economy, Trade and Industry.]

The US Library of Congress Country Study on Japan notes it lacks significant domestic sources of energy except coal, and thus relies on imports of crude oil, natural gas, and other energy resources, including uranium. In 1990, the country's dependence on imports for primary energy stood at more than 84 %. Japanese firms expect that Eastern Asian states would safeguard the sea-lanes for vessels plying the waters of the region on their way to and from the oil fields of the Middle East and Japan.<sup>327</sup> Tokyo's reliance on Eastern Asia's maritime forces makes the original abeyance of the Self Defence Forces (SDF) even more credible. A de facto security alliance with clearly demarcated zones of responsibilities has emerged between ASEAN and Japan, suggesting that there is a joint provision of 'global public goods' in security in the region.<sup>328</sup>

### **7.2.3 Japan's expensive soldiers: unglamorous work and declining numbers**

All Japanese uniformed personnel are voluntary recruits, who need to be paid highly to be part of an unglamorous occupation. Japan abandoned conscription after WW II. In the 1990s the GSDF was reduced from 350,000 to 180,000. While thirteen divisions suggest a significant military force, it appears that the troop strength of the SDF has reached its zenith and that its numbers will continue to decline dramatically within the next 20 years.

Japan's armed forces are clearly expensive to maintain and also its future growth looks bleak. As of March 1999, the SDF had a total of 236,368 uniformed personnel in its



three national defence services—ground, maritime, and air ([Table 18](#) below)—not including Japan’s considerable civilian police force.

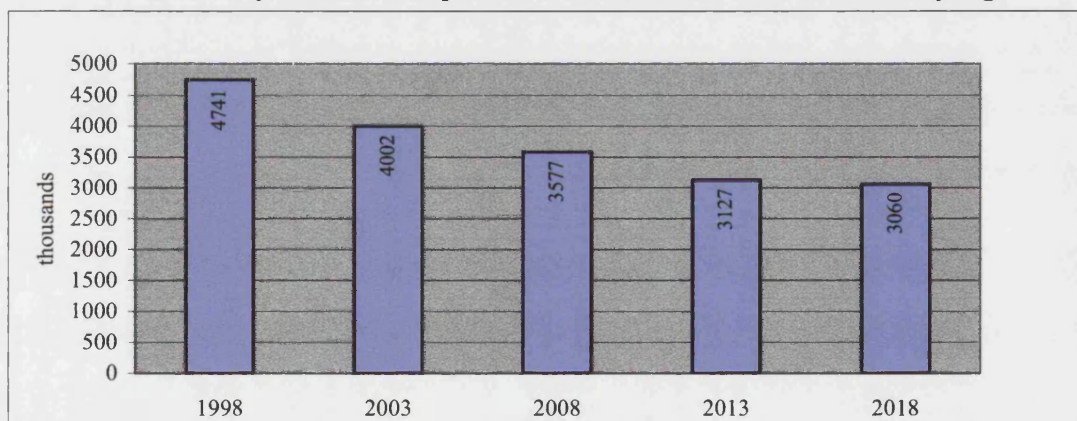
**Table 18: The Japanese SDF Personnel**

Branch of SDF	Uniformed	Uniformed reserve
The Joint Staff Council	1,379	
Ground Self-Defence Force	145,928 (organised into 5 armies and 13 divisions.)	47,900
Air Self-Defence Force	45,223	
Maritime Self-Defence Force	43,838	

[Source: Federation of American Scientists and Japan Defence Agency,  
([www.fas.org/irp/world/japan/jda.htm](http://www.fas.org/irp/world/japan/jda.htm))]

The Ministry of Health and Welfare (MHW) statistics from 1998 indicate that the overall male youth population entering the workforce will decrease by 35% from 1998 to 2018 as shown in [Chart 19](#).

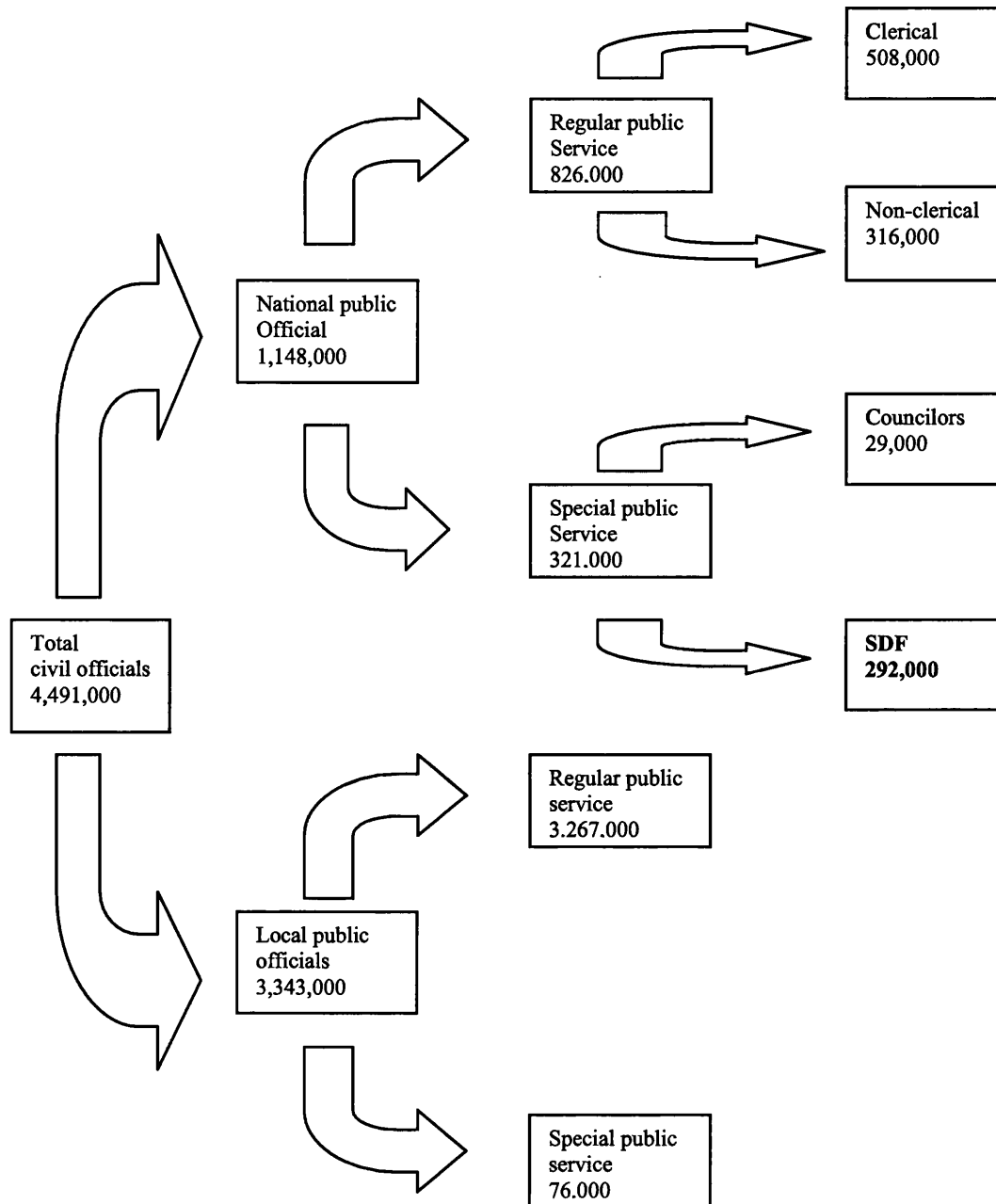
**Chart 19: Dynamics of Population Statistics for Men of Military Age**



[Data in thousands. Source: Ministry of Health and Welfare 1998 statistics data.]

Analysis by Akiji Yoshida, a member of Research Committee, DRC, suggests that the present difficulty recruiting for the SDF will grow worse.<sup>329</sup> Parents tend to be over protective as the number of children per family decreases. In Japan this is particularly true given the rise of single child family, with more children pursuing higher education. Japan faces a labour shortage in “blue collar” jobs with young Japanese loathe to do work deemed dirty, dangerous or difficult. Even when one considers the public sector, the SDF faces intense competition from other government agencies ([Diagram 6](#) below).

**Diagram 6: Japanese Public Service Personnel**



[From Management and Coordination Agency 1996]

Over the long run, Japan has gradually built up its armed forces such that it is now in a better position to handle any signs of weaknesses in Washington resulting from the vagaries of politics in the US. Thus, operationally, Japan's defence policy is a result of its initiative to build a moderate capability under its post-WW II constitution in



accordance with the fundamental principles of maintaining an exclusively defence-oriented policy of *not* becoming a military power that could pose a threat to other countries.

### **Conclusion THE ‘GLOBAL PUBLIC GOOD’ OF JAPAN’S PACIFISM**

Ruben P. Mendez (1999) argues that we see “Peace as a Global Public Goods.”<sup>330</sup> Security is intrinsically useful for everyone, moreover it is connected to economic development, which in turn has been the *raison d’être* of the post colonial state.<sup>331</sup> In the context of the insecurity facing post colonial states and, arguably, *causing* their weaker economic development, this chapter suggests that Japan’s policy on Eastern Asia is particularly illuminating. Japanese policy has steadfastly conformed to the idea that any Eastern Asian security agenda must also address economic needs so as to stabilise the region at the level of civil society, the “roots of conflict.” This approach is rarely mentioned in the “security studies” literature, which tends to focus mainly on redundant forms of deterrence. Given that Japan has *not* posed a threat to Eastern Asia and has *not* enticed other regional actors into an arms race, Eastern Asia has remained more stable than it might otherwise have been, to consider the counterfactual. Japan’s non-threatening and co-operative role constitutes a ‘global public good,’ as military forms of insecurity would have directed scarce resources away from economic development, thus thwarting investment in education, infrastructure, etc.

In not pursuing a “normal” military security strategy commensurate with the world’s second largest economy, Japan’s continued pacifism and reliance on another power (the US) for security against the Soviet bloc is unprecedented for a major power. Thus far, attempts to militarily “normalise” Japan by successive US administrations as well as right-wing elements in Japan itself have been stymied by left-wing parties. Furthermore, built-in institutional mechanisms dating from the post-WW II constitution and the bureaucrats who “know best” for Japan have served to keep Japan pacific. In addition, Tokyo has had to react to the security concerns of the region and maintain a defensive military posture. Ultimately, Japan’s pacifism has served to legitimate its hegemony in Eastern Asia.

In practice, legitimation has meant Japan’s accession to substantive demands from its public and from the region’s post colonial states, resulting in relative gains for these

states vis-à-vis Japan. Reflecting the fact that security policy must ultimately be focused on society, Japanese policy of the post-war era has addressed the issue of security via bilateral and multilateral co-operation in Eastern Asia that takes societal needs into account. Arguably, Tokyo has left few stones unturned in its effort to ensure Eastern Asia remains peaceful, with the result that more and more countries in the region move in this general direction. Tokyo has co-operated with all the nations it has signed formal treaties with and also with most of the nations it has not; indeed it has co-operated even with ideological opponents, including Vietnam and China, both of which practice forms of totalitarianism. Reflecting the goals of international and regional legitimation guaranteed by policies consistent with the normative standards of legitimacy, Japanese policy changed in the late 1970s. After an era of policies that can best be described as based on state-centric realism that paid very little attention to domestic politics either at home or abroad, Japanese bureaucrats designed new policy that reflected a willingness to fulfil regional and domestic demands. Given that these new policies finally met regional demands for relative economic gains consistent with post-WW II claims of reparations, they served to assure the legitimation of Japanese hegemony in Eastern Asia. This policy change, confirmed by MOFA's goals as enunciated via the 1977 Fukuda Doctrine and its operationalisation over the 19780s and 1990s, provides evidence of Japan's 'global public goods' provision in the military security area.

## **Conclusion**

### **Legitimation of Japanese Hegemony in Eastern Asia From the 1980s: Provision of ‘Global Public Goods’ for “Catch-Up” Growth**

How did Japan improve its relations in Eastern Asia in the period following the 1970s after being humiliated in the region earlier that decade? This question, which is related to Robert Gilpin’s (1989) query regarding the place of Japan in the international system, cannot be adequately explained within the dominant strands of international relations theory, including works pertaining to hegemony by Keohane (1983a), Gilpin (1987) and Cox (1987). This dissertation builds an interpretive theory of the legitimation of hegemony, based on the work of Gramsci (1937) and Habermas (1976) and utilises the framework of international political economy developed by Strange (1988a). It finds that within the broader context of global US hegemony, Japan’s positively changed relations in Eastern Asia in the last two decades of the 20<sup>th</sup> century, compared to the post-WW II period up to the 1970s, is a result of the legitimation of its regional hegemony via the provision of so-called ‘global public goods’ to ensure the success of “catch-up” economic development undertaken by post colonial states in the region.

The ‘global public goods’—noted by Kindleberger (1986) and re-interpreted by Kaul, et al (1999) for the UNDP to reflect the needs of post colonial states—are understood here metaphorically as those idealised goods needed to promote the stability of the capitalist system to also benefit post colonial states. At the structural level, such goods are essential for post colonial states if they are to achieve rapid economic development within capitalism in order to avoid the vagaries of the market. Japan provided these idealised ‘global public goods’ because of its interest in legitimating its own regional hegemony, consistent with the notion that powerful actors seek to justify their power, as discussed by thinkers such as Weber (1962) and critically amplified by Habermas (1974). In accordance with the demands of post colonial states, ‘global public goods’ provided by Japan have enabled rapid growth of their economies with the role of the state central in education, targeting of key industries, managing labour relations, protecting domestic market and encouraging export-led regional economic development. From South Korea in Northeast Asia to Indonesia in Southeast Asia, there is evidence of degrees of rapid development, as each of these states have shown that they are on the road to industrialisation, while their populations have also enjoyed improvements in

quality of life. The evidence of Japan's role in the provision of a metaphorical 'global public goods' needed by Eastern Asia consists of:

- promoting and supporting the ideas of developmentalism by contesting ideas of *laissez faire* promoted by the global hegemonic power, the US
- its actions in bringing financial structure stabilisation by making available ODA funds for countries to use for balance of payments crisis and other development projects
- ensuring that Japanese surpluses are recycled to the world, including the region, by carrying out the necessary policies that release such funds from domestic investment only
- ensuring market access to regional manufactured products, consistent with the notion of a "market for distressed goods"
- providing infrastructure, technical training and transfer of lower-end technology well suited for post colonial states
- military abeyance bordering on pacifism that helps prevent an arms race thus maintaining stability in the region.

While some of these actions meet the criteria of a stricter understanding of 'global public goods,' most do not. All of the Japanese actions do however fall within the metaphorical meaning of 'global public goods,' especially in terms of what is *needed* by post colonial states, as suggested by the UNDP version of 'global public goods.' In line with Mancur Olsen's (1971) predictions 'public goods' are generally provided for reasons of self-interest, Japan's peaceful engagement in the region has helped the country's own private sector to expand regionally and to regain its pre-war dominance of market share. With foreign direct investment (FDI) leading the way into creating a vibrant manufacturing sector in Eastern Asia, it is obvious that post colonial states in the region have gained. Thus, in keeping with Olsen's suggestion that other actors would benefit from this process, Japanese actions were also crucial to the success of the export-led growth that constituted the basis for economic development in the countries of Eastern Asia. Each of these states was reliant on Japanese firms operating on their shores in order to ensure the continuation of the "East Asian" miracle and thus meet expectations for rapid development in the region, as was the case, for example, with Malaysia.

In policy terms, the turn to regional engagement—enabled by ample Japanese ODA monies and accompanying initiatives noted above—was preceded by a commitment to military abeyance. This line of engagement, devised during Fukuda’s tenure as Prime Minister, went on to become known as the Fukuda Doctrine. Significantly, this doctrine was promulgated in response to regional anger at Japan in the 1970s for its neo-imperialist policies during the post WW II era, which centred on capturing regional markets for Japanese firms whilst paying lip service to demands for economic development. The success of the Fukuda Doctrine in improving Japan’s relations has led several Japanese Prime Ministers to continue this formula under their own banners, and it is now hard to imagine Japan deviating from this route of constructive engagement in the region of Eastern Asia, which is well captured by its delivery of metaphorical ‘global public goods.’ Below, we consider the implications of these findings as well as the contributions which this research has made to the literature.

## **I METAPHORICAL ‘GLOBAL PUBLIC GOODS’ IN ASIA: HEGEMONIC LEGITIMATION CRISIS AND COMPETITION**

The major implication of this dissertation is to fit Japan into the international system and show how it plays the key role in determining the fate of the region of Eastern Asia, even while the US has more power and China is fast emerging as the main contender for Japan’s role. For the US, the legitimisation successes of Japan in Eastern Asia will be hard to replicate, as Washington’s overwhelming power is no longer focused on stabilising the region economically, and it has instead turned “boastful” as noted by Krugman (1998), even though it gains a degree of consent given to a distant power balancing a near threat, as with China. It will be even more difficult for China to legitimate its growing hegemonic role in the region given its aggressive military posture. With Japan’s regional hegemony legitimated, and given the uncertain roles of the other major powers, the tussle for influence in Eastern Asia came into sharp contrast with the Asian financial crisis, which provides the counterfactual to the 1977-1997 period of relatively stable growth that is covered in this dissertation.

The usefulness of the notion of the metaphorical ‘international public goods’ is not limited to looking at the past: it can also be employed when anticipating crisis in the

future, as suggested by Charles Kindleberger (1986) in his original construction of the notion. In this it was Gilpin (1987) who worried about future problems of making US hegemony reliant on Japanese support. This worry about future stability was more forcefully propounded in the work of Susan Strange (1986 & 1997), and also with her push for the US to lead with a broader understanding of the interests of other countries in its own enlightened self-interest (Strange 1988a and 1988b).<sup>332</sup> Meanwhile Japan was more or less seen as an “enigmatic” power “without purpose”, even though it had been successful in pushing ahead with its ideas of political and economic organisation for Eastern Asia. With all the attention on the US, the continuing importance of Japan as regional leader in providing ‘global public goods’ were underestimated by the Japanese themselves, as became clear with the onset of the 1997 financial crisis and the solutions that were proposed and finally implemented.

This section assesses the US, Japan and China in light of the Asian crisis: its genesis, its effects and the aftermath. The metaphor of ‘global public goods’ with its focus on the needs of post colonial states at the structural level is helpful in characterizing those policies of the major powers that enable regional economic development and so help us to assess their role in Eastern Asia, telling us how the US, Japan and China are to be perceived in Eastern Asia. The UNDP’s Global Public Goods provides the set of issues to be assessed with Susan Strange’s (1988a) framework of structural power, streamlining the analysis of the policies of the major powers. Following the warnings of Strange (1986, 1988a & 1997), when considering the counterfactual to provision of ‘global public goods,’—that is, when these goods are withdrawn by the leading powers, we should expect crises.

The first sub-section shows the weakness in Japanese elite thought. The second sub-section shows that crisis occurred in Eastern Asia as the ‘global public goods’ needed by the region’s post colonial states failed to be delivered as the US withdrew from safeguarding the region, leaving China’s emerging power to negatively affect the region. It was followed by Japan’s pro-market reforms that allowed Japanese capital to be managed by the global private sector, which then set the stage for the crisis as this money was no longer governed by the MOF. In the third sub-section, it is shown that Japan redoubled its efforts to lead the region out of crisis via the Miyazawa Plan in response to regional demands and Japan’s own interest in preserving the gains it had

made. Then in the fourth sub-section, it shown that Japan's leadership has induced China to compete for regional legitimization in its own version of 'global public goods' in contrast to its previous mercantilism, which undermined the economic and political security of post colonial Eastern Asia.

**(1) Weakness of Japanese elite thought: *total* faith in governing the market**

Elite Japanese thought, having matured over a century of government intervention, has tended to overestimate the efficacy of the elite in the face of globalisation. Mark Berger (1999) argues that overlapping Japanese and US visions for the Asia-Pacific, which developed against the backdrop of ongoing friction over trade and other issues, now represent an exceedingly fanciful set of expectations regarding the future of the region. He concurs that the Japanese elite was unable to predict the coming of the Asian crisis, as was also the case with their neo-liberal counterparts, both of which focused on the domestic level of analysis. With such focus on the domestic level of analysis, Berger (1999) points out that prior to the onset of the Asian crisis in 1997, the Japanese approach assumed that the various forms of authoritarian 'developmentalism' in the region were basically similar to the "politics of productivity" which the conservative political coalition in Japan had presided over since the 1950s.

At the domestic level, Berger (1999) finds that regardless of variations between countries, authoritarian 'developmentalism' is grounded in the exclusion and coercion of the majority of the population, and this, combined with rapid and uneven capitalist development, leads almost inexorably to some form of participatory crisis. He notes that in Japan, a major participatory crisis occurred and was resolved during the US occupation, prior to Japan's era of high-speed growth. He adds that South Korea, Taiwan and even Thailand may also be said to have passed through crises of participation by the mid-1990s, which involved a greater or lesser degree of political and economic liberalisation. However, as the financial crisis loomed, it was not at all obvious that other authoritarian developmental regimes would respond similarly without considerable social and economic upheaval that would in turn undermine the economic dynamism of the region.

The Japanese elite failed to anticipate the 1997 financial crisis and was unprepared for the wider crisis of authoritarian 'developmentalism' in parts of Southeast Asia, such as

Indonesia (or the much more contained version in Malaysia), which the crisis helped precipitate, but did not cause. Writing before the onset of the crisis, Takashi Shiraishi (1996) argues that if, or when, these sorts of crises come it would be better for the Japanese government to address them collectively with the US as the senior partner rather than making it an 'imperial' issue to be resolved by Japan alone. With the Japanese government so inclined, it has however found itself at odds with the post Cold War policies of the US. In fact, the US has reasserted its hegemony in the region to such a degree that it is doubtful if the role of the Japanese government can even be characterised as that of junior partner. While the US aggressively pursues liberalisation to allow its financial sector firms access to the region, the Japanese have been proposing that such liberalisation is too going too far and too fast.

In face of a faltering Japanese elite, the Asian crisis provided the opportunity for the US to attempt to bring an end to state-centred 'developmentalism' in Japan itself, as well as in most of the rest of the region, barring China, which was simply interested in maintaining a grip on the economy, given the lessons from the Russian experience. In the second half of 1997, the IMF attempted to restore financial stability to the region via its own formula of a range of austerity measures and thus a drastic adjustment to the governments of Thailand, Indonesia, and South Korea. Following the US policy elite, its overall approach was premised on the view that the crisis flowed from the distortions and inefficiencies characteristic of state capitalism, and not surprisingly, 1998, the IMF was increasingly seen as having failed, having merely aggravated a worsening situation. A growing number of policymakers and economists—including writers such as Jeffrey Sachs, who played an important role in the spread of neo-liberal ideas and policies—then were heard with their argument that that the crisis in East Asia was the result of a "financial panic" which fuelled a dramatic and unnecessary shift in investor confidence and market expectation that led to the rapid movement of capital out of the region and the resultant currency collapses. In the end, what became obvious to those seeing crisis over the long run, was how the US reneged on providing 'global public goods' to prevent crisis by not intervening at its onset along with the Bank of Japan to shore up confidence. With the failure of US leadership, it was Japan that gradually took over the economic leadership in the area, albeit very quietly.



## **(2) Crisis: post Cold War withdrawal of ‘global public goods’ from Eastern Asia**

The Asian Crisis has been analysed by several authors suggesting both agency and structure presented problems. Those concerned with agency, mainly from the neo-liberal “Washington Consensus,” blamed each Eastern Asian country—Thailand, Indonesia, Malaysia, Philippines and South Korea—for following improper macro-economic policies. Those concerned with structure focused mostly on the nature of globalised capital enabled by the same “Washington Consensus” that was concerned with liberalisation of finance as well as trade much to the chagrin of even free traders such as Jagdish Bhagwati (2001). While winning the debate—judged by the policy imperatives imposed on nations by the IMF orthodoxy—has been important for those claiming a triumphalist “end to history,” as with Fukuyama (1993), the resentment in the Eastern Asia towards those advocating further liberalisation has not been fully appreciated as pointed out very early on by Higgott (1998). At the heart of this resentment is an insight into international relations often forgotten by functionaries at the core of capitalist accumulation: “mutually beneficial” *laissez faire*, according to Carr (1939) is typically in the interest of the dominant power:

In economic relations, the assumption of a general harmony of interests was made with even greater confidence; for here we have a direct reflection of the cardinal doctrine of *laissez-faire* economics, and it is here that we can see most clearly the dilemma which results from the doctrine. When the nineteenth-century liberal spoke of the greatest good of the greatest number, he tacitly assumed that the good of the minority might have to be sacrificed to it. This principle applied equally to international economic relations. If Russia or Italy, for example, were not strong enough to build up industries without the protection of tariffs, then—the *laissez-faire* liberal would have argued—they should be content to import British and German manufactures and supply wheat and oranges to the British and German markets. If anyone had thereupon objected that this policy would condemn Russia and Italy to remain second-rate Powers economically and militarily dependent on their neighbours, the *laissez-faire* liberal would have had to answer that this was the will of Providence and that this was what the general harmony of interests demanded.<sup>333</sup>

In a post Cold War atmosphere dominated by notions of *laissez faire*, the ‘developmentalist’ model that relied on the ‘global public goods’ provided by the US and Japan faced crisis. In contrasting actions Washington pushed for *laissez faire* at any cost while Tokyo defended the practise of ‘developmentalism’ by its post colonial neighbours. In the early 1990s the Japanese vision prevailed with even the World Bank tempering its pro-market approach. However, with the Washington Consensus mounting its economic challenge from within the Clinton Administration, and with the

crisis in Asia, the Eastern Asian call for Tokyo to stand up against Washington was not without reason.

The major shift in the nature of the regime that underpinned 'global public goods' over the Cold War years of 'embedded liberalism' (Ruggie 1992) had come to an end, forcing many post colonial countries in Eastern Asia to the economic brink. Over the course of the late Cold War the US became a reluctant leader, its burden becoming heavy as it focused on mirages of communism everywhere whilst being corrupted by narrow and parochial issues of special interest groups, with its academics uncritically repeating the myths of lost hegemony.<sup>334</sup> In this mythological world of lost US hegemony soon after collapse of the Soviet bloc, Washington removed its guarantees to Eastern Asia, in essence withdrawing all but the military security aspect of 'global public goods.' With Washington interested in using the end of the Cold War to withdraw the economic part of its 'global public goods,' we should (theoretically) expect crisis. This is particularly the case in Eastern Asia, as the regional 'developmentalist' model was reliant on a metaphorical 'global public goods,' and further, China a fast emerging challenger to the US and Japan, was pursuing policies without adequate consideration of their structural level effect on the smaller countries in Eastern Asia.

In this post Cold War context of confusion, as Higgot (1998) notes China devalued its currency by approximately 50% in 1994. This caused a significant shift in FDI towards China and severe competition from its cheaper goods of the same category from other Eastern Asian states such as Indonesia. Even as Japanese firms shifted to China with their FDI, in 1996 Japanese Prime Minister Hashimoto announced major cuts to Japan's ODA programme to Eastern Asia, thereby undermining the ODA►FDI regime for the ASEAN nations, who were deemed to have graduated from aid-recipient status.<sup>335</sup> To make matters worse, under the pressure of neo-liberal ideology and a stagnant economy Tokyo removed more financial sector regulations whilst also cutting down on administrative guidance (Laurence 1996). In the process it left Japanese finance—with large pools of savings managed by a growing band of young, City trained, British bankers in burgeoning foreign owned banks in Tokyo—to act in accordance with incentive structures such as those given by the Chinese devaluation over Thailand and Indonesia.<sup>336</sup> The collective force of these market ideology assaults on the 'global

public goods' needed by post colonial states in the region and provided by Japan and the US was to affect the most vulnerable first. It began with Thailand, which was losing Japanese capital—including promised FDI, upon which the current account was to be balanced—to China, and also back to Japan (with Japanese banks seeking to address its bad loans crisis and the Basle Accord requirement for an 8% capital adequacy requirement for new foreign lending).<sup>337</sup> In this context, currency speculators, seeing a vulnerable economy open to the world, sold the bhat. The attack became a full blown crisis as the US Federal Reserve Bank refused to join the Bank of Japan in intervening to stabilise the regional currency regime. Thus, rather than being contained to Thailand, the crisis spread to Indonesia eventually to even to South Korea, an OECD member *and* a 'frontline state.' The US intervened at the behest of Defence Secretary William Cohen, who understood that war might result across the 38<sup>th</sup> parallel if South Korea convulsed in the manner of Indonesia, reminding the US administration that the Cold War was not actually over in Asia.

The crisis in Eastern Asia clearly suggests that withdrawal of US and Japanese financial guarantees from the region undermined their respective 'global public goods' roles, putting hard won gains of the Cold War at risk. This failure, represented by the Asian Crisis, provides the *counterfactual* to Cold War US and Japanese activism in the region that included the Fukuda Doctrine. The crisis in Asia in 1997 provides a sharp contrast to the 1977-1997 period of more or less steady catch-up growth that was the core trend identified by this research as having contributed to improved relations for Japan. The counterfactual vindicates the approach taken in this dissertation to focus on structural level policies represented by metaphorical 'global public goods' affecting Eastern Asia in order to understand improved relations between hegemonic powers and post colonial states. However, even though it failed to fulfil its 'global public goods' role during the crisis, Japan's reputation in Asia suffered relatively little, as not only was it obvious that Tokyo did a great deal to remedy the situation, but it was clear that it had to do so despite US pressure to allow the IMF the lead role. The US, long believed to be the instigator of the turn away from 'global public goods' in Eastern Asia, was seen as the boastful 'new imperialist power' interested in buying Asian property at fire sale prices.<sup>338</sup>

The financial crisis in Asia certainly prompted scholars to question the direction of the region and to question if the ‘developmentalist’ experiment had ended (Bevacqua 1998). Early on the negative writing about the region from a liberal perspective led it being dismissed along with its ‘developmentalist’ ideals for post colonial states (Foot & Walter 1998). However, rather than the doomsday forecasts of the ‘Washington Consensus’ camp, others saw opportunities and transitions (Bello 1998 & 2000). Even some voices in favour liberalisation, saw it only as means. Leading scholars such as Bhagwati (2001) favoured the trade liberalisation as a means to open industrialised markets to assist post colonial economic development, whilst leaving the capital account closed to sudden movements of money by speculators. As Eastern Asia recovered quietly, the debate seemed to be settled that the region needed to move closer together to meet the challenges of the future, and in this Japan plays a central part.<sup>339</sup>

### **(3) Japan leads again: ending the crisis in Asia and ‘global public goods’**

A perspective that considers the nature of the system in its totality—which includes ‘developmentalism’ and the tolerance ‘embedded liberal’ order of the Cold War, with both acting metaphorically as ‘global public goods’ enabling rapid economic growth by keeping the market at bay—suggests that crisis was inevitable as the Cold War came to an end. The belief of the end of the Cold War removed the last obstacle to US withdrawal of ‘global public goods’ to pursue narrow economic goals and abandon its commitments to former allies. The first sign of the new US policies came as the new domestically focused US administration under President Clinton became interested in treating Beijing as more important to Washington than Tokyo. In the wake of this Nixonesque shock, and confident that the region was secured—as proudly announced by Japanese Prime Minister Hashimoto at the International Studies Association meeting in Makuhari 1996—Japan also began to abandon its commitments to minor allies and follow the logic of *laissez faire* in their dealings with post colonial states.<sup>340</sup> The ensuing Asian financial crisis of 1997 reminded everyone of the importance of the US and Japanese metaphorical ‘global public goods’ roles in the economic realm where the post colonial Eastern Asian states were concerned.

In leading to the final stages of the Asian crisis Japan’s low interest rates coupled with loosening regulations allowed money to flow easily into de-regulated economies such as Thailand, where the ‘easy money’ undermined ‘developmentalist’ practices in the realm

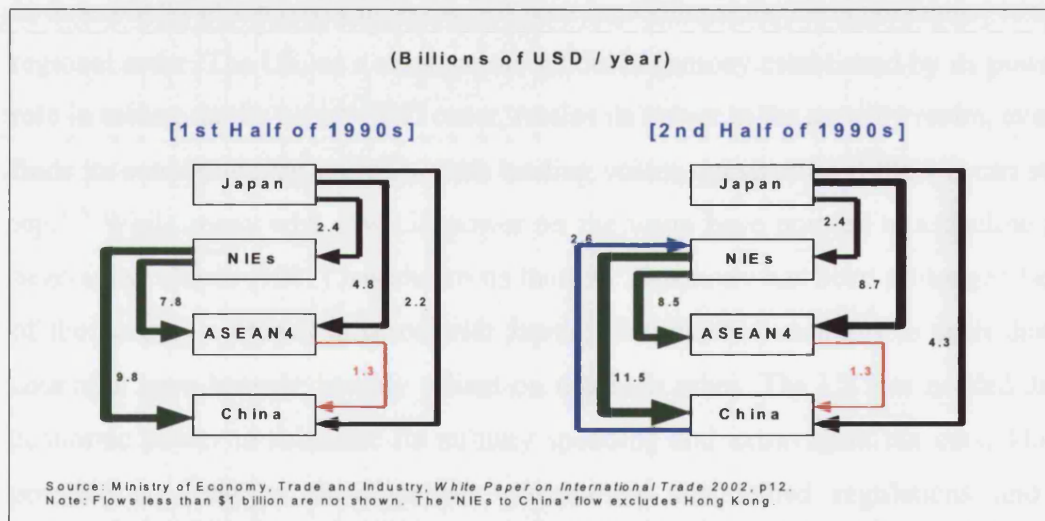
of the economy, and instead led to real estate speculation and other domestic private sector excesses.<sup>341</sup> This serves to remind us that without the ‘administrative guidance’ of MITI serving Japan’s interest of a rapidly growing Eastern Asian economy, the market would but hold sway over vulnerable emerging capitalist economies powerless to govern capital movements. Indeed, the effect of liberalising Japanese finance failed to consider that young market-oriented fund managers would shift money to more lucrative locations in a global casino (Strange 1986 & 1997). The hasty and unwise unleashing of the market via liberalization of the capital account of each of these states in the context of a withdrawal of ‘global public goods’ by the US and Japan, meant that post colonial Eastern Asian states, long dependent on these goods in finance to achieve the Asian Miracle, quickly suffered financial sectors crisis. Left to the vagaries of the market for too long—as the US ignored Japanese overtures during the crisis for an Asian Monetary Fund (AMF)—the crisis permeated into the real economy causing disastrous bankruptcies among the high debt firms at the core of the ‘developmentalist’ drive, which led to spiralling unemployment and social and political unrest. The countries affected by the crisis were set back a decade at least.

With regional alarm signals readily apparent with motorcades of Eastern Asian leaders visiting Tokyo, Japan received the message that it had to lead. The responsive Miyazawa Plan helped to stabilise Eastern Asian domestic economies, given Japan’s understanding on how to help each country, as was the case with Thailand’s needs.<sup>342</sup> The quiet re-emergence of the Eastern Asian economies was made possible by Japanese provision of what are, metaphorically speaking, ‘global public goods,’ especially, with its lender of last resort type Miyazawa Plan. The tens of billions made available to the region by the Japanese via this plan allowed countries in the region to re-finance and emerge from the crisis in better shape than predicted by scholars who wondered what had happened to the Asia Pacific century (Walter & Foot 2000). After repaying the banks from Japan and other creditor countries’ banks with the money from the Miyazawa Fund, these countries have remerged with much talk of change from the old ‘developmentalist’ model, but with very little to show for it in terms of market reforms (Hughes 1999). With the end of the financial crisis, Japanese power has become more apparent, particularly in the economic sphere, as it pursued in creating a regional stabilisation fund after first having been pressured by the US to abandon the more ambitious Asian Monetary Fund (AMF) to provide ‘public goods’ for the region. The

swap agreement signed at Chang Mai also includes a more contrite China—with its pledge to not devalue its currency again—and is only the first step for Tokyo bureaucrats interested in a larger financial architecture for the region.<sup>343</sup>

In comparison to the Latin American *laissez faire* model, Eastern Asia, with its ‘developmentalist’ structure, has recovered better and faster with growth back over the 5% mark for most economies. Japanese FDI has also returned, as shown by a 2002 white paper on international trade. As shown in Diagram 8 in the second half of the 1990s, even after accounting for the fall in JFDI in 1996, Japanese investment to the ASEAN nations has increased nearly two fold along with a similar increase to China, while NIEs have remained constant. Meanwhile, Chinese investment in the NIEs reveals how it too has become a sender.

**Diagram 8: Foreign Direct Investment Flows in Eastern Asia**



As the Asian crisis recedes into the distance, astute observers of the region pointed out to the resilience of the ‘developmentalist’ model, and how it was not changing (Hughes 1999 & Weiss 2001). Others provided commentary that gave a more profound historical understanding grounded on the work of Polanyi and Gramsci (Birchfield 1999), thus giving more credence to idea of history as a social science.<sup>344</sup>

Even though Eastern Asia has largely recovered from the crisis of 1997, the actual focus on Japan’s role has been sketchy, with only a few leading scholars noting the role of

Japan (Hughes 1999, Higgott 2000 & Rapkin 2001). With scholarly focus on global US hegemony, the Japanese response to the economic situation in Eastern Asia has been under-emphasised within international relations and even within international political economy, despite the reality that such economic matters are issues of importance in the long term, especially for post colonial states seeking to catch-up with the industrialised core. Even with Japan's quiet leadership gaining more credence in Eastern Asia as noted by Rix (1989), it remained the invisible centre of Eastern Asia's emergence as the most dynamic economic region in the world, even after the recovery from regional political and economic crisis in 1997. While Tokyo has focused on Asia, Japan's positive role is well recognised in Africa.<sup>345</sup> African nations had a window of opportunity in this respect in the early 1990s when Japan shifted its focus away from Asia, however, with the financial crisis in 1997 the focus has again shifted to Asia.

#### **(4) Competing hegemonies: the legitimization game of the US, Japan and China**

In this context of a recovering Asia, fast learning China is the main challenger to at least regional order. The US, as a result of the global hegemony established by its power and role in setting up the post WW II order, retains its power in the security realm, even as it finds its economic lead narrows, with leading voices questioning if the US can stay on top.<sup>346</sup> While many who saw US power on the wane have pointed to a decline in US hegemony, Gilpin (1987) has shown us that US hegemony has been prolonged because of the country's crucial alliance with Japan. The *nichibei* economy is such that both countries have become heavily reliant on the each other. The US has needed Japan's economic power to subsidise its military spending and extravagant tax cuts. This was possible so long as the Japanese government maintained regulations and used "administrative guidance" to continue to buy significant quantities of US Treasury bills with its surplus US currency.<sup>347</sup> Meanwhile, Tokyo has held on to Washington's security guarantees based on the US nuclear deterrent. This arrangement has worked well enough to stabilise Eastern Asia, such that even the Chinese challengers of Japanese regional hegemony and US hegemony in Eastern Asia have found it useful, in the way that peace as an 'international public good' usually is.

Despite the closeness of the *nichibei* alliance and guarantees of US protection, self-interested Japanese policy towards post colonial states since the Nixon shock and anti-Japanese outbursts of the 1970s has focused on legitimating aspects of its hegemony,

facilitating the country's return to the regional fold. In so doing, it has provoked disagreement with Washington on the method of economic development of post colonial states. While Japan found the Eastern Asian economic development was in its interest, successive US leaders have not considered this important in light of their preference for using military force to overcome resistance to US neo-imperialism. US leaders, especially those concerned with promoting narrowly self interested policies of *carte blanche* liberalisation, have found in Japan a formidable opponent committed to keeping a version of 'developmentalism'—focused on "catching up"—on track within Eastern Asia.

By the end of the 20<sup>th</sup> century, Japan's relatively responsible use of power in the international system, focused on regional Eastern Asian economic development in the manner prescribed by Murakami (1996), has improved its relations with post colonial states to such an extent that Japanese culture is no longer a prohibited item even in South Korea. Barring North Korea, which is led by a despotic regime that actually requires confrontation with Japan for domestic regime maintenance, and China, which is directly in competition with Japan for regional hegemony, most leaders in the region see Japan as a useful major power that can be called upon even for peacekeeping missions. In this context of more normal relations, this thesis speculates that China, long seen as the contender for regional hegemony, has begun to follow Japan's lead in the realm of 'global public goods' provision for the region.

The People's Republic of China is now in direct competition with Japan to provide public goods to improve *its* prospects for legitimisation, which suffered badly when it devalued the renmibi in 1994 and severely affected FDI flows into its regional competitors in addition to also undercutting their exports.<sup>348</sup> Since its feeble offer of one billion USD to Indonesia during the crisis, China has taken its regional role very seriously. Rather than oppose the public good of a regional financial architecture led by Tokyo, it has joined with Japan in the Chang Mai initiative with Beijing pledging to not devalue the renmibi (CHY) again. China has gone further to allow other Eastern Asian countries access to its market. In the security arena China is showing a new willingness to discuss disputes over territory with its neighbours, including the key constituency of ASEAN. In essence, Beijing has had to adapt an approach to international relations and trade that considers the demands of the smaller states in the region, as it too has had to



legitimate its power, consistent with the idea expressed in this dissertation that all hegemonic powers must do this by heeding the goals of smaller states.

In suggesting the important role played by smaller states in making even hegemonic powers justify their power, this work has deliberately departed from the usual focus on the rivalries of the larger states to the exclusion of the interests and agency of post colonial states. The focus on the major actors, long a tradition of international relations scholars, renders invisible both the presence of post colonial states and their ability to bargain. Indeed, those from *outside* the discipline of international relations, were they to consult mainstream work produced under the banner of “IR,” might be forgiven for coming to believe that that post colonial states do not matter at all. However, the reality is that with the advance of history, self-proclaimed “Great Powers” that first become brutally imperialist, and then hegemonic, have gradually lost their ability to ignore the preferences of post colonial states and societies. Indeed, these post colonial states and societies have gradually made their presence felt, at times in concert with each other, as with their demands via the weak G 77, and today with the more powerful G 20, and at other times by withdrawing their consent or by resisting via actions of non-state groups, such as guerrilla activity or even terrorism.

## **II Contributions TO CURRENT SCHOLARSHIP:**

### **RECONCILING POST COLONIAL AND HEGEMONIC INTERESTS**

This dissertation, by contributing to a number of important debates in international relations and international political economy, offers several points of departure for future research on relations between post colonial states and hegemonic states. While by no means revolutionary in thought along the lines of Thomas Kuhn (1962), these contributions are still significant enough to only have been produced by an outsider to the mainstream of both international relations and international political economy.<sup>349</sup> This dissertation does address some of the issues of a divided discipline by dealing with some the key terms with “IR” and “IPE” in a manner that suggests the important contributions of each of the three main pillars of thought could together offer a more wholesome understanding.<sup>350</sup> In terms of contributions to method and theory within international relations, this work validates critical theory via the direct input of the work of Gramsci (1937) on hegemony and Habermas (1976). Showing that “IPE” is fast

becoming the teacher to “IR,” as suggested by Robert O’Brien (1995), this work ties international relations to international political economy, showing the relevance of economic history as considered by both Kindleberger (1986) and Murakami (1996). In this it remains true to the intentions and systematic approach to questions of power espoused by Susan Strange (1979), who argued for more multi-disciplinary work. By addressing the issues of ‘developmentalism,’ this dissertation also contributes to the field of economic development by comprehensively tying agency of post colonial states to the structural level influences of hegemonic powers. In doing so, this work contributes to two areas of Japan studies: international relations and history. The most significant contribution of this dissertation is to demonstrate that Japan’s relations with Eastern Asia have improved. This is shown by paying attention to history, and framing how Japan has managed its relations ever since Meiji by following international norms of the times, moving with imperialism through to fascism and international citizenship.

#### **(1) Critical theory: agency and praxis for post colonial states**

In terms of international relations, this dissertation contributes directly to critical theory by bringing in the key debate of hegemony from international political economy, and it does so in a manner suggesting that “IPE” has a great deal to teach “IR.” By synthesising the international political economy work of Kindleberger (1986), Murakami (1996) and Strange (1988a), with the critical tradition of Gramsci (1937) and Habermas (1976), it challenges realist (Gilpin 1987) and also neo-Marxist (Cox 1987) constructions of hegemony in the face of liberal neglect of the use of power in history (Keohane 1984 & Sally 1997).<sup>351</sup> This work demonstrates the importance of critically understanding consent to be an *explicit* part of hegemony (in addition to the focus on manipulation/coercion) by returning to the ideas of Gramsci (1937), and by further emphasising that consent is critical through the application of Habermas’s (1976) notion of a legitimisation crisis. While Gramsci is known for being part of the critical work within international political economy, led by Robert Cox (1983), and leading to the creation of the neo-Gramsci school, this work is a departure from those ideas, as it deals with the “original” Gramsci. The interpretive method and criticism of Jürgen Habermas serves to further distance this work from the neo-Marxist focus on production and social forces of Cox (1983), such that there is adequate emphasis on both agency and structure, including that of capitalism.

While certain interpretations of Gramsci's work have been applied by his students such as Robert Cox, it also clear, as Roger Payne notes, that a surprisingly large number of scholars are now applying the highly abstract theoretical ideas of Habermas to the study of international relations.<sup>352</sup> Indeed, as this work suggests, Habermas has become influential in this discipline because his work is useful in identifying interests, their communication, and also how societies can through reason arrive at understandings to ease differences.<sup>353</sup> As Harrington (2001: 20) argues, for Habermas, critical theory, represented by the paradigm of Marxian-ideology critique, showed how interpreting the beliefs and world-views of other ages and cultures often required exposing the *suppressed* material interests that regulated ideas in favour of the hegemony of particular classes. However, as this work has done, it has gone beyond this to fully consider how, once the material interests are recognised, we must consider the agency of post colonial actors. In this way it has given full treatment to hegemonic crisis, as those observed by the Japanese in the early 1970s in Eastern Asia. Such attention to agency of the post colonial agitators is consistent with Habermas's Theory of Communicative Action (1984 & 1987), where he foresees a time when human communication will be free of domination, enabling rational citizens to act positively, politically, and freely in society. In making this case, he has moved away from Hegelian Marxism and its foreclosure on the possibility of realising the emancipatory potential of critical theory through communicative practice.<sup>354</sup> Recognizing the need to be on guard against "critical theory lapsing into a new objectivism that simply dictates the truth of subjects deeds' from the outside," as noted by Harrington (2001: 20), this work follows Habermas, away from the more deterministic approach of Cox (1987), to allow a form of communicative action seen in the original Gramsci (1937).

Payne (2000:1) argues many of the international relations scholars who apply Habermasian ideas to their own work are themselves critical theorists, as with Linklater (1998), Samhat (1997), and Dryzek (1990). This work has followed the work of these scholars' in seeking to broaden the critique of modern social and political systems to include contemporary international relations by revealing global forms of dominance and injustice, but has gone beyond this to show how justice might be delivered via 'global public goods.' Arguably, current structures and processes dominated by the US have "perpetuated poverty, widened material inequalities, increased ecological degradation, sustained militarism, fragmented communities, marginalized subordinated

groups, fed intolerance and deepened crises of democracy” (Scholte 1996:53). As Payne (2000:1) notes, in light of this situation much attention is devoted to explaining the *illegitimacy* of egoistic states and their traditional pursuits, such as power, security, and deterrence. This dissertation goes a step further by showing that Japan has acted differently by paying attention to development and security needs of other states and has thus acted to legitimate its power.

Critical theory goes further than merely pointing to what is wrong, as Habermas has developed and defended a form of social and political decision-making based on communication underpinning *agency* and *praxis*. Payne (2000) notes that for Habermas, democratic deliberation is grounded in “discourse ethics” which are essentially procedural norms that can purportedly assure genuine public accountability in modern socio-political settings such as the “public sphere” of Calhoun (1992) and Lynch (1999). As Dryzek (1990) shows, sound arguments and ideas, advanced and refined in an appropriately open and inclusive discussion process, should lead participants to construct mutually agreed upon, and thereby authoritative, answers to fundamental questions about truth and justice. In other words, members of a given community engage in what Habermas calls “communicative action” that creates the possibility of communicative, or what Risse (1999) calls “argumentative” rationality.<sup>355</sup>

Whilst Habermasian discourse ethics are highly abstract, critical international relations theorists—as represented by this dissertation—embrace this line of thinking, agreeing that legitimate normative order is “arrived at through communicative action in which participants seek consensus” (Crawford 1998:129). Therefore, Payne (2000:1) argues, ideally, the world community's members should develop and identify their shared views by deliberating over publicly presented arguments and evidence, probing and challenging them in a broadly participatory process. This process can only take place however if a hegemonic power facilitates the discussion paying strict attention to the goals and aspirations of post colonial states, as has been and continues to be the case with Japan in Eastern Asia, where for example it has led in creating APEC (Wood). Additionally, Payne (2000:1) notes that critical international theorists explore the possibility of radically transforming world order, thus making them amenable to agency by post colonial states, the discussion of which has been one of the larger goals of this work. Emancipation and global justice require, as Andrew Linklater's work (1998:8)

seeks to make clear, that “dialogue and consent replace domination and force” as the central causal mechanisms in international relations. This has been the main mode of international relations in Eastern Asia, at least with respect to Japan and the region.

Interestingly, the opportunity for building a democratic community, according to the critical argument, is actually found in the immanent contradictions of the current political order. Despite the eloquent sceptics of liberal persuasion (Foot & Walter 2000), legitimation itself is a process of building community, even in Eastern Asia, where such notions are still at their infancy, given how late regional order has arrived (Akrasanee 2003). As such, any normative structure not grounded in legitimate authority may well prove untenable, ultimately inviting disobedience and change.<sup>356</sup> Invoking an explicitly Habermasian standard for international politics, Crawford (1993: 52) notes that “norms established through coercion, imposed by a hegemon, lack legitimacy.” Somewhat more broadly, Linklater (1998: 17 & 43) finds that the contemporary international political order has a “tenuous existence and precarious legitimacy,” because decisions “are taken without considering their likely effects on systematically excluded groups.” This is in contrast to what happens when norms developed by post colonial states are embraced by hegemonic states, thus ensuring that hegemony is legitimated, as is the case with Japan with its response to the normatively understood drive of rapid economic development in Eastern Asia.

Habermas’s (1998) argument for the inclusion of “the other” in understanding ones’ own interest, as displayed by Japanese foreign policy-makers since Fukuda, has a strong relationship to Carr (1939, 1942 & 1945), as the latter’s genuinely termed realism contends with the interests of the other, and in particular the interests of the weaker party, making him, as Wilson (2001) would have it, a radical with a conservative end.<sup>357</sup> In this sense, it diverges from Groatian conceptions of an artificially constructed liberal international society, as the fundamental problem with the world today is exclusion of the “other.”<sup>358</sup> This exclusion would lead to increasing hegemonic power, leading in turn to commensurate increase in resistance as suggested by Michael Cox (2002) in his discussion about US power after the collapse of the World Trade Centre towers, and it requires that “IR” and “IPE” theorists be more concerned than they are now about resistance from post colonial states.

## **(2) Contribution to the political economy of hegemony and post colonialism**

Within the field of international relations/international political economy, this dissertation offers insight into why hegemonic powers, although unwilling to continue with the burden of 'global public goods' when the costs are too high, will however bear the costs when other interests—particularly those of legitimating hegemony—become more important. To reach this conclusion first it is found that the costs incurred would deter hegemonic powers from providing 'global public goods,' as was the case with the US which had the military means to coercively establish order (Keohane 1983a). Even as the international capitalist order has triumphed with US hegemony over Europe and parts of Eastern Asia, the costs incurred by the US forced it to discontinue particular aspects of 'global public goods,' especially in the arena of trade. The "new protectionism" of the US in the 1970s meant that the problem of 'global public goods' for post colonial states became more pronounced. The cost-benefit calculus performed by the US meant that post colonial states were not to benefit from the Cold War pressure to maintain these goods as the US preferred military instruments of foreign policy. Even "frontline" Eastern Asian states, which received 'global public goods' through the Cold War, have had these goods withdrawn since its end. Thus abandoned many Eastern Asian states that had emerged from colonial under-development to a newly industrialised status—a movement from less equal less developed (LELD) to more equal more developed (MEMD) status—began to face problems that ultimately led to the crisis which swept the region, and then the world, in 1997. Following the victory in the Cold War, without any real interest in legitimating its power vis-à-vis post colonial states, the US was no longer interested in maintaining the 'global public good' of an open market for the NICs of Asia with the end of the Cold War. It instead imposed the harsh "Washington consensus" free market reforms that only served to undermine the region in the manner suggested by Carr (1939). With *laissez faire* imposed on post colonial states, consistent with Carr's reasoning on the false notion of a "general harmony of interests," problems with legitimation of hegemony were unavoidable.

Interestingly, this work shows that despite economic disadvantages, hegemonic states might continue to provide particular forms of 'global public goods' when the costs incurred are justifiable to improve relations with post colonial states. This work contributes to the idea that meeting the economic goals of post colonial states is the best way of fulfilling the historical obligations of colonial/imperial and current hegemonic

states, and thus a sustainable approach to building international peace. This is in contrast to much thought of a Kantian bent that relies on absolute gains from following the doctrine of *laissez faire*. Such a peaceful order has to be understood better in the present context of several players, including non-state actors. Historically, threats from post colonial societies have amounted to little as the level of technology available to these states and their citizens rendered them powerless. Under those circumstances, more powerful states such as the US and those in Europe could afford to pay lip-service to post colonial goals without actually addressing grievances. However, with the advent of chemical, biological, and nuclear weapons that greatly improve the strike capabilities of small groups, it becomes important for hegemonic powers not to leave cause for disaffection in post colonial spaces. It would seem that, at the very minimum, attacks from societal groups might be best prevented by Japanese-style 'global public goods' policies focused on enabling rapid economic development policies, thus mitigating to some extent the brutal excesses of past empire.

### **(3) Contribution to development studies**

Operating mostly at the system level, the discipline of international relations neglects issues of economic development. As the post "9/11" world shows, international relations specialists have ignored the problem of economic development at the risk of not understanding how these issues have related to insecurity over the decades. This state of affairs is unfortunate, because such issues can easily be addressed using modified versions of Kindleberger's (1986) 'international public goods' as undertaken by Kaul, *et al* (1999) on behalf of the UNDP. While the work by the UNDP does offer a map of the structural level needs of for economic development, this work does not explicitly address the international structure itself and the nature of power exerted by hegemonic actors. Importantly, it does not consider hegemonic responsibilities. Thus this dissertation employs Strange's (1988a) framework of structural power to organise the 'global public goods' required for economic development in the manner Mendeleev organised the periodic table. Thus another important result of this work is a broader, better organised understanding of the challenges of economic development, arrived at through consideration of *both* the agency of post colonial states and the structural factors under the control of hegemonic states such as the US and Japan.

Whilst similar ideas are emphasised in the dependency literature (Cardoso & Feletto, 1979), it is in terms of what went wrong at the structural level. Also, such work does not focus adequately on role of domestic institutions, and thus offers little agency for post colonial states. At the other extreme is the sole focus on the agency of the post colonial state in leading economic development, either from the liberal market perspective of Anne Krueger (1974) or the statist view offered by Wade (1990) and Haggard (1990), with neither sufficiently engaging agency and structure to understand the rise, consolidation, crisis, and rejuvenation of Eastern Asian economic development as a historical and regional phenomenon associated with Japan.<sup>359</sup> This problem is still not rectified in Atul Kohli's (2004) work, as there the focus is still only on domestic institutions, even though he has acknowledged Japan's historical role in the formation of institutions leading development, thereby arriving at an explanation as to why some geographical areas grew, while others stagnated.<sup>360</sup>

This dissertation contributes to the development literature by moving beyond the debates in dependency theories, the pro-market 'Washington consensus' and also institutional literature. It is now poised to suggest that it is the continuing actions of hegemonic powers in providing 'global public goods' that will allow states with developmentalist institutions to succeed, thus suggesting how important it is to consider agency and structure together with the same research design. Following the acknowledgement of both agency and structure, this work indirectly contributes to the increasingly tenable idea of an Eastern Asian form of capitalism, debunking Max Weber's early dismissal of the region as having no potential for capitalism given the prevalence of Confucianism, and finally laying to rest the Orientalist story of the Asian Drama.<sup>361</sup> With its analysis of 'developmentalism' in the tradition of Murakami, this research suggests the promise of ideas of an Eastern Asian form of capitalism, suggesting fruitful links to related work.<sup>362</sup> These developmentalist paths were not accidental or inevitable or merely a result of domestic origin, but as Atul Kohli (1994) writes, they were reliant on the Japanese colonial roots, as with Taiwan and South Korea. However, they have also continued into the present with a highly active Japanese foreign policy advocating 'developmentalism' for the region, which is an 'international public good' in knowledge terms. In the case of most of Southeast Asia, 'developmentalism' was successful because of the direct encouragement by Japan's numerous agencies implementing ODA and technical development. Following the



Japanese example with Tokyo's active help has put these countries on course to 'catch up' with industrialised nations, as exemplified by Korea's entry into the OECD and also by the ASEAN vision of achieving industrialised status by 2020 (Sarji 1995).

This is not to argue that the 'silver bullet' has been found for development theory. "Defensive modernization," the precursor to the 'developmentalism' of Meiji Japan as well as many developing nations (including Korea, Taiwan, Malaysia and Indonesia), illustrates how the state promotes a particular ideology in order to legitimate the modernisation project and mobilise (both human and material) resources. As, Berger argues, it was premised on the idea that the state is not *just* an important factor in economic development, but that "its capability, defined as the ability to undertake and promote collective actions efficiently," had to be "increased." Berger goes on to argue that the World Bank's 1997 study defined an 'effective state' in such a way that it "remained inoculated from historical and political questions, while the wider social context was sidestepped and the authoritarian character of most of the developmental states in East Asia was given implicit, if not explicit, legitimacy." While Berger confirms the importance of the Japanese contribution and the role of the state in Eastern Asian development, he questions the tepid reception given to democracy in the region. The issue of democracy is the Achilles' heel of 'developmentalism' as preached by Japan. One way out of this problem is to fully recognise the importance of structure in the Eastern Asian success, while appreciating the veracity of the dependency critique in Latin America. That is, while the issue of democracy has been a problem in the Eastern Asian region, it also seems that economic growth led to the growth of middle classes demanding more rights and representation, and so we have seen some movement along these lines in the region. This means that 'developmentalism' could be practised by democratic regimes, which are supposed to be better at avoiding uneven distribution. If 'global public goods' are delivered at the structural level, there is no reason that the developmentalist miracles cannot spread west to Bangladesh, India and Pakistan, home to the majority of the world's poor. South Asia, like East Asia, has the necessary domestic institutions to succeed. The implications of this conclusion leave much room for optimism, though it does mean halting the 'Washington Consensus' in its tracks in order that 'developmentalism' be allowed for poor countries such that middle classes emerge to demand democracy. This argument is strengthened by evidence that as economic growth has halted with crisis, we have also seen democracy under siege along

with regional tolerance for cooperation. Thus it would seem that the best way to bring about democracy is to allow 'developmentalism,' with 'global public goods' maintained by the hegemonic power(s) in question.

#### **(4) Contribution to Japanese international relations**

Not long ago Paul Kennedy wondered about Japan as a "Twenty-First Century Power?" generally supporting the hypothesis that it was a "New Kind of Superpower."<sup>363</sup> While Japanese scholars and policy makers certainly had a sense of their own power, they only expressed it with profound silence, contrary to those expecting much "noise."<sup>364</sup> Aside from bold leadership debates led by scholar-practioneers such as Sato Hideo (1995, 1996a, 1996b and 1996c), Japanese policy has quietly aimed to encourage regional economic development in Eastern Asia such that Japan improves its relations with its neighbours, in particular since the late 1970s as this work has shown. The success of Japanese policy in improving relations with Eastern Asia over the 1980s and 1990s has led to increasing demands from the region for Tokyo to lead more boldly. For example, Tokyo has been pressed into service to represent the region in the G7.<sup>365</sup> In such forums it has been able to shield the region from outside demands, allowing Eastern Asia to maintain the "Asian way" with focus on easing tensions via "Track II" type work over confrontation, whilst gradually increasing regional economic cooperation by easing domestic polities of 'developmentalism.'

Despite Japanese successes, much of the literature on Japan (and Asia for that matter) has typically been descriptive, and facts have been interpreted and re-interpreted in an ad hoc manner. This dissertation challenges interpretations of recent Japanese agency as weak or non-existent. To the literature on Japan's role in Eastern Asia, this research adds the suggestion of a strategic partnership along the lines very cautiously envisaged by Donnelly and Stubbs (1996). However, it posits that there is more to the relationship, suggesting that Japan is *responding* to regional demands for what are essentially idealised 'global public goods.' Furthermore, the Japanese response can be understood within the terms set by the historical international relations/international political economy of Carr (1936), Murakami (1996), Kindleberger (1986), and Strange (1988a) among others. It is suggested that the works of Rix (1989), Drifte (1983a, 1990, 1996, 1998 & 2000) and Hughes (1999 & 2000) point in the correct direction; and the theoretical focus of this research consolidates their views within a more general research

programme that is cognisant of other states in the international system, including those with post colonial histories.<sup>366</sup> The thesis thus challenges the work of Nester (1989a, 1989b), Orr (1990), Arase (1995), and Hatch and Yamamura (1996) from the academic community and Van Wolfren (1993), Fallows (1994), and Fingleton (1995) from the observer-journalist community, by pointing to the demand for and delivery of 'global public goods' in a liberal capitalist order and proposing that this assists deeply desired development in Eastern Asia, which in turn leads to improvements in Japan's relations with post colonial states.<sup>367</sup>

The dissertation contributes to the study of Japanese foreign policy by showing that another core problem for the practice of Japan's international relations has been bringing about the country's re-entry to the region of Eastern Asia for long term stability, whilst also ensuring its security in the short term. This work highlights the importance of the solutions offered by Prime Minister Yoshida at the beginning of Japan's post war period and contrasts this with Prime Minister Fukuda's policies. Arguably, both strategies were devised to meet the needs of the times. However, the Fukuda Doctrine was able to successfully engage post colonial Asia in a manner consistent with the aspirations of these countries. Thus this work brings Prime Minister Fukuda to the centre stage, comparing him with Prime Minister Yoshida in terms of his importance to Japanese foreign policy.

Certainly, it is through enabling Eastern Asia to 'catch up' in terms of economic development that Japan has been able to succeed in legitimating its hegemony. However, improvement of relations via legitimation of regional hegemony does *not* mean that horrific memories are forgotten or forgiven, only that these are no longer an impediment to better relations. It also means that Japan has been able to better its relations in the region to an extent unimaginable without such an effort. That is, while there are several problems still to be settled between Japan and its former colonies and occupied areas, relations have improved because of Tokyo's commitment to providing 'global public goods' to enable regional economic development. This dissertation is perhaps the first to recognise the improvement in Japan's relations, the veracity of which is strengthened by attention to a body of critical theory that would otherwise normally find post colonial states in conflict with hegemonic capitalist powers.

The implications of the finding that Japan has improved its relations with post-colonial states is profoundly important for the 21<sup>st</sup> century. This research suggests that Japan has embarked on a form of international relations never before observed post-Westphalian era: the Japanese approach is a dramatically different answer to Western, especially US, notions of hegemony. Its rationale may be to maintain the position of Japan, but its methods are superior to those crudely adopted by the victorious “Great Powers” after WW II when, in the name of anti-communism, they devised neo-colonial policies which aimed to eliminate numerous nationalists and their armies in tragic post colonial spaces such as Vietnam, Algeria, and Nicaragua where the wretched of the earth attempted to be free.

#### **(5) Contribution to understanding Japanese history**

As the research does not specifically address Japanese history, its contribution to understanding this matter has been one of its most welcome surprises. This work suggests that to fully understand the depth of Japan’s commitment to Eastern Asian peace, one must also understand that country’s history in terms of why it contributed to the region’s wars in the first part of the 20<sup>th</sup> century. This is also to say that despite the furore in the 20<sup>th</sup> century over Japan’s militarism, the country has historically *not* been at war with other states, with the exception of two forays into Korea in the fifteenth century. This underlying sense of Japan as a relatively “quiet” island making few European-type demands on Eastern Asia prior to the late 19<sup>th</sup> century should not be under-emphasised in favour of over-emphasising its role as an aggressive colonial state in early 20<sup>th</sup> century. Understanding this somewhat isolationist bent in Japanese thinking over long periods allows us to better comprehend the vehemence of its engagement when under threat from without and the dogged defence of its place in the world today as a post imperialist power.

When considering the insights into Japanese history that have emerged as a result of this dissertation, the first which comes to mind is the observable tendency in post Meiji Japanese policy to adhere to the international norms of the times. This tendency is discernable from Japanese imperialism in the late 19<sup>th</sup> century through the fascism of the early 20<sup>th</sup> century to the international co-operation later that century. Each of these epochs is marked by Japan’s vigorous participation, suggesting a steep learning curve and an adjustment to the world after its forced “coming out” in 1863. Hence the

extraordinary attention given to Washington's role in Tokyo's cooperative efforts slights Japan's adherence to international norms (whether for good or evil, to put it in the stark and simplistic terms of today). Such attention to the US also overlooks both Japan's pre-WW II tendency to democracy, which lost out to the fascism of the day, and the US role in provoking first Japan's imperialism and then its fascism.<sup>368</sup> Therefore, when beginning to understand Japanese policy in the post-WW II era, it is useful to bear in mind the tendency for Japanese policymakers to conform to international norms, while remembering that its civil society element has grown stronger over the last 100 years. Indeed, these two factors have increasingly shaped Japanese policy towards Eastern Asia to the extent that researchers can no longer afford to ignore their importance if they are to fully appreciate Japan's place in the international system, where it has earned a respected space even in its own region, where memories still run deep with anger over the past.

The past, thankfully, is over: one can only hope that future generations will read, and learn from history, continuing to ask the most crucial question "Why?" In this they would be well advised to read carefully E. H. Carr, without neglecting his work *Conditions of Peace and Democracy in International Affairs*.<sup>369</sup> While not being an abstract theorist of the order of Gramsci or Habermas, he still saw the conditions of peace would entail a system that is more accountable than the one we have today.

## Endnotes

<sup>1</sup> See George Lakoff, "Metaphor and war." In Harry Kreisler (ed.) *Confrontation in the Gulf*. Institute for International Studies, UC Berkeley 1992. Also "The contemporary theory of metaphor." In: Ortony, Andrew (red.) *Metaphor and thought*: Second edition. Cambridge: Cambridge University Press. 202-251, 1993. Theories make claims about observable facts, while metaphors make claims about theoretical resemblances. "It is a great matter to observe propriety in these several modes of expression—compound words, strange (or rare) words, and so forth. But the greatest thing by far is to have a command of metaphor. This alone cannot be imparted by another; it is the mark of genius—for to make good metaphors implies an eye for resemblances." (Aristotle, *Poetics* 22:1458b; cited in James E. Mahon, "Getting your sources right: What Aristotle didn't say." In *Researching and Applying Metaphor*. eds. Lynnes Cameron and Graham Low. Cambridge: Cambridge University Press, 1999:72) As Mahon (1999:72) has argued, the *Poetics* "is a treatise about Greek literature...not a treatise about language." Aristotle's appreciation for the benefits of metaphor is derived from an understanding of their ubiquity in language, and their value in enabling understanding of the unknown or unfamiliar. His attribution of genius is for those who would make literature reflect the best of language. Aristotle was one of the first to recognize the crucial role of metaphor in facilitating understanding, inaugurating a long tradition of contested notions of the role of metaphor. While Aristotle speaks highly of the benefits of metaphor, foundational thinkers of the liberal tradition such as Hobbes, Locke and J.S. Mill all condemn metaphor as a subterfuge or chicanery of words. Ironically, all of these theorists are well known for particular metaphors they coined—Hobbes' *Leviathan* and Locke's mind as *tabula rasa* are two prime examples See Susan Haack, "'Dry Truth and Real Knowledge': Epistemologies of Metaphor and Metaphors of Epistemology." In *Aspects of Metaphor*. ed. Jaakko Hintikka. Dordrecht: Kluwer Academic Publishers, 1994, pp.1-12.

<sup>2</sup> Two issues that made Japan prominent were its direct investment into and trade surplus with the U.S. However, British and Dutch investment in the U.S. was larger, while Canadian surpluses were above those of Japan.

<sup>3</sup> See "Welcome, Mr Nice Guy: For Asia's sake, Japan should change its image" *Economist*, 1993-02-20.

<sup>4</sup> It is useful to know that Japan was not that late in its entry into the league of hegemonic powers, at least not late enough for them to be taken by surprise. To demystify the notion of Japan as a late comer, see the work of Shigeto Tsuru, *Japan's Capitalism* (Cambridge: Cambridge University Press, 1993), with a foreword by John Kenneth Galbraith. For a look at the origins of Japanese capitalism see Johannes Hirschmeier and Tsunehiko Yui, *The Development of Japanese Business 1600-1973*, Cambridge: Harvard, 1975.

<sup>5</sup> Post colonial "Eastern Asia" as used in this dissertation will not include China. Not only was China never fully colonised by powers of the day, since the 1960s at least the reality is that Beijing is a regional competitor of Japan. "Eastern Asia" is developed here to reflect the recent Japanese views of certain parts of Asia known to the Western audience as "East Asia" and "Southeast Asia." Kenichi Ohno defines "East Asia" functionally, as those economies that are already taking part in Asian dynamism, or the regional production network linked by trade and investment. He includes Japan, China (including Hong Kong), Taiwan, Korea (ROK), Singapore, Malaysia, Thailand, Philippines, Indonesia, and Vietnam. He points out that some countries such as Laos, Cambodia, and Myanmar are preparing to join this regional network. See "The East Asian Experience of Economic Development and Cooperation" National Graduate Institute for Policy Studies, August 21, 2002, <http://www.grips.ac.jp/forum/wssd/EAsia2.pdf>.

<sup>6</sup> See Michael M. Yoshitsu, *Japan and the San Francisco Peace Settlement* (New York: Columbia University Press, 1983). For reparations issues see Tamotsu Takahashi, "The Reparation Problem in the Japanese Peace Treaty—Japan's Postwar Relations with Southeast Asia," in Chihiro Hosoya, *Japan and Post War Diplomacy in the Asian-Pacific Region*. Occasional Papers 1. Tokyo: International University of Japan 1984, and Saori Katada (1996) *The U.S. influence and Japan's purpose: Japanese aid program in its early stage*. Paper presented at the ISA-JAIR Joint Convention at Makuhari, Japan, September 20-22.

<sup>7</sup> For instance the US shipped French forces back into Indochina after the Japanese departed, though not before they gave control to the Viet Cong by leaving behind war material. See Masaya Shiraishi, *Japanese Relations with Vietnam: 1951-1987*. Southeast Asia Program. (Ithaca: Cornell, 1990). The robust Viet Cong reaction to the return of the French is entirely understandable.

<sup>8</sup> Organised labour in Japan challenged the state with the Japan Communist Party becoming quite strong. See Sheldon Garon *The State and Labour in Modern Japan* (Berkeley: University of California, 1987), and also Tsuru (1993).

<sup>9</sup> See Robert R. Weyeneth, "The power of Apology and the Process of Historical Reconciliation, *Public Historian*, Summer 2001: Volumr 23, 13, p.9.

<sup>10</sup> Interviews: INO-R-U of Tsukuba, Tsukuba 1997; ROK-R-U of Tsukuba 1-3, Tsukuba 1997; ROK-R-LSE 1, London 1999 and SPR-R-LSE 2, London 2001. With respect to China, Japanese aid receives no public recognition—no signs of Sino-Japanese friendship are displayed on the public works projects (Interview: CND-R-CIDA/JICA, Tokyo 1997).

<sup>11</sup> There were attempts during this period of transition to challenge the Japanese engagement in Eastern Asia with Renato Constantino's *The Second Invasion: Japan in the Philippines*. (Quezon City: Karrel. 1989).

<sup>12</sup> Of course with reference to Edward W. Said, *Orientalism: Western Conceptions of the Orient* (London: Penguin Books, 1995). For Orientalist type work see Karel Van Wolfren, *The Enigma of Japanese Power* (Tokyo: Tuttle, 1993); James Fallows, *Looking at the Sun: The Rise of the New East Asian Economic and Political System* (New York: Simon and Schuster, 1994); Eamonn Fingleton, *Blindside: Why Japan Is Still on Track to Overtake the U.S. by the Year 2000* (Tokyo: Kodansha, 1995). Also, Interview: JPN-I-Blindside, Tokyo 1997.

<sup>13</sup> See Mutsumi Hirano, *The Implications of History Education for External Relations: A Case Study of the Japanese Textbook Disputes in the 1980s*. Ph.D., LSE 2001.

<sup>14</sup> Interview: ROK-R-LSE 1, London 1999. Indeed, this effect was seen in Seoul as the earlier focus on Japanese colonialism challenged the current democratic regime's joint efforts with Tokyo to regain control of the national economy, while U.S. firms bought South Korean assets cheaply. See also *The Guardian*, 1998-01-11 "The IMF rescue package will ultimately benefit the West far more than Seoul."

<sup>15</sup> Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987). Indeed the *Economist*, 2001-03-24, has improved its analysis of Japan, with its lead story about the US and Japan in terms of their combined importance for the entire world. See also John H. Makin and Donald C. Hellmann, eds. *Sharing World Leadership? A New Era for America and Japan*, American Enterprise Institute for Public Policy Research, Washington, D.C: AEI 1989.

<sup>16</sup> The academic literature on Japanese leadership and responsibilities is growing, led especially by Hideo Sato, University of Tsukuba, where he was the founding Chair of the Graduate School of International Political Economy (GSIPE). See Hideo Sato, "The Emerging Role of Japan in the World Economy," *International Spectator* XXVI, no.3 (July–September, 1991); "The Demise of the Cold-War Order: Regional Co-operation on the Rise," *Japan Review of International Affairs* 6 (1992): pp.16–33; *Global Leadership Sharing: a Framework of Analysis*, paper presented at the JSPS/SSRC Leadership Sharing Project Conference, The East-West Center, Honolulu, Hawaii, January 7–8, 1995; *Global Leadership Sharing: a Framework of Analysis*, paper presented at the ISA-JAIR Joint Convention at Makuhari, Japan, September 20–22, 1996. The Idea of Japanese Leadership Gets Critical Attention from Alan Rix, "Japan's Foreign Aid Policy: A Capacity for Leadership?" *Pacific Affairs* 62, no. 4, 1989; Susan J. Pharr, "Japanese Aid in the New World Order," in Craig Garby and Mary Brown Bullock eds. *Japan: A New Kind of Superpower?* Washington, D.C: Woodrow Wilson Center, 1995; Lee Poh-Ping, "Japan and the Asia-Pacific Region: A Southeast Asian Perspective," in Craig Garby and Mary Brown Bullock eds. *Japan: A New Kind of Superpower?* Washington, D.C.: Woodrow Wilson Center, 1995; Hanns W. Maull, *Japan and Germany in International Relations, 1950–2000: Parallels and Differences*, paper presented at the ISA-JAIR Joint Convention at Makuhari, Japan, September 20–22, 1996; Richard Doner, "Japan in East Asia: Institutions and Regional Leadership," in Peter Katzenstein and Takashi Shiraiishi, eds. *Network Power: Japan in Asia*, Ithaca: Cornell University Press, 1996. Reinhard Drifte, *Japan's Foreign Policy in the 1990s: From Economic Superpower to What Power?* Basingstoke: Macmillan, 1996; Christopher W. Hughes, *Japan's Economic Power and Security: Japan and North Korea*, New York: Routledge, 1999; Japanese Policy and the East Asian Currency Crisis: Abject Defeat or Quiet Victory? *Review of International Political Economy* 7, no. 2, Summer, 2000: pp.219–253.

<sup>17</sup> See Walter Hatch and Kozo Yamamura (1996) *Asia in Japan's Embrace: Building a Regional Production Alliance*. Cambridge: Cambridge University Press, p.115. The duo skirt the issue of who orchestrated a deliberate grand strategy to embrace the region. They end up arguing for a "government-business network" (1996:116–117), a representation that is not far from the "Japan, Inc." caricature of Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy 1925–1975*. Stanford: Stanford University Press, 1982 and *Japan: Who Governs? The Rise of the Developmental State*. New York: Norton 1995.

<sup>18</sup> Interview: MLY-R-AEFEA, Makuhari 1996.

<sup>19</sup> According to the *Economist*, 1997-01-18, "Not So Fast: Japan and Asia," in 1997 ASEAN states rejected a Japanese proposal to elevate Japanese-ASEAN relations to summit level forums that would discuss security issues, as it would essential imply a formal alliance. However, the boldness of the

Japanese proposal suggests that discussions about regional security co-operation are already at high levels, rather than the 1950–70s reliance on U.S. mediation and early 1980s silent approach by both sides. Haji Ahamed Zakaria, "Political and Security Dimensions in ASEAN-Japan Relations," in Frances Fung Wai Lai and Charles Morrison, *Political and Security Co-operation: A Dimension in ASEAN-Japan Relations?* Japan Centre for International Exchange. Tokyo: Komiyama, 1987.

<sup>20</sup> Track II connotes informal meetings through diplomats, scholars, business people and others outside to discuss security issues. See Brian Job, "The Track II process in Asia," in Alagappa, Muthiah, ed., *Asian Security Order: Instrumental and Normative*. Stanford: Stanford University Press, 2002, pp. 241–279.

<sup>21</sup> See Jusuf Wanandi, "The Regional Role of 'Track Two' Diplomacy: ASEAN, ARF, and CSCAP" in, Hadi Soesastro, and Anthony Bergin eds. *The Role of Security and Economic Cooperation Structures in the Asia Pacific Region: Indonesian and Australian Views* (Jakarta: Centre for Strategic and International Studies, in cooperation with, The Australian Defence Studies Centre, Australian Defence Force Academy, Canberra, 1996) p.155–168. In the case of Japan, ex-bureaucrats with experience in key positions in the powerful ministries often end up within Japanese industry associations, trading firms, and multinationals via a formal process called *amakudari*.

<sup>22</sup> Interview: JPN-R-ITDIJ, Tokyo 1997 and JPN-F-Tourism 1 & 2, Shimodate and Tokyo 1997.

<sup>23</sup> Interview: SGP-R-LSE-1, London 1999.

<sup>24</sup> Aired by NHK in 1996, the programme put both sides of the argument. Interview: JPN-A-NHK 1, Tokyo 1998.

<sup>25</sup> This survey was submitted to the Institute of Developing Economies (IDE) or *Ajiken* in Tokyo.

<sup>26</sup> This is particularly significant given the forced use of Japanese language in Korea during the colonial era. The air of goodwill improved even as Japan and Korea hosted the soccer World Cup thus removing both as future hosts. The injustice has driven Japan and Korea closer. According to one Korean researcher, since the World Cup in 2002, South Koreans have got closer as they have felt a "genuine" sense of support from Japan (Interview: ROK-R-LSE 2, London 2002).

<sup>27</sup> According to Oricon, which compiles Japan's pop charts, pop culture is big business in Japan, with domestic "J-Pop" alone recording sales of nearly ¥40 billion (\$373 million) a year, a figure that hides the popularity of Japanese pop culture abroad. The most popular artists achieve sales of nearly 10m copies per album. The best loved, Shuppan Shonen Magajin, sells 4m copies a week. Some estimates put annual sales of the "character business" at more than ¥4 trillion (\$37 billion). Sanrio, the Japanese company that franchises "Hello Kitty," a pink, mouthless cat whose popularity has spread from young girls to female office workers, clocks up sales of \$1.3 billion a year. See *Economist*, 22nd July 2000. "Japanese pop culture is turning into a money spinner across Asia: Hello Kitty and admirer" and "Japanese exports: Advance of the *amazonesu*." See also *Sunday Times*, 2001-04-08, Style section, "What's new pussycat?"

<sup>28</sup> Interview: PRC-R-Tsukuba U, Tsukuba 1997.

<sup>29</sup> Ibid. *Economist*, 22nd July 2000.

<sup>30</sup> Interview: JPN-F-Hitachi 1, Hitachi City 1997 and RUS-G-Russian Embassy, Tokyo 1997. The right wing is a visible national presence with their black flags and black painted vehicles as seen in Hitachi City, which is on the Pacific waters across the Russian occupied Kuril Islands.

<sup>31</sup> Interviews: INO-R-Tsukuba U1, Tsukuba 1997; MLY-R-Tsukuba U1, Tsukuba 1997; MYN-R-Yongon U, Tsukuba 1997; MYN-R-Moulmein U, Tsukuba 1997 and THD-R-Tsukuba U 1 & 2, Tsukuba 1997.

<sup>32</sup> The South Korean school curriculum includes detailed readings on Japan's occupation of the nation. However younger South Koreans, who have visited Japan, find it a contrast to the impressions at home (Interviews: ROK-R-Tsukuba U 1, Tsukuba 1997; ROK-R-Tsukuba U 2, Tsukuba 1997, ROK-R-Tsukuba U 3, Tsukuba 1997; ROK-R-Tsukuba U 4, Tsukuba 1997; ROK-R-LSE 3, London 1999). A young Korean academic presenting at a conference in Tokyo went as far as to say that attitudes are changing rapidly even in South Korea. Given the choice of presenting in English or Japanese, he chose the latter "to acknowledge that the conference was taking place in Japan." (Interview: ROK-R-U of Tokyo, Tokyo 1998). Confirming his outlook, in 1998 South Korea removed barriers to Japanese brand-name goods, suggesting the change at the top. In late 1998, the changes went deeper as the ban on cultural goods was lifted, thus replacing the black market for these goods. Such changes had taken place in Southeast Asia much earlier.

<sup>33</sup> In the sense of Martin Hollis & Steve Smith, *Explaining and Understanding International Relations* (Oxford: Clarendon Press, 1990), but more in keeping with the scientific-hermeneutic tension between Popper and Habermas that allows meaning to be attached to empirical realities. See Peter Dews, ed. *Autonomy and Solidarity: Interviews with Jürgen Habermas* (London: Verso, 1992) for the Habermas's view on Popper's positivism.

<sup>34</sup> See George Lakoff, "Metaphor and war." In Harry Kreisler (ed.) *Confrontation in the Gulf*. Institute for International Studies, UC Berkeley 1992. Also "The contemporary theory of metaphor." In: Ortony,



Andrew (red.) *Metaphor and thought*: Second edition. Cambridge: Cambridge University Press. 202-251, 1993. Theories make claims about observable facts, while metaphors make claims about theoretical resemblances. "It is a great matter to observe propriety in these several modes of expression—compound words, strange (or rare) words, and so forth. But the greatest thing by far is to have a command of metaphor. This alone cannot be imparted by another; it is the mark of genius—for to make good metaphors implies an eye for resemblances." (Aristotle, *Poetics* 22:1458b; cited in James E. Mahon, "Getting your sources right: What Aristotle didn't say." In *Researching and Applying Metaphor*. eds. Lynnes Cameron and Graham Low. Cambridge: Cambridge University Press, 1999:72) As Mahon (1999:72) has argued, the *Poetics* "is a treatise about Greek literature...not a treatise about language." Aristotle's appreciation for the benefits of metaphor is derived from an understanding of their ubiquity in language, and their value in enabling understanding of the unknown or unfamiliar. His attribution of genius is for those who would make literature reflect the best of language. Aristotle was one of the first to recognize the crucial role of metaphor in facilitating understanding, inaugurating a long tradition of contested notions of the role of metaphor. While Aristotle speaks highly of the benefits of metaphor, foundational thinkers of the liberal tradition such as Hobbes, Locke and J.S. Mill all condemn metaphor as a subterfuge or chicanery of words. Ironically, all of these theorists are well known for particular metaphors they coined--Hobbes' *Leviathan* and Locke's mind as *tabula rasa* are two prime examples See Susan Haack, " 'Dry Truth and Real Knowledge': Epistemologies of Metaphor and Metaphors of Epistemology." In *Aspects of Metaphor*. ed. Jaakko Hintikka. Dordrecht: Kluwer Academic Publishers, 1994, pp.1-12.

<sup>35</sup> "Developmentalism" is the term created by the late Murakami Yasusuke to explain the miraculous developmental experiences of the East Asian countries, including Japan. Accepting his basic ideas Esho Hideki, "The Political Economy of 'Developmentalism.'" (In Japanese) *The Monthly Journal Of The Japan Institute Of Labour* Vol. 41 August No.8 (1999) defines 'developmentalism' to involve: "those government-led industrialization strategies which aim to construct an independent national economy, in order to catch up with the developed countries."

<sup>36</sup> The case of Indonesia is informative. Originally welcomed as liberators, the Imperial Japanese Army ended up being occupiers who did not fulfill the promises of freedom. For more see Masashi Nishihara, *The Japanese and Sukarno's Indonesia*. Kyoto: The Centre for Southeast Asian Studies, 1976.

<sup>37</sup> Conceived by the foreign minister of Sri Lanka, J. R. Jayawardene, together with Sir Percy Spender, then Australia's foreign minister at a meeting of Commonwealth nations at Colombo, Sri Lanka, in 1950, the "Colombo Plan," or officially Colombo Plan for Co-operative Economic and Social Development in Asia and the Pacific, was sponsored as an initiative by Ceylon (Sri Lanka). It was the first regional plan for reconstruction along the lines of the Marshall Plan, see K. M. De Silva, *Regional Powers and Small State Security: India and Sri Lanka, 1977-1990* (Baltimore: Johns Hopkins University Press, 1995), p.38. The Consultative Committee, which directs the programme, has headquarters in Colombo, Sri Lanka. It consists of representatives from the 24 member countries: Afghanistan, Australia, Bangladesh, Bhutan, Burma, Cambodia, Fiji, India, Indonesia, Iran, Japan, Laos, Malaysia, the Maldives, Nepal, New Zealand, Pakistan, Papua New Guinea, the Philippines, Singapore, South Korea, Sri Lanka, Thailand, and the US.

<sup>38</sup> See also C. Kay, *Latin American Theories of Development and Underdevelopment*. London: Routledge, 1989, and "Relevance of Structuralist and Dependency Theories in the Neoliberal Period: A Latin American Perspective." *Working Paper Series* no. 281, Institute of Social Studies, The Hague, 1998.

<sup>39</sup> See the World Bank, *The East Asian Miracle*. New York: Oxford University Press, 1993. This research was influenced by Japan to emphasize the role of the state. The crucial factor that undermines dependency ideas is the empirical evidence that Eastern Asian countries have improved their economic situation even at the expense of the former "core countries" like Britain.

<sup>40</sup> Latin America colonies were different, as they were settlements that still looked to Europe for intellectual guidance, and as such their elite retained Western orientation. That is to say, Latin America maintained not only a "core-periphery" tie in political economy, but were *destined* to do so.

<sup>41</sup> For the case of post colonial Mahatirian Malaysia see John Stopford and Susan Strange, *Rival States Rival Firms: Competition for World Market Shares*. Cambridge: Cambridge University Press, 1992:23.

<sup>42</sup> South Korea, Taiwan, Singapore, and Hong Kong, and those "flying geese" just behind—Indonesia, Malaysia, Thailand, and the Philippines.

<sup>43</sup> The right-wing American Enterprise Institute (AEI) is also of the same view as their members testified in Congress that Japan caused the crisis in Eastern Asia. See James K. Glassman, "The Role of Japan in the Asian Financial Crisis," Testimony given to the House Committee on International Relations (Washington, D.C.) Publication Date: April 21, 1998.

<sup>44</sup> Millions of Japanese *diaspora*, or *nissei*, who settled in the Eastern Asian region in the early part of the 20th century, were forcibly returned to Japan. Ironically, the returnees, with their skills, formed a key

component of the post-war recovery as Japan was unintentionally compensated for its human resources loss (Tsuru 1993).

<sup>45</sup> In 1841, List wrote the *National System of Political Economy*, New York: Kelly, which went into three editions in the first few months. He was bitterly attacked by the British press. In 1844, List published *The Politics*, attacking the “crafty and spiteful commercial policy of England.” For Germany, he proposed: a thoroughly efficient transport facilities by river, canal, and railway under united management, the creation of a German fleet and the adoption of a universal German flag, the founding of German colonies abroad, national supervision of emigration, establishment of German foreign consulates, a regular line of German steamships and commercial treaties with the US, Holland, etc. For a short version see David Levi-Faur, “Friedrich List and the Political Economy of the Nation-State.” *Review of International Political Economy* 1997:4, no. 1.

<sup>46</sup> For example, the national car project in Indonesia supported by Japan has drawn the ire of Japan’s auto manufacturers. The Malaysian auto industry also developed courtesy of Mitsubishi of Japan (Interview: JPN-F-Mitsubishi, Tokyo 1998).

<sup>47</sup> Interview: JPN-F-Nissho Iwai 1, Tokyo 1998.

<sup>48</sup> The Monroe Doctrine set limits on the activities and rights of European powers in the western hemisphere. Put forward by President James Monroe in his seventh annual address to the U.S. Congress on December 2, 1823, it eventually became one of the foundations of U.S. policy in Latin America, particularly after the 1840s. For more on the U.S. policy towards Latin America see Philip Windsor, “The Saviour from the Sea,” *Foreign Policy* 22 (Spring 1976): pp. 162–181.

<sup>49</sup> Early in 1947 the British announced they could not support the Greek government after March 31 that year. Many diplomats feared the Soviet Union would then gain influence throughout the Middle East. President Truman successfully asked Congress for USD 400 million to aid Greece and Turkey. This policy of aid, popularly known as the Truman Doctrine, was an American challenge to Soviet ambitions throughout the world.

<sup>50</sup> See Gene Bell-Villada, Editor, *Gabriel García Márquez's One Hundred Years of Solitude: A Casebook*. Oxford University Press, 2002, and Gene Bell-Villada, *García Márquez: The Man and his Work*. Chapel Hill: University of North Carolina Press, 1990, and Harold Bloom, (Editor). *Gabriel García Márquez*. New York: Chelsea House, 1989. See also Don H. Radler, *El Gringo: The Yankee Image in Latin America* (Philadelphia: Chilton Co., Book Division, 1962), and Carlos Fuentes, *Latin America: At War with the Past* (Toronto: CBC Enterprises, 1985). Also Interviews: BRZ-R-Tsukuba U 2, Tsukuba 1997 and PRC-R-Tsukuba U 2, Tsukuba 1998.

<sup>51</sup> Interview: MEX-R-LSE, London 2002. In a macabre display some Mexicans had refused to feel sorry for the events of September 11, 2002 in the US. This was case in South Africa as well (Interview: CND-R-LSE, London 2002).

<sup>52</sup> See K.S. Jomo, *A Question of Class: Capital, the State and Uneven Development in Malaya*, Singapore: Oxford University Press, 1986, *Malaysia's Economic Development: Policy and Reform*. Selangor Darul Ehsan: Pelanduk 1996, *Southeast Asia's misunderstood Miracle*. Boulder, Colorado, 1997, *Industrial technology development in Malaysia: industry and firm studies*. New York: Routledge, 1998. See also K.S. Jomo, ed. (1994) *Japan and Malaysian Development: In the Shadow of the Rising Sun*. London: Routledge and K.S. Jomo and Ng Siew Kiat, *Malaysia's Economic Development*, Pelanduk Publications, 1996. Other scholars to note: Abul Kalam, “The South Asian Cooperation and Japan's Role.” *Strategic Studies*, Summer 1994: 16:39-58, and Rajah Rasiah, *Foreign capital and industrialization in Malaysia*. Basingstoke: Macmillan 1995.

<sup>53</sup> See Alice H. Amsden and Yoon-Dae Euh, *New York Times*, 27 November 1997 “Behind Korea's Plunge.” They argue that in 1995, South Korea made a Faustian bargain with the US. In exchange for membership in the prestigious Organization for Economic Cooperation and Development, it agreed to loosen almost all controls on financial institutions, both international and domestic, thus foreign banks were no longer barred from buying and selling large amounts of foreign currency; that enabled them to speculate against the Korean currency, the won. When Southeast Asian currencies fell that year, the won also weakened, but speculation made the currency's slide even more dramatic.

<sup>54</sup> See for example, Joseph Nye, *Soft Power: the Means to Succeed in World Politics*, Cambridge, MA: Perseus 2004, pp. 85-88. While appealing to the reader, such power is close to Gramscian hegemonic manipulation, and indeed has a far more critical exponent of it in Noam Chomsky. Its ultimate failure is however to not address the actual interests of post colonial states, and tellingly Nye cannot really deploy his argument convincingly in the Middle East, given that that region's interests collide with the U.S. support of Israel.

<sup>55</sup> In two pamphlets, *England, Ireland, and America* (1835) and *Russia* (1836), Cobden presented his philosophy of free trade. In 1838 he joined with the British statesman John Bright and other merchants to

found the Anti-Corn Law League. As part of a campaign to decrease the cost of living, the league agitated for repeal of the Corn Laws. This was effected in 1846, thus ushering in an era of *laissez-faire*. In Parliament Cobden favoured a *laissez-faire* economic philosophy opposing factory reforms and trade unions and objecting to the intervention of government in the affairs of foreign nations.

<sup>56</sup> The latter part of the 19th century, the height of British Empire, is hailed as the Golden period of *laissez-faire*, rather than the end result of a programme of colonial expansion when the terms of trade were *not* favourable for Britain. For example, during the first half of the 19th century, palm oil, produced in Yorubaland and the Niger delta area, had become a major trade item. It quickly became so important an article of commerce that the delta region became known as “Oil Rivers.” A British consul was sent to Calabar on the delta, and later to Lagos Island, to the south of Yorubaland, where British traders were firmly established. In 1861 Britain took full possession of Lagos Island, establishing the Colony of Lagos, which was administered from the Gold Coast Colony until 1886, after which it was given its own governor and administration. British authority was subsequently extended east and west along the coast. After the conclusion of several treaties with local rulers, the British Oil Rivers Protectorate, renamed the Niger Coast Protectorate in 1893, was established over the eastern delta area as far north as the Benue in 1885—the same year as the completion of the Berlin Conference, which precipitated the infamous “Scramble for Africa” by the European powers. The conference agreement stipulated that no new protectorate or annexation along the coast would be recognised unless accompanied by “effective occupation” by the colonising power; this rule was extended to the interior in 1890. The same logic of controlling trade has driven Britain to colonise parts of the Americas and Asia, thus effectively wiping out indigenous capitalist growth.

<sup>57</sup> Milton Friedman joined the economics department at the University of Chicago, and is now considered a leading protagonist of the economic theory of monetarism—that free market forces, rather than increased government intervention can most effectively produce a balanced and non-inflationary rate of economic growth. Friedman was awarded the 1976 Nobel Prize for Economics for “his achievements in the fields of consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilization policy.” Among his books are *Capitalism and Freedom* (1962), *A Monetary History of the U.S., 1867–1960* (1963), *Dollars and Deficits* (1968), *A Theoretical Framework for Monetary Analysis* (1971), and *Free to Choose* (1980), the latter written with his wife, Rose Friedman.

<sup>58</sup> Trade allows states to grow and change position in the international system without war, and trade is more profitable than war. Richard Rosecrance, who wrote *The Rise of the Trading State*, points to Japan as an example of such nonmilitary success (though realists would say that Japan was protected by the Cold War US). Before World War I, many scholars and leaders suggested that war was becoming obsolete because it was becoming so costly. Richard Cobden and the Manchester School of British economists fit into this group, and philanthropists such as Andrew Carnegie (creator of the Carnegie Endowment) worried that their funds given to peace research would need to be allotted to new areas once international peace was achieved (sooner rather than later).

<sup>59</sup> See the *International Herald Tribune*, December 30, 1988, cited in Sato Hideo (1992), “The Demise of the Cold-War Order: Regional Co-operation on the Rise.” In: *Japan Review of International Affairs* Volume 6, Special Issue, p.29.

<sup>60</sup> See UNCTAD *World Investment Directory—Asia and Pacific*, Volume 1 (New York: United Nations, 1992), p.12.

<sup>61</sup> The four major multilateral conventions: ICSID or Settlement of Investment Disputes Between States and Nationals of Other States, Washington Convention (1965); CREFAA or New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (1958); PCPP or Paris Convention for the Protection of Property (1883, Amended 1979); and MIGA or Convention establishing the Multi-lateral Investment Guarantee Agency (1985).

<sup>62</sup> Regional hegemony might seem irrelevant to theorists focused on US hegemony. However, hegemony is exerted in other situations, even among lesser powers than Japan. See Srikant Dutt, *India and the Third World, Altruism or Hegemony?* London: Zed Books 1984. Also Jayantha Jayman, *South Asian Regional Co-operation: Regime Survival and Discussion of Bilateral and Contentious Issues*, M.A. Thesis University of Toronto, 1992.

<sup>63</sup> For example, according to the data, Thailand invests in Vietnam. However, some of this investment is from Japanese firms directly repatriating their profits for investment in a plant or factory in a third country (Interview: JPN-G-Ex Im Bank, Tokyo 1998).

<sup>64</sup> Note: Prior to 1994, dollar figures are converted to yen figures using the exchange rate at the end of the year.

<sup>65</sup> International assets of BIS reporting banks of each nationality. Total international assets held by all BIS reporting banks. Prior to 3Q 1996, Hong Kong is not included in “industrial reporting countries.”

<sup>66</sup> 1. Private investment = Fixed capital formation (excluding govt investment) + increase in stocks  
2. General government deficit: quarterly data are estimated from annual data of general government financial surplus (-) or deficit (+).

3. Private surplus = Net exports of goods and services + general government deficit

4. Private savings = Private investment + private surplus

<sup>67</sup> See Jonathan Kirshner "Keynes, Capital Mobility and the Crisis of Embedded Liberalism." *Review of International Political Economy* 6, no. 3 (Autumn 1999): 313–337.

<sup>68</sup> Taxpayers hold the government bonds indirectly through their pension or life insurance funds, and these funds in turn are extremely averse to risks abroad.

<sup>69</sup> In 1987 Robert Gilpin coined the term "nichibei" economy in his important work *Political Economy of International Relations* where he worried if Japan would continue supporting the U.S. In his numerous works William R. Nester, "The Third World in Japan's Foreign Policy." *Millennium Journal of International Studies* 18, no.3 (Winter 1989). *Japan's Growing Predominance over East Asia and the World Economy*. Basingstoke: Macmillan, 1989, *Japanese Industrial Targeting: The Neomercantilist Path to Economic Superpower*. London: Macmillan 1990, *The Foundation of Japanese Power: Continuities, Changes, Challenges*. London: Macmillan 1990, *Japan and the Third World: Patterns, Power, Prospects*. London: Macmillan, 1991, *American Power, the New World Order and the Japanese Challenge*. Basingstoke: Macmillan Press, 1992, *European Power and the Japanese Challenge*. Basingstoke: Macmillan 1993. Nester argued that Japan is in competition with the West. However, events since show that Japan is more interested in continuing its co-operative relationship with its allies, with Michael J. Green confirming this view, see "Interests, Asymmetries, and Strategic Choices," in Michael J. Green, Mike M. Mochizuki, *The U.S.-Japan Security Alliance in the 21 st Century*. New York: Council on Foreign Relations, 1988, "Japan in Asia." *Global Affairs*. (Summer 1991), "State of the Field Report: Research on Japanese Security Policy," *Access Asia Review*, The National Bureau Of Asian Research, 5:41 (September 1998):10, *Japan's Reluctant Realism, Foreign Policy Challenges in an Era of Uncertain Power*. Palgrave Macmillan 2001. Other scholars hold tension is coming down. Muttiah Alagappa argues that military security issues are becoming less important today: see the works edited by him: *Asian Security Practice: Material and Ideational Influences*, Stanford: Stanford University Press, 1998, *Coercion and Governance: The declining role of the military in Asia*. Stanford: Stanford University Press, 2001, and *Asian Security Order: Instrumental and Normative*. Stanford: Stanford University Press, 2002. David Kang goes further to challenges the theoretical foundations of realism, which predicts conflict in Asia. See "Getting Asia Wrong: The Need for New Analytic Frameworks" (*International Security* 27, no. 4, Spring 2003, "International Relations Theory and the Second Korean war," (*International Studies Quarterly* 47, no. 3, September 2003, ) "The avoidable crisis in North Korea" *Orbis* Summer 2003, and David Kang with Victor Cha, "Think Again: The Korean Crisis," *Foreign Policy* (May/June 2003).

<sup>70</sup> See D.C. Gillian, "The Spratly Islands Dispute is a Potential Flashpoint of Conflict in the South China Sea" in, *Fort Queenscliff Papers*, 1995, p.134–140 and J. N. Mak, "ASEAN Maritime Insecurity: Contingency Planning in an Uncertain World." *International Defence Review*, 1995: 58–65.

<sup>71</sup> Chris Hughes of the London School of Economics (LSE) makes this case in "China and the United States," *Series: The United States Discussion Group, 2003, International Perspectives on the United States*, Royal Institute of International Affairs, 10th April 2003.

<sup>72</sup> Michael Yahuda makes this case. (Interview: ENG-R-LSE 2, London 2000).

<sup>73</sup> *Economist*, 1993-02-20, "Asia's Arms Race: Gearing up. A Boom in Military Spending and the Arms Trade."

<sup>74</sup> As the *Economist* notes, by elevating Liu Huaqing, a modernising admiral, to the Politburo standing committee in 1992, the party gave a clear signal that China's drive to upgrade the PLA would intensify. Also China has even turned back to Russia after over 30 years of estrangement. After purchasing advanced weaponry in December 1992, Russian President Yeltsin visited Beijing and signed 30 co-operation agreements. China bought military technology and equipment that suggests a desire for projection of long-range, blue-water military capability; for example, in-flight refueling equipment from Iran and Israel. *Economist*, "Asia's Arms Race: Gearing up. A Boom in Military Spending and the Arms Trade," 1993-02-20.

<sup>75</sup> The *Economist* argues that in the Chinese parts of Asia, savings rates run at 25–45% of GNP. The result is one of the world's deepest pools of liquid capital. It is estimated that world-wide the overseas Chinese population probably hold liquid assets (not including securities) worth USD 1.5–2 trillion. In comparison, in Japan, with about twice as many people, bank deposits in 1990 totaled USD 3 trillion. See *Economist*, "The Overseas Chinese: A Driving Force." 1992-07-18.

<sup>76</sup> Though Japan is China's biggest source of foreign loans, by far the largest part of direct investment is coming from the overseas Chinese, with Hong Kong and Taiwan together accounting for two-thirds. The Chinese of Southeast Asia add another 10–15%. It is direct foreign investment—with the technology, management skills, and export potential that it brings—which is really transforming China's economy. See *Economist*, "The Overseas Chinese: A Driving Force." 1992-07-18.

<sup>77</sup> Speech by Robert S McNamara, former U.S. Secretary of Defence, *U.S. Foreign and Defence Policy for the 21st Century*, speech given on 7 May, 2002 at the LSE. See also *Argument without end: in search of answers to the Vietnam tragedy*. New York: Public Affairs 1999.

<sup>78</sup> For ideas along these lines see R.J.B. Walker cited in Ronen Palan, editor, *Global Political Economy: Contemporary Theories*, ed. Routledge: London and New York, 2000, p.5.

<sup>79</sup> There is some basis for this claim of Michael Doyle's that democracies do not go to war with each other. However, it might more convincing if we consider that that even when going to war, costs have to be downplayed and propaganda used to convince the public of the need for war. Recently the U.S. has gone a step further with the Powell Doctrine of using soldiers as a last resort and instead focusing on technologies capable minimising casualties. Even this ploy will likely run out of its course as the U.S. public will in time find that they have been manipulated. See Michael Doyle, "Liberalism and World Politics." *American Political Science Review*, 1986, 1151–1169 and "Michael Doyle On The Democratic Peace." *International Security* 19, 1995, 180–184.

<sup>80</sup> Thomas Berger, "Unsheathe the Sword? Germany's and Japan's Fractured Political-Military Cultures and the Problem of Burden Sharing;" *World Affairs*, 158, no. 4 (1996).

<sup>81</sup> Meaning of such phenomena is seen in Benedict Anderson, (1983) *Imagined Communities*. London: Verso.

<sup>82</sup> See Ezra Vogel, *Japan as Number One: Lessons for America* (Cambridge, MA: Harvard University Press, 1979); Chalmers Johnson, "Their Behavior, Our Policy," *The National Interest* 17 (Fall 1989); Clyde Prestowitz, *Trading Places* (New York: Basic Books, 1989); Eamon Fingleton, *Blindside: Why Japan Is Still on Track to Overtake the U.S. by the Year 2000* (Boston: Houghton Mifflin, 1994); and George Friedman and Meredith Lebard, *The Coming War with Japan* (New York: St. Martin's Press, 1991). For an example of the hysteria Japan induced in policymaking circles, see CIA, *Japan 2000* (Rochester Institute of Technology: 1991); and "Paradigm Paranoia," *Far Eastern Economic Review* (June 27, 1991): p. 15.

<sup>83</sup> For dire predictions on Japan's relations in Asia see Gerald Segal, "The Coming Confrontation Between China and Japan," *World Policy Journal* 10, no. 2 (Summer 1993) and Allen Whiting, *China Eyes Japan* (Berkeley: University of California Press, 1989).

<sup>84</sup> See *Economist*, 1997-06. "Can Japan be Asia's policemen?" The detailed plans of the 1997 defence guidelines were given at a presentation at the Research Institute for Peace and Security (RIPS), Tokyo, July 1997. The latest idea to push Japan into the UN security council comes from retired Canadian General MacKenzie in his address "World Conflict and the Canadian Military," Congress 2003, Halifax May 30.

<sup>85</sup> Japan, ASEAN back bailouts: leaders also urge steps to restore regional stability, *Daily Yomiuri*, 1997-12-17.

<sup>86</sup> See for example: Chalmers Johnson, "Japan in search of a "normal" role," *Daedalus* 121 (Fall 1992): 1-33; and Reinhard Drifte, *Japan's Foreign Policy for the 21st Century: From Economic Superpower to What Power?* (New York: St. Martin's Press, 1998).

<sup>87</sup> For example, Michael Cox, "September 11th and U.S. Hegemony—Or Will the 21st Century Be American Too?" *International Studies Perspectives*, Volume 3 Issue 1 Page 53 - February 2002

<sup>88</sup> See for example Peter Bell, *New Party, New Politics: Gramsci's Democratic Socialism*, London: Clause 4, 1986, for the possibility of consent within a distributive system.

<sup>89</sup> One of the relevant works is Noam Chomsky and Edward S. Herman, *Manufacturing Consent: The Political Economy of the Mass Media* (New York: Pantheon Books, 1988). Also see *The Umbrella of U.S. Power: The Universal Declaration of Human Rights and the Contradictions of U.S. Policy* (New York: Seven Stories Press, 1999); and *Rogue States: The Rule of Force in World Affairs* (Cambridge, MA: South End Press, 2000). See also Youssef Cohen, *The Manipulation of Consent* (Pittsburgh: Pittsburgh University Press, 1989).

<sup>90</sup> At least in terms of the popular interpretation of Karl Marx. On hearing of the establishment of a Marxist party in France, he famously said: 'Je ne suis pas marxiste'. But he was subsequently ignored. Marxism in the twentieth century became defined by interpretations such as Lenin's Imperialism: the highest stage of capitalism. For a more complex understanding of Marx see Lord Meghnad Desai's *Marx's Revenge: The Resurgence of Capitalism and the Death of Statist Socialism*, New York, Verso, 2002.

<sup>91</sup> Antonio Gramsci, (1937/1991) *Prison Notebooks* [Quaderni del carcere.] Joseph A. Buttigieg, ed. Vol.1. Series: European Perspectives. New York: Columbia University Press. xiii.

<sup>92</sup> Habermas lumps Popper with the Positivists from the Vienna Circle. The Circle drew a line between the science and “metaphysics,” which Habermas sees as all other forms of knowledge downgraded to “mere forms of expression” Habermas (1986:48).

<sup>93</sup> Rodney Barker, *Legitimizing identities: the self-presentation of rulers and subjects* Cambridge: Cambridge University Press, 2001, p.10, raises four objections to assessing legitimacy via democratic theory as suggested by mainly U.S. scholars, Robert A. Dahl (1961) *Who Governs?: Democracy and Power in an American City*. London: Yale University Press and M. Stephan Weatherford “Measuring Political Legitimacy.” *American Political*

(1992). First he notes that the argument is circular, inferring consent from obedience, and then invoking consent to explain obedience. Secondly he notes that “legitimacy” explains nothing, and is no more than a redescription of the phenomena being examined. Here see Brian Barry, *Sociologists, Economists and Democracy* (London, Collier-Macmillan, 1970) pp. 53–7. Thirdly, Barker states that to describe as legitimate a regime which its subjects believe to be legitimate is to empty the term of any moral content it ought to have. This he states is a line of reasoning by Peter G. Stillman, “The Concept of Legitimacy,” *Polity* 7,1 (Amherst, Northeastern Political Science Association, 1974): 32–56, p.50; David Campbell, “Truth Claims and Value-Freedom in the Treatment of Legitimacy: The Case of Weber,” *Journal of Law and Society* 12,2 (Summer 1986): 207–24, p. 221; and by David Beetham, *Legitimation of Power*. London: Macmillan. Fourthly, Rodney Barker states that describing a resource of government, “legitimacy,” makes distinct or even optional an activity which is better seen as integral to all government, citing others, but mainly based on his own work “Legitimacy and the Identity of the Accused,” *Political Studies* 42, 1 (1994): 101–2.

<sup>94</sup> Her is vast in scope, however the normative concerns are very clear from the onset. For a complete account of her work, see Christopher May, *An Annotated Bibliography of Susan Strange's Academic Publications 1949-1999*, 2003.

<sup>95</sup> What Gramsci means by “organic” is the natural notion of the word (see *Prison Notebooks*, pp. 5–6).

<sup>96</sup> For Gramsci's idea relating to revolutionary action see Joseph V. Femia (1981), *Gramsci's Political Thought: Hegemony, Consciousness, and the Revolutionary Process*. Oxford: Clarendon.

<sup>97</sup> Philosophers like Aristotle were not part of the European psyche until learning spread from the Moor centres in Spain via Arabic translations of the Greeks and Romans. See BBC, 1998-12-12 “Spain's Islamic past,” [http://news.bbc.co.uk/1/hi/world/from\\_our\\_own\\_correspondent/223838.stm](http://news.bbc.co.uk/1/hi/world/from_our_own_correspondent/223838.stm) and BBC, 2003-07-10. “Mosque signals Muslims' return to Spain,” <http://news.bbc.co.uk/1/hi/world/europe/3055377.stm> Also see J. Abu-Lughod, (1989) *Before European Hegemony: The World System A.D. 1250–1350*. New York: Open University Press.

<sup>98</sup> Public goods are non-rivalrous, meaning that it does not exhibit scarcity and that once it has been produced, everyone can benefit from it. It is also non-excludable, meaning that once it has been created, it is impossible to prevent people from gaining access to the good. Public goods provide a very important example of market failure. Because no private organisation can reap all the benefits of a public good that they have produced, economic theory concludes that there will be insufficient incentive to produce it. Consumers will take advantage of ‘public goods’, without contributing sufficiently to their creation. One general solution to the problem is for governments to raise taxation to fund the production of ‘public goods’, with the difficulty to determine how much funding should be allocated to different ‘public goods’, and how the costs should be split. Those from the Austrian school (especially Friedrich Hayek's work) dispute the existence of market failures, and so justify their position for a minimalist state.

<sup>99</sup> The foundational work in collective action was Mancur Olson's *The Logic of Collective Action: Public Good and the Theory of Groups*, 1971.

<sup>100</sup> Performance legitimacy allows us to see the continuation of dominance of non-liberal regimes, which are more consistent with the condition of anarchy, where there is dominance and no representation. For the domestic argument see Richard Stubbs, “Democratization, Performance Legitimacy and Southeast Asia's ‘Soft Authoritarianism’” (Chapter 2) in: Amitav Acharya, Bernard M. Frolic and Richard Stubbs, eds. *Human Rights and Democratic Transition in Asia* (Toronto: Joint Centre for Asia Pacific Studies, University of Toronto-York University, 2000). See also Richard Stubbs, *Legitimacy and Economic Growth in Eastern Asia*, Eastern Asia Policy papers No. 10, (Toronto: Joint Centre for Asia Pacific Studies, University of Toronto-York University, 1995), pp.36.

<sup>101</sup> His *Two Treatises of Government* (1690) were written to justify the Glorious Revolution of 1688–89, and his *Letter Concerning Toleration* (1689) is one of the canonical English-language texts in the history of the idea of toleration. The other significant contribution of the Enlightenment in the field of social and political philosophy, was Jean-Jacques Rousseau's *Du contrat social* (1762, *The Social Contract*), which

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proposed a justification of political association grounded in the newer political requirements of the age. The Renaissance political philosophies of Machiavelli, Bodin and Hobbes had centered on the absolute power of kings and rulers. But, the Enlightenment theories of Locke and Rousseau turned instead to the freedom and equality of citizens.

<sup>102</sup> See for example Alice Ormiston, *Rousseau and the Project of Autonomy*, CPSA Annual Conference, June 2003, Halifax.

<sup>103</sup> Though mistaken as such, he was thus no democrat in the modern sense and was mainly concerned to make the poor work harder in order that a higher surplus could be taken by capitalists. It was the threat of attack on the laws, property, and the Protestant religion that had roused resistance to James II. Locke was expressing the concerns and interests of the landed and moneyed men by whose consent James's successor, William III, came to the throne, and his commonwealth is strictly conservative, limiting the franchise and the preponderant power to the propertied classes.

<sup>104</sup> See C. Matheson, "Weber and the Classification of Forms of Legitimacy," *British Journal of Sociology* 2 (1987), 199–215, for more.

<sup>105</sup> Some domestic level interpretations along these lines: Pete Bell, *New Party, New Politics: Gramsci's Democratic Socialism*. London: Clause 4, 1986. However there are more radical interpretations from Carl Boggs, *Gramsci's Marxism*. London: Pluto Press 1976 and *The Two Revolutions: Antonio Gramsci and the Dilemmas of Western Marxism*. Boston: South End Press 1984.

<sup>106</sup> Political also crises occur that will undermine the stability of global capitalism as suggested by Karl Polanyi's idea of a "double movement" in *The Great Transformation: The Political and Economic Origins of Our Time* (1944:12). See also Beverly J. Silver and Giovanni Arrighi, Polanyi's "Double Movement" in a Special issue on the The Legacy of Karl Polanyi, in: *Politics and Society*, Volume 31 Issue 02, 2003. Polanyi explained the political and economic origins of the collapse of nineteenth-century civilization, and the great transformation that he had lived through in the twentieth. As he saw it, four institutions were crucial to the economic and political order that had characterized the North Atlantic Community and its periphery in the nineteenth century: a balance of political power, the international Gold Standard, a self-regulating market system, and the liberal state. The SRM (self-regulating market) was "the fount and matrix of the system," the "innovation which gave rise to a specific civilization" (p. 3). Polanyi differentiated between economic systems in which there were markets and the "starkly utopian" SRM of the nineteenth century. Markets are places or networks in which goods are bought and sold; they are human interactions organized by price, quality, and quantity of traded goods and services. The SRM was a society-wide system of markets in which all inputs into the substantive processes of production and distribution were for sale and in which output was distributed solely in exchange for earnings from sales of inputs. The second crucially distinct feature of Polanyi's analysis is his argument that the SRM could not survive—not because of the distributional consequences that play the major role in Marx's explanation of the inevitable collapse of capitalism—but because the starkly utopian nature of the SRM gave rise to a spontaneous counter movement, even among those enjoying increased material prosperity. Society is vital to humans as social animals, and the SRM was inconsistent with a sustainable society.

<sup>107</sup> I would like to thank Tom Keating for this insight.

<sup>108</sup> Michael Cox in a lecture "The New American Empire," Miliband Lecture on American Power in the 21st Century, Wednesday 19th February 2003, characterised the duality of expectation and blame as the world being "schizophrenic." However, when seen from the lens of legitimation this duality is perfectly logical: praise for good actions, and blame for bad ones.

<sup>109</sup> Mary Kaldor has recently made the case that war and preparation for war between states have ceased to be the dominant mode of international relations in the late 20th century compared to early parts of the century. See Mary Kaldor and Basker Vashee, eds, *New Wars* (London: Pinter, 1997), Mary Kaldor, Ulrich Albrecht and Geneviève Schméder, eds, *The End of Military Fordism* (London: Pinter, 1998), Mary Kaldor, *New and Old Wars: Organized Violence in a Global Era* (Cambridge: Polity, 1999). The new warfare, Kaldor argues, is above all a political rather than a military challenge, as it is about the breakdown of legitimacy. She argues for a new cosmopolitan politics to reconstruct legitimacy in the zones of war.

<sup>110</sup> One cannot take the empirical findings of Gramsci—that the bourgeoisie did reproduce consent through its control of intellectuals—as a given for all time and all political spaces. Before reaching this conclusion Gramsci first set up the question, and then, and only then, did he find the hand of the bourgeoisie in its own reproduction.

<sup>111</sup> See Sue Golding, *Gramsci's democratic theory: contributions to a post-liberal democracy*. Toronto: University of Toronto Press, 1992.

<sup>112</sup> Antonio Gramsci, *Prison Notebooks*, p. 56, note 5. It is also useful to note that colonial era British civil servants studied the element of consent in their attempt to maintain the empire. They could not



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succeed ultimately, as direct rule without representation or consideration for subjects still meant imperialism.

<sup>113</sup> Some might argue that democracy is contingent on ethnic homogeneity, but this is not as important an issue for Gramsci as the material interests supercedes constructs such as ethnicities.

<sup>114</sup> Gramsci terms this "Cardonism." The compilers of the *Prison Notebooks* note that Luigi Cardona (1850-1928) was commander-in-chief of the Italian armed forces until the defeat at Caporetto in 1917, and "the Italian soldiers' disaffection was certainly an important factor in the defeat. Cardona is taken by Gramsci as the symbol of the authoritarian leader who makes no attempt to win 'consent' of those he is leading." Antonio Gramsci, *Prison Notebooks*, p. 145, note 29.

<sup>115</sup> See Charles Tilly and Wim P. Blockmans, Eds, *Cities and the Rise of States in Europe, A.D. 1000 to 1800* (Boulder: Westview Press, 1994) and Charles Tilly, Ed. *Citizenship, Identity, and Social History* (New York: Cambridge University Press, 1996).

<sup>116</sup> Antonio Gramsci, *Prison Notebooks*, p. 208. Furthermore, the change in Gramsci's thoughts before and during the imprisonment is indicative of his evolution towards giving greater legitimacy to Western democracy. Gramsci began his prison project after being disillusioned with the determinist interpretation of Marx by the orthodoxy, but did not live to complete his project.

<sup>117</sup> The concept of a 'public good' can be traced to David Hume's *A Treatise of Human Nature* (1739), Adam Smith's *The Wealth of Nations* (1776), and especially John Stuart Mill's *Principles of Political Economy* (1848), although they did not use the term as such. As Louise Frechette notes (<http://www.undp.org/ods/monterrey-papers/frechette.pdf>), in 1890 the Italian economist, Ugo Mazzola, was the first to point out the peculiar characteristic of a public good: that its consumption is joint (my consumption doesn't diminish yours). See Ugo Mazzola (1890), "The Formation of the Prices of Public Goods," translated by Elizabeth Henderson, in Richard A. Musgrave and Alan T. Peacock, eds, *Classics in the Theory of Public Finance* (London: Macmillan, 1958) pp. 37-47. Originally published as *I dati scientifici della finanza pubblica* (Rome: 1890) Chapter IX, pp. 159-83. In 1954 Paul Samuelson was the first to systematically explore the concept within economics in "The Pure Theory of Public Expenditure," *Review of Economics and Statistics* 36 (November 1954): 387-89, "Diagrammatic Exposition of a Theory of Public Expenditure," *Review of Economics and Statistics* 37 (November 1955): 350-56 and "Aspects of Public Expenditure Theories," *Review of Economics and Statistics* 40 (November 1958), 332-38.

<sup>118</sup> Some scholars have posed the question of international democracy directly. See Christoph Görg and Joachim Hirsch (1998) "Is international democracy possible?" *Review of International Political Economy*. 5:4 Winter 585-615.

<sup>119</sup> The authors within Stephen Gill, ed. *Gramsci, historical materialism and international relations*. Cambridge; New York : Cambridge University Press, 1993, pay less attention to post colonial movements and their resistance compared to the power of hegemon. In Stephen S. Gill *American Hegemony and the Trilateral Commission*, Cambridge: 1990, the interviews are mainly with those within or near the Trilateral commission.

<sup>120</sup> Susan Strange, "Point Four. Helping to Develop Half A World" *Peacefinder Series: 7*. London: United Nations Association, 1950. She pointed out that rich states lacked the political will to address this issue in "Changing Trends in World Trade" in: *Year Book of World Affairs: 1962* London: Stevens, pp. 139-158.

<sup>121</sup> Article 25 upholds that everyone has the right to a standard of living adequate for the health and well-being of himself and his family including food, clothing, housing, medical care, necessary social services and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

<sup>122</sup> See Albie Sachs, "Enforcement of Social and Economic Rights," Centre for the Study of Human Rights, 27 February, 2003, LSE. He argues the 1948 declaration is an assertion of economic and social rights and a great international statement of human dignity. Sachs makes the case that despite the strong initial assertion of the importance of economic and social rights the argument still tends to persist that in some way they are *non-justiciable*, that it's not a function of courts to determine when governments are complying with these economic and social rights. Sachs went on to make the case that the ANC-led government in South Africa had to face the courts in a recent case, with the government loosing the decision and being compelled to uphold the rights of destitute women.

<sup>123</sup> Except with oil, the price of which rose following the independence of Arab states in the 1950s and 1960s. Other producer groups attempts to fetch better prices, failed due to several reasons, including due to over supply given that the IMF/Bank regime encouraged "comparative advantage" based production for all post colonial states.

<sup>124</sup> The U.S. involvement in Vietnam being the most tragic of all, leaving 3 million Vietnamese children, women, and men and 50,000 U.S. nationals dead.



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<sup>125</sup> Walt Rostow, *Why the Poor Get Richer and the Rich Slow Down*, Austin: University of Texas Press, 1980.

<sup>126</sup> See John Williamson, "What Washington Means by Policy Reform," in J. Williamson *Latin American Adjustment: How Much Has Happened*. Washington D.C.: Institute of International Economics, 1990, "Democracy and the 'Washington Consensus'." *World Development* 21-1993 (8): 1329-1336, "The Washington Consensus Revisited," in L. Emmerij *Economic and Social Development into the XXI Century*. Washington D.C.: Inter-American Development Bank. John Baltimore: Hopkins University Press, 1997, 48-61.

<sup>127</sup> Robert Gilpin (1987) *The Political Economy of International Relations*, Princeton, NJ: Princeton University Press, alludes to this argument, but focuses instead on the interests of the hegemon in sustaining this order. Eric Helleiner "American Hegemony and Global Economic Structure: From Closed to Open Financial Relations in the Postwar World." Ph.D. thesis, University of London 1991, traced the sources of hegemony to the Dutch period of international capitalism.

<sup>128</sup> The question of the need for U.S. action, or hegemonic provision of 'public goods', has been challenged by using the idea that post-Cold War liberalism no longer needs a hegemon. See Andrew Walter, *World power and world money: the role of hegemony and international monetary order*, London: Harvester Wheatsheaf, 1993. Without a major crisis it was difficult to test these theories, and younger scholars like Walter were willing to challenge the wisdom of Kindleberger (1986) and others. But, the idea of legitimation that does capture important international politics is missing in Walter's revised account, even though it is implied in Kindleberger's original argument. Others analyse how this circumstance evolved: for example, Pauly argues that globally integrated capital markets threaten national "political legitimacy." See Louis W. Pauly, *Who Elected the Bankers? Surveillance and Control in the World Economy*, Ithaca: Cornell University Press, 1997.

<sup>129</sup> The UNDP is now part of the debate on late 20<sup>th</sup> century/early 21<sup>st</sup> century era of globalisation. Within it, liberal internationalists see a role for global governance, while those more skeptical of international institutions see U.S. hegemony as either a necessity or a problem. See Inge Kaul, Isabelle Grunberg, and Marc A. Stern, eds., *Global Public Goods: International Cooperation in the 21st Century*. New York: Oxford University Press.

<sup>130</sup> Her criticism of the US focused on the unnecessary military adventurism of Washington leading to the premature abandonment of the management of the financial structure upon which world economic activity depended. See *States and Markets: An Introduction to International Political Economy*, London: Pinter Publishers, 1988.

<sup>131</sup> As (Polanyi 1944: 3) notes, nineteenth century civilization rested on four institutions. The first was the balance-of-power system which for a century prevented the occurrence of any long and devastating war between the Great Powers. The second was the international Gold Standard which symbolized a unique organization of world economy. The third was the self-regulating market which produced an unheard-of material welfare. The fourth was the liberal state. Classified in one way, two of these institutions were economic, two political. Classified in another way, two of them were national, two international. Between them they determined the characteristic outlines of the history of our civilization. According to Brooks Blair, Polanyi's four institutions seem to correspond roughly to Susan Strange's four primary structures: balance of power=security structure; self-regulating market=production structure; international Gold Standard=financial structure; liberal state=knowledge structure.) See *Balance of Power, Hegemony, and Structural Power: In Historical and Critical Perspective*, <http://www.unco.edu/psci/Blair.Power.doc>

<sup>132</sup> The minor structures are the transport system, trade, energy, and welfare (Strange 1988a:43-119).

<sup>133</sup> J. W. Chapman, M. R. Rheinhardt Drifte, I.T.M. Gow. *Japan's Quest for Comprehensive Security: Defence, Diplomacy, Dependence*, London: Pinter, 1983. Paridah Abdul Samad and Mokhtar Muhammad, "Japan in Southeast Asia: Its Diplomatic, Economic and Military Commitment," in *Indonesian Quarterly* 22, no.3 (3rd Quarter 1994): 260-269. Craig Snyder, *Making Mischief in the South China Sea*, Centre for International and Strategic Studies, York University, North York, Ontario, 1995. Mark Valencia, *China and the South China Sea Disputes*, The International Institute for Strategic Studies, Oxford: Oxford University Press, 1995.

<sup>134</sup> Paul N. Doremus, William W. Keller, Simon Reich, Louis W. Pauly, Eds, *The Myth of the Global Corporation*, New Haven: Princeton University Press, 1998. They argue that Japanese and German multinationals, in particular, remain only weakly committed to laissez-faire policy orientations and continue to exhibit strong allegiance to national goals, suggesting the importance of politics, both domestic and international. They argue that the world's leading multinationals from the US, Japan, and Europe continue to be shaped decisively by the policies and values of their home countries and that their core operations are not converging to create a seamless global market. They bring to light the

consequences of enduring differences in government policies on, for example, industrial cartels, capital markets, and research and development.

<sup>135</sup> For Cobden (1835 & 1836) all countries are best off when goods and services move freely across national boundaries in mutually rewarding exchanges. Universal free trade would mean that all countries would enjoy the highest level of utility and there would be no economic basis for international conflict and war. See P. J. Cain, "Capitalism, War and Internationalism in the Thought of Richard Cobden," *British Journal of International Studies* 5, 1979.

<sup>136</sup> For example, a relatively peaceful Sri Lanka was able to invest heavily in education and health, making it an anomaly among developing nations in that its social indicators were those of a middle-income nation. After the beginning of the civil war these social indicators started falling.

<sup>137</sup> Notable is the work of Eric Helleiner, "Money and Influence: Japanese Power in the International Monetary and Financial System" in *Millennium* 18, no. 3, 1989: 343-358, *American Hegemony And Global Economic Structure: From Closed to Open Financial Relations in the Postwar World*. Ph.D. thesis, University of London, 1991 and *States and the Re-emergence of Global Finance: From Bretton Woods to the 1990s*, Ithaca: Cornell University, 1994.

<sup>138</sup> Much of the past writing on the Japanese Constitution has made the case that the US (SCAP) was solely responsible for it with the Japanese mere passive actors. This view is contradicted by John W. Dower's *Embracing Defeat: Japan in the Wake of World War II*, New York: Norton, 1999. This acclaimed study is a richly detailed study of Japanese society in the wake of WW II. It is also the best and most original synthesis of Japanese and American scholarship on the American occupation of Japan, according to a review by the *Journal of American History* ([www.historycooperative.org](http://www.historycooperative.org)).

<sup>139</sup> India did not attend the conference given its objections based on the U.S. take-over of Okinawa that left Japan with only an illusory "residual sovereignty." See John Price, "A Just Peace? The 1951 San Francisco Peace Treaty in Historical Perspective," Japan Peace Research Institute (JPRI), Working Paper No. 78: June. While most other nations attending took the U.S. line, Ceylon delivered the message from those opposed to the content of the treaty.

<sup>140</sup> See for a good understanding of the work of the IDE in Hiroichi Yamaguchi and Hiroshi Sato, eds. (1996) *Understanding the Developing World: Thirty-Five Years of Area Studies at the IDE*. Tokyo: IDE.

<sup>141</sup> Yoshida Shigeru (1878-1967), Japanese Prime Minister (1946-1947, 1948-1954) was born in Tokyo. He entered the foreign service in 1906 and held various diplomatic posts in China and Scandinavia before becoming vice foreign minister (1928-1930). After militarist elements vetoed his appointment as foreign minister in 1936, he was made ambassador to Great Britain until 1939. Arrested in 1945 for advocating peace, Yoshida was named Japan's foreign minister after its surrender, one of the few pre-war political leaders eligible to hold office. He assumed leadership of the Liberal party when his predecessor was purged by Occupation authorities, and was first elected Prime Minister in 1946. Serving until 1947, he stepped down, then returned to office in 1948. A stunning general election victory in 1949 laid the basis for the so-called "Yoshida era," which saw Japan's full postwar recovery under a tight hegemony of bureaucrats, conservative politicians, and business interests. Yoshida signed a mutual security pact with the US after overseeing Japan's return to full sovereignty in 1951. He was finally forced from office by enemies within his party and retired from politics. "Japan," Microsoft® Encarta® 99 Encyclopaedia. © 1993-1998 Microsoft Corporation.

<sup>142</sup> Research by Canadian historian John Price suggests the extent of Dulles' involvement. In December 1951, Dulles traveled to Tokyo where he met with Yoshida. (See "A Just Peace? The 1951 San Francisco Peace Treaty in Historical Perspective," Japan Peace Research Institute (JPRI) Working Paper no. 78: June 2001. Despite a gentlemen's agreement with Britain that Japan would be free to determine its relations with the two Chinese regimes, Dulles forced Yoshida to sign a letter drafted by either himself or his advisers guaranteeing that Japan would recognise the Taiwanese regime and isolate the People's Republic. See *Foreign Relations of the United States VI*, Part 1, Washington, D.C.: USGPO, 1951, p.1466-67. When the British government vigorously protested, Dulles lied to the U.S. Secretary of State, suggesting that Yoshida himself had come up with the idea and that Dulles had only encouraged him to put it on paper. See *Foreign Relations of the United States VI*, Part 1 (Washington, D.C.: USGPO, 1951) 1467-70.

<sup>143</sup> See John Dower (1979) *Empire and Aftermath: Yoshida Shigeru and the Japanese Experience, 1878-1954*. Harvard East Asian Monographs. Cambridge: Harvard University Press and *Embracing Defeat: Japan in the Wake of World War II*. New York: Norton, 1998.

<sup>144</sup> This sort of realism was more in line with E.H. Carr's, *The Twenty Years' Crisis, 1919-1939: An Introduction to the Study of International Relations*. London: Macmillan Press, ideas on the matter and quite far away from Kenneth Waltz's *The Theory of International Relations*. New York: Random House, 1979.

<sup>145</sup> In the immediate post-war period, Europe remained ravaged and thus susceptible to exploitation by an internal and external communist threat. In a June 5, 1947 speech to the graduating class at Harvard University, Secretary of State George C. Marshall issued a call for a comprehensive program to rebuild Europe. Fanned by the fear of communist expansion, in March 1948 Congress passed the Economic Cooperation Act approving funding that would eventually rise to over \$12 billion for the rebuilding of Western Europe. The Marshall Plan generated a resurgence of European industrialization and brought extensive investment into the region. It was also a stimulant to the U.S. economy by establishing markets for American goods. Although Soviet and East European participation initially was invited, due to Soviet concern over potential U.S. economic domination of its satellites and opposition by American politicians to funding recovery in communist nations, the Marshall Plan was applied solely to Western Europe. Thus, it exacerbated East-West tensions by effectively excluding the Soviet Union and the Eastern bloc from any measure of cooperation with Western Europe and by reviving an economically strong Germany.

<sup>146</sup> Meanwhile, MacArthur had been relieved of his post as SCAP in April 1951. The US terminated economic aid to Japan at the end of June, but the detrimental effect of this action on the Japanese economy was largely offset by American military procurement orders for the Korean War, then raging. The country's economic problems stemmed mainly from the wartime loss of overseas markets, especially the Chinese mainland. Recognising the importance of the Chinese market, the US in October granted Japan the right to carry on limited trade with mainland China. "Japan," Microsoft® Encarta® 99 Encyclopedia. © 1993–1998 Microsoft Corporation. All rights reserved.

<sup>147</sup> Interview: JPN-G-MITI 1, 1998.

<sup>148</sup> For example, Japanese employers are popular in Poland (Interview: PLD-R-Tsukuba, Tsukuba 1997) and even in China (Interview: PRC-R-Tsukuba U 2, Tsukuba 1998) as they are known to treat the workers well, particularly in terms of job security. The fear of multinational firms came from another era, and this has changed to one where there is a willingness to lure them to the host economy. For a good recap of this see Raymond Vernon, *Transnational Corporations: Where Are They Coming from Where Are They Headed?* New York: United Nations, 1992, 7–35.

<sup>149</sup> In 1885, the noted Japanese philosopher, Fukuzawa Yukichi penned a famous essay, entitled "Datsu-ron," or "Leaving Asia." In it he concluded: "It is better for us to leave the ranks of Asian nations and cast our lot with civilised nations of the West." However, this was in response to a failure of modernisation in South Korea, where backward looking forces won. See Japanese diplomatic historian, Kitaoka Shin-ichi ([http://www.jef.or.jp/en/jti/200305\\_025.html](http://www.jef.or.jp/en/jti/200305_025.html)) address the controversy over Fukuzawa.

<sup>150</sup> The 0.4% of national income is more or less the same figure that Japanese ODA has amounted to, even though such a figure still leaves it the largest *non-military* aid provider in the world.

<sup>151</sup> See B. C. Koh. *Japan's Administrative Elite* (Berkeley: University of California Press, 1989) p.256 about the subordination of the national interest to rivalries at the bureaucratic level. This detailed work at the level of bureaucratic politics undermines the grand works suggesting "Japan, Inc."

<sup>152</sup> The auto ban was lifted in 1997. See *Time*, 1997-04-28, "The New Japan, The Neighbourhood: Living in the Asian Family." <http://www.time.com/time/magazine/1997/int/970428/asia.family.html>

<sup>153</sup> Thousands of students took to the streets in Jakarta to protest the "selling of the nation," with at least 12 people killed and a Toyota showroom attacked. In Thailand there was "Japan Goods Boycott Movement" that resulted in drastic reduction of the Japanese share in joint ventures (Kesavatana 1989: 82).

<sup>154</sup> The late 1960s and early 1970s anti-establishment and anti-imperialist movements also occurred in Southeast Asia, but with a greater focus on Japan than in other places. The ethnic Chinese were frequent targets, but get missed in the commentary with its focus on Japan. Japanese officials saw the situation in very negative terms, hence needing strong action that led to the Fukuda Doctrine (Interview: JPN-G-MOFA, Tokyo 1998).

<sup>155</sup> While Prime Minister Fukuda did not last long even as Japanese prime ministers go, the shift in policy power to the Ministry of Foreign Affairs from MITI after the anti-Japanese sentiments in the region came just before the prime minister's start. With the *Keidanren* having to rely on MOFA for protection for Japanese investment in Eastern Asia, it was easier to seek concessions from business. Thus the long sidelined Institute of Developing Economies (IDE), a dependent of MITI, had allies in MOFA as the strategy changed from realism to legitimacy-seeking behaviour.

<sup>156</sup> Speech given by Ambassador Owada Hisashi " Japan-ASEAN Relations in East Asia, 16 October 2000, Hotel New Otani, Singapore Organized by Singapore Institute of International Affairs and the Embassy of Japan, <http://www.jiia.or.jp/report/owada/singapore.html>

<sup>157</sup> PAFTA, PECC and APEC were terms used to refer to some form of community in the disparate region with no regional consciousness. See Drysdale (1988: 60-61).

<sup>158</sup> One might correctly point out that E. H. Carr had the type of vision suggested by the notion of legitimization of power. This brings him closer to critical theory as suggested by Linklater (2000) "E.H. Carr, Nationalism and the Future of the Sovereign State," in M. Cox, ed. *E. H. Carr: A Critical Appraisal*. London: Palgrave and "The Transformation of Political Community: E.H. Carr, Critical Theory and International Relations," *Review of International Studies* (1997) 23 (3): 321–338. Further, Peter Wilson, "The Revolutionist's Realist," *The Global Site*, N.p, 2000, pp. 1–16, points to E. H. Carr's understandings of legitimization. However, as Carr did not specifically write political theory suggesting his critical leanings, as did Gramsci or Habermas, I have chosen to use his insights sparingly.

<sup>159</sup> The first time the word "miracle" was used in an economic sense after WW II was in reference to the post-war recovery of Japan and Germany and to their subsequent high economic growth. These two countries, defeated in WW II, managed through their *recovery* to 'catch up' in terms of industrialization with the victors of that war. From the 1970s, the currencies of these two countries were repeatedly re-valued vis-à-vis the victors, reflecting their status as the second and third largest economies of the world.

<sup>160</sup> This point is rather crucial to understand as never in history has a power *not* protected its investments abroad with a commensurate military presence of its own. This anomaly has led many realists to imagine that at some point in the future Japan will have a different policy that seeks to safeguard its economic interests. See Rajan Menon, "The Once and Future Superpower: At Some Point Japan Is Likely to Build a Military Machine that Matches Its Economic Might," *The Bulletin of the Atomic Scientist* 53, no. 1 (January/February 1997): p. 34, quoted in Green (1998).

<sup>161</sup> In fact, despite having the capacity and ample technological resources, Japan has refrained from rearming itself and obtaining nuclear weapons. As recently declassified documents show Japan could have gone fully nuclear in '70s. According to a US report, "The United States estimated in the 1960s that Japan could produce up to 30 atomic weapons annually and deploy 100 nuclear-tipped ballistic missiles in the 1970s, according to a declassified U.S. government report made available to Kyodo News. "It could test its first nuclear device as early as 1971 without violating existing reactor safeguard provisions, thereafter producing an estimated 10 to 30 weapons annually," said the report titled "Japan's Prospects in the Nuclear Weapons Field." Japan Times 5/12/04, <http://www.japantimes.co.jp/cgi-bin/getarticle.pl5?nn20040512b5.htm> See also Chae-Jin Lee and Hideo Sato, *U.S. Policy Toward Japan and Korea* (New York: Praeger, 1982). This activity is described to some degree in the available Japanese records, Kiyomiya, Ryu, *Fukuda-seiken 714-nichi [Fukuda Administration 714 Days]* (Gyosei mondai kenkyusho shuppankyoku, 1984).

<sup>162</sup> See Ambassador Owada Hisashi, "Japan-ASEAN Relations in East Asia," Speech made on 16 October 2000.

<sup>163</sup> ASEAN Council of Japan Alumni, 19 July 2001, in Makati City.

<sup>164</sup> Speech by Mr Lim Hng Kiang, Minister for Health and Second Minister for Finance, Republic of Singapore, "Japan's Role in Regional Growth and Stability," 8 June 2001, at the *International Conference on the Future of Asia 2001*, Tokyo's Imperial Hotel on June 7 and 8, sponsored by the *Nihon Keizai Shimbun*. The conference was marked by discussion of economic cooperation as a means of assuring regional stability and peace.

<sup>165</sup> In addition to the loans and equity investment by the OECF, there are also Japanese semi-official aid organisations. One is the Japanese International Development Organisation (JAIDO), which was founded in 1989, for the purpose of making equity investments in industrial co-operation-related projects. JAIDO is a corporation jointly owned by the OECF and 80 Japanese private companies. Basically its role is to marshal the private sector to play a stronger role in coordination with Japanese aid efforts. See Robert Orr, *The Emergence of Japan's Foreign Aid Power*. New York: Columbia University, 1990, p. 63.

<sup>166</sup> Policy communities are frequently identified in national policy making. More recently, it has been deployed to explain regional network relations in policy sub-fields in the European Union as well as in the Asia-Pacific. See Richard Higgott (1994) "Introduction: Ideas, Policy Networks and International Policy Co-ordination in the Asia-Pacific", *The Pacific Review*, 7(4): 367–80. However, the work outside Asia is more prominent, see Peter Haas, (1992) "Introduction: Epistemic Communities and International Policy Co-ordination", *International Organization*, 46(1):1–35. However, much of this trend is better captured when considering Susan Strange's work on knowledge structures, as it allows us to locate power within these communities.

<sup>167</sup> One of the key aims of PAFTAD has been to combine scholarly research and technical expertise with *policy oriented* research relevant to co-operative inter-state relations in the region. PAFTAD has long been '...the intellectual driving force of the co-operation movement...[claiming]...to understand the political realities confronting economic policy makers' (Woods, 1991: 313).

<sup>168</sup> The writing in this section is based almost entirely on Suehiro Akira, "Bodies of Knowledge: How Thinktanks Have Affected Japan's Post-war Research on Asia," *Social Science Japan*, February 1997



with my editorial comments only. He argues that the unique Japanese system of area studies is substantively different from its counterpart in the US and Europe. Whereas European and American scholars have largely approached the region from within their special disciplines, coming together on occasion to engage in multidisciplinary or interdisciplinary work, Japanese scholarship has been characterised by “non-disciplinary” work, in which individual scholars immerse themselves in local languages, cultures, and the like, but do not tie themselves to any particular discipline. I use this analysis to show how Japanese policymakers could not but be influenced by its area studies experts in their hour of need in the late 1970s to address the anger of Eastern Asians.

<sup>169</sup> For how early he began to understand the region see for example Nobuyuki Fujizaki, (1957) “Ajia keizai kyôryoku no gutaiteki tenhatsu hôkô” (The Concrete Development Direction for Economic Cooperation in Asia). Ajia Mondai, August and Kokusai kyôryoku to tōyō shisô (International Cooperation and Eastern Thought). Tokyo: IDE 1962. Other scholars pointed to the direction of Japan diplomacy, as with Shigeko N. Fukai, “Japan’s North-South Dialogue at the United Nations.” World Politics 35, no. 1, Oct. 1982, 73–105.

<sup>170</sup> See Fredrich List, *Outlines of American Political Economy*. New York: Paul & Co. (1827/1996), *National System of Political Economy*, New York: Kelley, 1841/1966, and *The Politics*, 1844.

<sup>171</sup> Suehrio notes, in August 1957 Fujizaki and other editorial members of Ajia Kyôkai met at a ryokan in Hakone for a send-off party for Itagaki, who was to go to the US and Europe for research. Because *Ajia Kyôkai*’s budget had just been cut, they used the opportunity to consider the possibility of creating a new organisation for economic research on Asia, and Fujizaki took advantage of the location by staying for a few nights with Prime Minister Kishi, who happened to be staying at his villa in the area. With Fujizaki receiving encouragement and maintaining contact through Kishi’s secretary, Itagaki proposed the establishment of a “new institute for substantive research on Asia, to be managed by the government.”

<sup>172</sup> This is in contrast to the practice of Orientalism. See Edward W. Said, *Orientalism: Western Conceptions of the Orient* (London: Penguin, 1995).

<sup>173</sup> With country experts committed to their cause, there is adequate representation of each country. But this must then be balanced with the needs of government actors and the influence each country can bring to bear for their own cause via other channels of influence. Interviews: JPN-G-IDE/*Ajiken* 1 through 6, Tokyo 1997–1999.

<sup>174</sup> Professor Toyoda Toshihisa, Graduate School of International Cooperation Studies (GSICS), Kobe University, gave his ideas in a paper titled “Interpreting The Kobe Enterprise Zone As An Import And Investment Promoting Device,” APEC/SC/KOBE No.6 March 1996. (For more examples see Appendices on selected Ajiken publications.) This discussion paper series was supported under the research contract between Kobe University and Institute of Development Economics/*Ajiken* in FY 1995.

<sup>175</sup> Interviews: INO-R-U Tsukuba, Tsukuba 1996; INO-R-NDPA, Tsukuba 1998; INO-R-SPES, Tokyo 1998; MLY-R-MIER, Tsukuba 1998; PPN-R-UPAC, Tokyo 1997; PPN-R-NEDA, Tokyo 1997 and THD-R-TDRIF, Tokyo 1997.

<sup>176</sup> Kyoto University established the “Asian Studies Group,” an intramural research organisation that met monthly. When scholars heard in 1960 about the possibility of a Ford Foundation grant from the Foundation’s John Scott Everton, who was visiting Kyoto at the time, they decided to formalise the group. Although a group of students opposed the acceptance of the grant, which they considered to be a manifestation of America’s neo-colonial aspirations in Asia, ultimately the group was created with Ford Foundation assistance.

<sup>177</sup> Interview: JPN-G-IDE/*Ajiken* 1, Tokyo 1997.

<sup>178</sup> Interview: JPN-G-IDE/*Ajiken* 2, Tokyo, 1998.

<sup>179</sup> The crisis the began in Eastern Asia in 1997 is a case in point. With Ajiken not foreseeing the events, it was eventually subsumed under JETRO in 1998. The subsuming of Ajiken under JETRO has not been popular with the researchers. But, some have been move to the World Bank and other international agencies given the deficit of Japanese researchers in those Western dominated institutions (Interviews: JPN-O-World Bank 3, London 2000 and JPN-R-JETRO 3, Tokyo 1999).

<sup>180</sup> See Clifford Geertz’s *The Interpretation of Cultures* (New York: Basic Books, 1973).

<sup>181</sup> Interviews: JPN-G-OECF 1 & 2, 1997 & 1998).

<sup>182</sup> Other states are considered regional hegemons. For example, see Mohammed Ayoob, “India as Regional Hegemon: External Opportunities and Internal Constraints,” *International Journal*, (Summer 1991): 420–448.

<sup>183</sup> Interview: JPN-G-IDE/*Ajiken* 3, 1998, Tokyo.

<sup>184</sup> According to him these economies are part of Asia’s dynamic the regional production network linked by trade and investment. See Kenichi Ohno, “The East Asian Experience of Economic Development and

Cooperation” National Graduate Institute for Policy Studies August 21, 2002. See <http://www.grips.ac.jp/forum/wssd/EAsia2.pdf>

<sup>185</sup> For the exemplary Japanese case see Thomas P. Rohlen, “The Mobilisation of Knowledge in the Japanese Political Economy,” in Schumpei Kumon and Henry Rosovsky, *The Political Economy of Japan Volume 3: Cultural and Social Dynamics*. Stanford: Stanford University Press 1992.

<sup>186</sup> All data from “Japan: Patterns Of Development,” *Library Of Congress Country Studies*, <http://lcweb2.loc.gov/frd/cs/cshome.html>

<sup>187</sup> Kozo Yamamura, (Editor) *The Economic Emergence of Modern Japan*, Cambridge: Cambridge University Press, 1997.

<sup>188</sup> For example, Hitotsubashi University began as the Institute for Business Training (*Shh Kshjo*) established privately in the business district of Tokyo in 1875. The founder of this Institute was Arinori Mori, who was later to become the first Minister of Education playing a leading role in the educational policy of the new government.

<sup>189</sup> Ryoshin Minami of the Institute of Economic Research, Hitotsubashi University, provides some of the evidence. See “Income Distribution in Rural Areas in Prewar Japan: Estimation and Analysis,” *The Economic Review* Vol.45, 1994 Vol.45, No.3.

<sup>190</sup> For example the symbolic visits to shrines etc. to appease this lobby has undermined other Japanese efforts to smooth relations in the region. The key right-wing concern of the return of the Kuril Islands by Russia still remains unmet, and Japan and Russia have still not signed a peace treaty.

<sup>191</sup> Interviews: JPN-G-SDF 1-3, Mt. Fuji 1997.

<sup>192</sup> Interviews: JPN-G-IDE/*Ajiken* 1-5, Tokyo 1997-1999.

<sup>193</sup> Interview: JPN-G-JICA 1 & 2, Tokyo 1997.

<sup>194</sup> In addition to the work of Suchiro Akira, there is work showing institutions have more reach than is realised for Japan’s role in Southeast Asia. See Chalmers Johnson, *Japan's Public Policy Companies*. AEI-Hoover Policy Studies 24. Washington, D.C.: American Enterprise Institute for Public Policy Research, Washington, D.C.1978. Institutions are identified in Rinn-Sup Shinn, “Japan’s Foreign Affairs Establishment,” in: *The CRS Report for Congress*, Washington, DC: Library of Congress, May 16, 1996 and explored in Richard Doner, *Japan in East Asia: Institutions and Regional Leadership*, in: Peter Katzenstein and Takashi Shiraishi (Editors): *Network Power: Japan in Asia*. Ithaca: Cornell University Press, 1996.

<sup>195</sup> Interviews: JPN-G-JETRO 1-4, Tokyo/London 1997-1999, JPN-G-IDE/*Ajiken*, Tokyo 1-6 1997-1999 and JPN-G-MITI 2, 1998 Tokyo. Given the factionalism of Japanese politics and rivalry between MITI and MOFA, the regional tension allowed *Ajiken* to influence policy. Even though many of these scholars in *chiiki kenkyū* had recommended that Japan be more involved in the development process in the 1960s, Japanese policies were more focused on the interests of its firms given that *Ajiken*, had to serve under MITI. The backlash against these firms in Eastern Asia between 1970 and 1975 allowed the *chiiki kenkyū* scholars, especially those at *Ajiken*, to push their ideas of ‘developmentalism’ to the front of the agenda again leading to the core of Fukuda’s responsive regional policy in 1977 for Eastern Asia.

<sup>196</sup> Interview: JPN-F-Nissho-Iwai 1 & 2, Tokyo 1997.

<sup>197</sup> Japan’s aid has sometimes been described as “seed money” for investment in developing countries (Orr, 1990:59). Japan has been the target of criticism for tying aid to commercial interests. More broadly, national interest has been the major impetus of Japan’s aid, particularly to ASEAN, as looked at in the earlier section. In Japan’s aid process, the high degree of co-operation with the private sector has often been criticised by both recipients and other donors. In reality, the private sector has historically acted as ‘catalyst and magnet’ for concessional aid flows.

<sup>198</sup> Japan and the US faced off over economic performance as argued by D. Rodrik, “King Kong Meets Godzilla: The World Bank and the East Asian Miracle.” *CEPR Discussion Paper*, no. 944. Oxford: CEPR 1994. The Since the hotly contested publication of *The East Asian Miracle* in 1993, the World Bank’s leadership has borne the stamps of approval from Tokyo. Not surprisingly, the organisation has now found time and money to fund projects that develop human resources and the environment, and has given healthcare and other issues concerning human development more focus.

<sup>199</sup> Mark T. Berger, “Bringing History Back In: The Making and Unmaking of the East Asian Miracle,” *Politik und Gesellschaft Online (International Politics and Society)* 3/1999.

<sup>200</sup> Peter Evans, Theda Skocpol and Dietrich Rueschemeyer, Editors, *Bringing the State Back in*. Cambridge: Cambridge University Press, 1985.

<sup>201</sup> For this see Jagdish Bhagwati, *The Wind of the Hundred Days: How Washington Mismanaged Globalization*, MIT Press: 2001.

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<sup>202</sup> World Bank, "The making of the East Asia miracle," *Policy Research Bulletin*, August–October 1993,

Volume 4, Number 4.

<sup>203</sup> For the case of South Korea see Jaeho Yeom, "Economic Reform and Government-Business Relations in Korea: Towards an Institutional Approach," *Journal of International Political Economy* 1, no. 1 March, 1996: 85–102.

<sup>204</sup> *Economist*, 1991-11-16: "Survey of Asia's Emerging Economies: A question of government - The challenge for politicians."

<sup>205</sup> *Ibid.*

<sup>206</sup> See *Economist*, 1997-06-14. By invitation: Jeffrey Sachs, "Limits of Convergence: Nature, Nurture and Growth." Interestingly Sachs leaves the issue of state involvement aside in these countries by only focusing on the market liberalisation policies. He does not acknowledge the role of Japanese investment and infrastructure building directly either, perhaps somehow including it as a market force.

<sup>207</sup> See *Economist*, 1998-11-07. "Robert Wade, By Invitation: Two Views on Asia: The resources lie within: How can East Asia lift itself from its current slump?"

<sup>208</sup> *Ibid.* Domestic savings run at roughly twice the U.S. rate (or higher by 15% of GDP in absolute terms).

<sup>209</sup> *Ibid.* In the U.S., by contrast, most household savings go to finance households' own investment in housing, and most corporate investment in real productive fixed capital is financed from depreciation and retained profits, with less reliance on bank debt.

<sup>210</sup> *Ibid.*

<sup>211</sup> See for example D. N. Ashton and J. Sung, "Education, Skill Formation, and Economic Development: The Singaporean Approach" in A.H. Halsey, H. Lauder, P. Brown, A. S. Wells, eds. *Education: Culture, Economy, Society*. Oxford: Oxford University Press, 1997, pp. 207-218. Also D. N. Ashton, J. Sung. & J. James (1997) *The Link Between Education And Training And Economic Growth: the Distinctive Experience of the Tiger Economies of the Pacific Rim*, Conference paper, The International Conference on Vocational Education and Training, August, Helsinki.

<sup>212</sup> However, there were those who doubted the productivity gains. See for example Paul Krugman, "The Myth of Asia's Miracle." *Foreign Affairs*, 1994 November/December.

<sup>213</sup> See John S. Landon-Lane and Peter E. Robertson, "Accumulation and Productivity Growth in Industrializing Economies," Paper prepared for the Royal Economic Society Conference, University of Warwick, April 2003.

<sup>214</sup> See Peter Robertson, "Noodles Or Rice? Decomposing An East Asian Recipe" <http://economics.web.unsw.edu.au/people/s9600348/recipe.htm>

<sup>215</sup> According to Robert A. Denemark and Robert O'Brien, "Contesting the canon: international political economy at UK and U.S. universities," *Review of International Political Economy* 4:1 Spring 1997: 214–238, Stephan Haggard's work, for example, *Pathways from the Periphery: Politics of Growth in the Newly Industrialising Countries* (Ithaca: Cornell University Press, 1990) is just below the top ten cited works used by the U.S. and British international political economy.

<sup>216</sup> See *New Left Review*, 217: pp. 3-36.

<sup>217</sup> See for example Jang-Sup Shin, *The economics of the latecomers: catching-up, technology transfer, and institutions in Germany, Japan, and South Korea*, London: Routledge 1996.

<sup>218</sup> There is a branch of economics concerned with the role of institutions. See Douglass Cecil North, *The Contribution of the New Institutional Economics to an Understanding of the Transition Problem*. Helsinki: UNU/WIDER 1997.

<sup>219</sup> Hiroshi Kakazu, *Industrial technology capabilities and policies in selected Asian developing countries: with particular emphasis on transferred technology*. Asian Development Bank Economic Staff Paper, No.46. Manila: Asian Development Bank, 1990.

<sup>220</sup> See Dennis L. McNamara, *The Colonial Origins of Korean enterprise, 1910-1945*. Cambridge: Cambridge University Press, 1990. It is not a proposition most colonised people relish, particularly the Koreans (Interview: ROK-R-LSE 1, London 1999). See also Stephan Haggard, David Kang and Chung Moon (1997) "Japanese Colonialism and Korean Development, a Critique," *World Development* 27, no. 6 (June).

<sup>221</sup> There are several other organization to consider as well. ASEAN-Japan Development Fund (AJDF), Asian Institute of Technology (AIT), Asia Pacific Centre for Technology Transfer (APCTT), National Productivity Council (NPC), and National Textile Industry Support Centre (NTISC).

<sup>222</sup> While traditionally this help has reached Southeast Asia, Mongolia is also a benefits. (Interview: MNG-R-Tsukuba U, Tsukuba 1997).

<sup>223</sup> Yasuhiro Takeda, "Japan's Role in the Cambodian Peace Process: Diplomacy, Manpower, and Finance," *Asian Survey* (1998) 38:553-568 June.

<sup>224</sup> See for example Dennis Normile, "Japanese Universities Become a Magnet for Asian Students." *Science* 262, 15 October 1993. Interview: USA-N-Science Mag, Tokyo, 1997. Interviews: ROK-R-Tsukuba U 1-4, Tsukuba 1997 and MLY-R-Tsukuba U 1, Tsukuba 1997.

<sup>225</sup> Consistent with these findings, Amartya Sen in his doctoral work made the case for higher technology growth to break out of the cycle of poverty in the South. See his Cambridge Ph.D. thesis, *Choice of Techniques* (1960). The importance of capital intensive inputs has been recognised by economists as being the driving force behind Eastern Asian development, a factor that the Japanese government had also recognised with the creation of the APO to improve productivity. See also Takatoshi Ito and Anne O. Krueger, editors, *The role of foreign direct investment in East Asian economic development*, Series: NBER-East Asia seminar on economics, v. 9. University of Chicago Press, Chicago 2000.

<sup>226</sup> See Noriaki Kano, Editor, *Guide to TQM in Service Industries*, Tokyo: APO, 1996. (This guide to provides concrete examples of TQM application in the service sector through case studies of various Japanese service companies-including a hotel, utility, retail store chain, and bank, as well as the Deming Prize-winning Florida Power and Light-and discusses the future of service industries and the role of TQM.) Tadashi Sugiura & Yoshiaki Yamada, *The QC Storyline: A Guide to Solving Problems and Communicating the Results*, Tokyo: APO, 1995. This introductory work on the QC Storyline is intended for QC circle leaders and members, and administrative people in a position to support QC circle activities. Edited by Shizuo Senju, *TQC & TPM*, Tokyo: APO, 1992, (Total Quality Control, or TQC) has been pursued with vigour in the quest for more profitable production and superior quality. However, Total Productive Maintenance or TPM, an aspect of TQC involving the improvement of equipment quality, has only recently been recognised. Uncertain about how to integrate TQC and TPM, many companies have been hesitant to institute TPM programs and the APO is suggesting how firms in the region can proceed. Another example is Takashi Osada's, *The 5S's: Five Keys to a Total Quality Environment*, 1991 (9th printing 2000).

<sup>227</sup> See Shigeru Mizuno, *Company-Wide Total Quality Control*, Tokyo: APO, 1988 (6th printing 1992). The book describes TQC from its origin to its application in Japan today, with discussions on the theories of such renowned quality experts as Juran, Deming, and Feigenbaum. Mizuno also reviews the benefits of a TQC program, provides a step-by-step plan for implementing and analysing a TQC program, and offers solutions to problems that are currently hindering the development of TQC in the U.S. and Japan. Each of the 15 chapters is structured as a self-contained instructional text, so that any employee, from corporate manager to entry-level line worker, within a technical or non-manufacturing division, can quickly locate information that is integral to his or her role in the TQC plan.

<sup>228</sup> See Ayatomo Kanno, Keizo Nukada and Katsuyoshi Yamada, Editors, *Systematic Approach to Japanese Design Review Practices with Case Studies from Leading Companies*, Design Review Casebook, Tokyo: APO, 1998.

<sup>229</sup> Business-process engineering approach that will enable forward-looking companies to meet the challenges of international competition effectively.

<sup>230</sup> Yoshinobu Nayatani, Shuzo Moroto & Taizo Nakamura, *Strategies for Innovative Product Development*, Tokyo: APO, 2000.

<sup>231</sup> I have relied on Giovanni Capannelli, "Industry Relocation and Technology Transfer: Japanese Consumer Electronic Firms in Malaysia." APEC/SC/HIT DP No. 5 March. Hitotsubashi University, Tokyo, 1996, for the empirical work on technology transfer towards the later part of this section. While I use his research to show the demand for transfer from Eastern Asian and the delivery of technology by Japanese firms, the broader conclusions are mine alone.

<sup>232</sup> Capannelli suggests that a first condition for the development of a locally-owned supporting industry requires more Malaysian entrepreneurs to take the risk and enter the business. He argues that at the same time, local firms should invest *more* resources to *enlarge* their technological *absorptive* capacity in order to be able to internalise the benefits from the potential transfer provided by the presence of foreign technology. However, he implies the existence both of an *innovative* management approach, as well as of *capital availability* for investment. And as local firms may not readily have access to assets, he suggests that an effective way for their acquisition can be found in the establishment of *joint-ventures* with foreign partners, either Japanese or third country ones.

<sup>233</sup> Interesting programs in this field have been promoted by JETRO, JICA, and JACTIM.

<sup>234</sup> Some critics (for example, Hatch & Yamamura, 1996) insist that it is almost impossible for external firms, especially foreign ones, to enter the tight network of the Japanese MNCs. However, the critics do not go into detailed analysis and rely on anecdotal evidence via interviews, a methodology that can be interesting for verification, but not rigorous enough to base a general thesis on. Interviews are especially



unreliable given that developing country officials will complain even though they *under-invest* in crucial education needed for absorption of technology. A empirically and theoretically grounded work suggests a different outcome: see Poh Kam Wong, *Technological Development Through Subcontracting Linkages*. Singapore: Asian Productivity Organization, 1991.

<sup>235</sup> Interview: JPN-F-Hitachi 1, Hitachi City 1998.

<sup>236</sup> See Walter Hatch, *Rearguard Regionalization: Preserving Core Networks in Japan's Political Economy*, Seattle, Washington University, 2000. Dennis Normile, (1993) "Japan Holds on Tight to Cutting Edge Technology." *Science* 262 (15 October). Interview: USA-N-Science Mag, Tokyo, 1997.

<sup>237</sup> Thailand is most likely to lag from what appears to be the very relaxed approach it has traditionally taken to industrialisation. Thai students argue that they prefer a laid back life style rather than competing with the ethnic Chinese, who spearhead economic activity in Thailand. One U.S. official, who severed with the peace corps and in an NGO in Vietnam, notes that Vietnam is better geared to follow Japan's lead. (Interviews: THD-R-Tsukuba 1 & 2, Tsukuba 1997 and USA-G-USAID, Lewes 1998).

<sup>238</sup> Research paper in Japanese by Yamashita Shoichi, (Change in the Strategy of Asian Investment by Japanese Firms and Technology Transfer - An analysis of recent cases in East Asia) (*Kokusai Kyoryoku Kenkyushi*, Vol.1, N.1, March) pp.1-12, 1995 and *Technology Transfer for Upgrading the National Capabilities of Technology Absorption*, IDEC Research Paper Series N.1, February 1996. Hiroshima: Hiroshima University - IDEC Research Paper Series N.1, February 1996. Yamashita, Shoichi (1991a) "Economic Development in the ASEAN Countries and the Role of Japanese Direct Investment," in Yamashita Shoichi ed. *Transfer of Japanese Technology and Management to the ASEAN Countries*. Tokyo: University of Tokyo Press.

<sup>239</sup> The notion of in-house training was still strong among large Japanese firms. Yamaichi Securities was still recruiting for such efforts even up to its demise (Interview: JPN-F-Yamaichi, Tokyo 1998), while firms such as Toyota and Hitachi did the same (Interviews: JPN-F-Toyota 1 & 2, Tsukuba 1998 and JPN-F-Hitachi 1, Tsukuba 1998).

<sup>240</sup> Visits to the Nissan factory indicated that the legendary Japanese production process is still very much alive. Despite achieving the highest rates of automation, at the heart of the factory are the shift workers, who when behind the target continue to work even at each break to 'catch up' with their peers. (Interview: JPN-F-Nissan Motors, Tochigi 1996). The attrition rate in these factories is high; particularly hard to retain over the longer term are the line workers—only the most dedicated stay on in the case of Toyota. Like other firms, Toyota also sends its young white collar workers onto the line for periods of around a month to "understand the rigours" that line-workers have to live with. After this the white collar workers decide on what part of the company they want to concentrate on (Interview: JPN-F-Toyota 1, Tsukuba 1998). For Eastern Asian workers visiting and working on the line, the transfer of this kind of knowledge is as useful as in the purely technical area. Southeast Asian engineers are sent to Japan, as is the case with the Hitachi's programme, where batches of workers arrive in Thailand every year. On their return it is hoped that that Japanese methods diffuse throughout Thai based plants. These workers adjustment in Japan is eased through cultural events organised by the spouses of the Section Chief, or another willing "wife of Hitachi" (Interview: JPN-F-Hitachi 2, Shimodate 1997). Roy Choudhry argues that Japanese methods are being studied in India even in the 1990s when the US model was in vogue. (Interview: IND-R-JNU 1.) It was also the case with Canada's Magna Corp, the largest auto parts manufacturer in the world. (Interview: CND-F-Magna, Tokyo 1996.)

<sup>241</sup> A leading Experimental Physicist expressed frustration that MITI still directs activities even in basic research for commercial areas (Interview: JPN-R-NIAIR, 1998 Tsukuba). A textile researcher finds the same situation in a sector most expect Japan to have given up in (Interview: JPN-R-TTI, Yuki 1998).

<sup>242</sup> See Christoph Antons, *Intellectual Property Law in Indonesia*, Kluwer Law International, London-The Hague-Boston 2000 and *Law and Development in East and Southeast Asia*, Curzon Press, London 2002. For the extent of the role of Japan in all this see 'Japan as a Model? – Law and Development in Japan, Singapore and Indonesia', in: C. Antons (ed.), *Law and Development in East and Southeast Asia*, Curzon Press, London.

<sup>243</sup> Christoph Antons "Indonesian intellectual property law after TRIPS: the end of developmentalism?" (paper presented at a staff seminar of the School of Law, Murdoch University, Perth, 14 August 2000).

<sup>244</sup> Japan continues to hold the world's largest savings pool as noted. A significant portion of these savings are recycled to purchase US Treasury Bills. At the end of the first quarter, according to a Federal Reserve report, foreigners owned about 40 percent of outstanding Treasury securities, up from 30 percent in 2000 (see Line 11 in table L.209). Foreigners own \$1.65 trillion in Treasury securities, up from \$1.03 trillion in 2000. Federal Reserve report released on June 10, 2004, *Flow of Funds Accounts of the United States: Flows and Outstandings*, First Quarter 2004, Board of Governors of the Federal Reserve System, Washington DC 20551. <http://www.federalreserve.gov/releases/Z1/Current/z1.pdf>

<sup>245</sup> Tokyo is host to many smaller players with 'investment advice.' (Interviews: CND-F-Lohmann, Tokyo 1998 and CND-F-RAI, Tokyo 1998). Western Bankers in Japan are well aware that Japan "adds billions" more to its savings position each month (Interview: CND-F-Royal Bank, London 1998).

<sup>246</sup> Between 1980 and 1987, Japan recorded a \$254 billion accumulated current account surplus with the U.S. During that period the net indebtedness of the U.S. to Japan increased by only \$82 billion. In the meantime, the U.S. recorded an accumulated current account deficit of \$75 billion to the European Community, but its net indebtedness to the Community increased by \$323 billion.

<sup>247</sup> Indeed, changes in the value of the JPY have a strong influence on the behaviour of Japanese FDI. One study shows that in the short run, a 6 percent depreciation of the host country's currency vis-à-vis the JPY would also generate an increase in FDI of roughly 10 percent. See Tamim Bayoumi and Gabrielle Lipworth, "Japanese Foreign Direct Investment and Regional Trade," forthcoming in the IMF's Working Paper series. See <http://www.itcilo.it/english/actrav/telearn/global/ilo/globe/japani.htm>

<sup>248</sup> *Economist*, 1991-11-16. "Economics Focus: Unblocking the yen - Rumours that Japan is building a trade block in East Asia are much exaggerated."

<sup>249</sup> Interview: JPN-G-MOF 2, Tokyo 1999.

<sup>250</sup> The re-denomination of the JPY to assist its greater international use was also an issue for Japan's tripartite coalition government in 1999, but the parties may have a hard time convincing business circles and the public that such a change will be beneficial "Japan Leaders To Ponder Redenomination Of The Yen," *The Nikkei Financial Daily* 1999-10-5.

<sup>251</sup> Interview: JPN-G-MOF 1 & 2, Tokyo 1998 & 1999.

<sup>252</sup> This is the view of Dr. Kazuo Takahashi, a former University of Tokyo Professor of Economics. (Interview: JPN-R-FASID 1, Tokyo 1997). While the standard view is that ODA and reparations are separate, the institutional continuity argues that they must be seen as close cousins. At the level of operations, this explains why JICA officials feel 'obligations of being Japanese' in their Southeast Asian missions and end up acceding to many unreasonable demands, even giving out customary handouts to officials in the ODA recipient area! (Interview: CND-R-CIDA/JICA, Tokyo 1997). The notion of obligation is even apparent among younger Japanese scholars who feel that they are still paying for the mistakes of WW II and before (Interview: JPN-R-Tsukuba U 1, Tsukuba 1997).

<sup>253</sup> JPN-G-MITI 3, Tokyo 1999. JPN-G-MOC, Tokyo 1998. JPN-G-MOE, Tokyo 1998.

<sup>254</sup> African representatives are sceptical about the West. (Interviews: ETH-G-Embassy of Ethiopia, Tokyo 1997 and RSA-G-Embassy of South Africa, Tokyo 1997.) The Ethiopian Ambassador saw the Japanese as the "last hope for Africa." This view is confirmed by other researchers visiting Japan and also those studying in Japan. (Interview: KYN-R-AERC/CREA, Tokyo 1998). A scholar returning to the Tanzanian Ministry of Finance after two years in Japan was more detailed, suggesting that Japan has no ideological baggage against *Ujamaa* (Julius Nyerere's African socialism attacked by Western academics). Interview: TNZ-G-Ministry of Finance, Tsukuba 1996 & TNZ-R-ESRF-1997, Tokyo.

<sup>255</sup> The scholars from UNCTAD working on 'global public goods' would concur with this looser application.

<sup>256</sup> The role of FDI in the world economy would be significantly greater, if the impact of FDI on various economic activities is considered more systematically. For example, FDI enables investing firms to utilize their firm-specific assets such as technologies and managerial know-how efficiently, while FDI recipients can obtain not only the funds for investment but also efficient technologies and know-how as we saw with the case of Malaysia above. Furthermore, FDI recipients enjoy the benefits by gaining an access to various networks such as sales and procurement networks being developed by investing firms, and this is certainly the case with Japanese FDI into Eastern Asia as indicated below.

<sup>257</sup> See Rajshri Jayaraman and Ravi Kanbur "International Public Goods and the Case for Foreign Aid." In: Kaul, Inge, Isabelle Grunberg, and Marc A. Stern, eds., (1999) *Global Public Goods: International Cooperation in the 21st Century*. New York: Oxford University Press.

<sup>258</sup> See M. Thant, et al., eds. (1994) *Growth triangles in Asia: A new approach to regional economic cooperation*. Oxford, UK: Oxford University Press.

<sup>259</sup> MIGA went into effect in 1988. One of its key objectives is to continue to improve the legal environment for FDI (Interviews: SRL-O-MIGA, Washington, D.C. 1994 & SRL-O-World Bank, Washington, D.C. 1994). Some of these objectives are given in Perera (1993).

<sup>260</sup> See Nancy Birdsall and Robert Lawrence, "Deep integration and trade agreements; Good for Developing countries?" in Kaul, et, *Global Public Goods*, p. 126-128.

<sup>261</sup> Interview: ROK-R-LSE 1, London 1999.

<sup>262</sup> Japanese investments have a direct connection to infrastructure projects. Private sector types say that some of their projects did start as a result of connections made under ODA funded projects (Interviews: JPN-F-Konoike, Tokyo 1997 and JPN-F-PCI, Tokyo 1998). The industry associations also make the

same conclusion as they say it is important for a Japanese investor to know more about the place of investment, and prior access helps (Interviews: JPN-R-OCAJI 1 & 2, Tokyo 1998 and JPN-R-Konike, Tokyo 1998).

<sup>263</sup> See Kathryn Iбата, *The Politics of Innovation: High Technology Small and Medium Sized Enterprises in Japan*, Northwestern University 2001.

<sup>264</sup> *Economist*, 1993-06-12. "Asian promise: Japanese manufacturing."

<sup>265</sup> Interview: JPN-G-Ex Im Bank, Tokyo 1997.

<sup>266</sup> Interview: JPN-G-Ex Im Bank, Tokyo 1997.

<sup>267</sup> These figures include only the EIAJ's members.

<sup>268</sup> Imports included agricultural products and meats, though behind higher tariffs if the product was sold at home, such as rice, beef or beer. Interviews: NZD-FG-FP-S Casings. JPN-F-Kirrin, Tochigi 1996, JPN-F-Izumida, JPN-F-Matsura, 1997, JPN-F-Hapita, Tsukuba 1996, CDN-F-Maple Leaf Foods, 1998. Local groups organised to influence LDP members. Such protectionism was an anathema for MITI, particularly as they sought more open trade. (Interview: JPN-G-MITI 3, Tokyo 1999.)

<sup>269</sup> The Japanese market was opened over the years with tough bargaining as noted by Len Schoppa of University of West Virginia. (Interview: USA-R-U of Virginia, 1996 Makuhari). By the 1990s, the Japanese market had become second in importance to only the US market. (Interviews: USA-F-Intertel, 1997 Tokyo, USA-F-Rockwell, Tokyo 1998.)

<sup>270</sup> The provision of capital equipment sometimes may also occur through the relocation of production lines previously used by the parent company in Japan. (Interview: JPN-G-MITI 3, Tokyo 1999.)

<sup>271</sup> In the case of intermediate goods, trade generation is often of the intra-industry type.

<sup>272</sup> Frankel argues that in 1980 Asian countries' intra-regional trade was 33% of its total, compared with a 15% share of world trade, giving it a 'regional bias ratio' (intra-regional trade divided by share of world trade) of 2.18. By 1989 trade between Asian countries had edged up to 37% of total trade, while their share of world trade jumped to 20%, reducing this regional-bias ratio to 1.85. In contrast the European Community (EC), the regional-bias ratio of 1.28 in 1980 rose to 1.77 in 1989. Intra-regional trade has also grown in the European Community (from 51% to 59%) and between the US, Canada and Mexico (from 32% to 36%) in the same period. Asian countries, then, are no more guilty of clubbishness than others. For Frankel, a rising level of intra-regional trade need not be due to a greater degree of preferential treatment among block members; it may simply reflect the block's increased importance in the world economy. The key question is not whether intra-regional trade shrinks or grows, but whether it is more or less biased. *Economist*, 16 Nov 1991. "Economics Focus: Unblocking the yen-Rumours that Japan is building a trade block in East Asia are much exaggerated." For more on this key issue see Jeffrey A. Frankel, "Is a Yen Bloc Forming in Pacific Asia?" and *Amex Bank Review*. (November 1991), *On Exchange Rates*. Cambridge: MIT Press 1993, Jeffrey A. Frankel and Miles Kahler, eds. (1993) *Regionalism and Rivalry: Japan and the United States in Pacific Asia*. National Bureau of Economic Research Conference Report. Chicago: University of Chicago Press, Jeffrey A. Frankel and Shang-Jin Wei. (1993) *Trade Blocs and Currency Blocs*. Working paper 4335. Cambridge: National Bureau of Economic Research. Jeffrey A. Frankel, Ernesto Stein and Shang-jin Wei (1993a) *Continental Trading Blocs: Are They Natural or Super-Natural?* Working paper 4588. Cambridge: National Bureau of Economic Research.

<sup>273</sup> See Dieter, Ernst, Tom Ganiatsos, and Lynn Metelka (1998) *Technological capabilities and export success in Asia*, Published for and on behalf of the United Nations (UNCTAD) New York: Routledge. There has been efforts on many fronts to transfer technology given the benefits for exports success. Along with Japan are the post colonial focused UNDP and UNCTAD.

<sup>274</sup> J. Viner, "Power and Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries," *World Politics* 1 (October 1948): 1-29. For the relevance to Japan, see Richard Samuels, "Rich Nation Strong Army" in *National Security and the Technological Transformation of Japan* (Ithaca: Cornell University Press, 1994).

<sup>275</sup> Some scholars see regional implications of these major powers. See for example, Peter J. Katzenstein, "Regionalism Compared: Japan and Asia, Germany in Europe." *Journal of International Political Economy* 2, no. 1, 1998.

<sup>276</sup> 'The U.S. National Security Strategy and the new Bush doctrine of pre-emptive self-defence', 2002 Chinese Journal of International Law 437-447. Japanese pacifism is frequently dismissed as an *impediment* to the "normal" behaviour of a regional hegemonic power that *ought* to follow US modes of security via the traditional deterrence and compellence, and most recently, pre-emption, as noted by alarmed Chinese academics.

<sup>277</sup> Many scholars are involved in playing prominent policy roles in Washington. For example, Michael Green a leading expert on Japanese security, is in a policy role for the George W. Bush government.

<sup>278</sup> For David Kang "Getting Asia Wrong: The Need for New Analytic Frameworks" (*International Security* 27, no. 4, Spring 2003, international relations narratives are inductively developed from the European system. On the one hand the one-hand international relations theorists from other regions have deployed their concepts, theories, and experiences without accounting for Asian history. On the other hand, much of the security work by Asians—dominated largely by the Track II policy process—was highly empirical. This has begun to change with the most recent generation of scholars.

<sup>279</sup> Supporting this assumption is the work of Inge Kaul, et al (1999). They have introduced the concept as 'global public goods' to refer directly to the needs of post colonial states

<sup>280</sup> For a more Southern account see Mohammed Ayoob, *The Third World Security Predicament: State Making, Regional Conflict, and the International System*, Boulder: Lynne Rienner, 1995, Yezid Sayigh, "Confronting the 1990s: Security in the Developing Countries," *Adelphi Papers* 251, Summer, 1990: 5–15, Kusuma Snitwongse, "Economic Development and Military Modernization in Southeast Asia" in Susan L. Shirk, and Christopher P. Twomey eds. *Power and Prosperity: Economics and Security Linkages in Asia-Pacific*. New Brunswick: Transaction Publishers 1996, 19–34, K. J. Holsti "International Theory and War in the Third World," in Brian L. Job, ed. *The Insecurity Dilemma*. Boulder: Lynne Rienner, 1992 and Mohammed Ayoob, *The Third World Security Predicament: State Making, Regional Conflict, and the International System*. Boulder: Lynne Rienner, 1995.

<sup>281</sup> ASEAN Regional Forum, *Annual Security Outlook 2000, JAPAN*. In 1999, the ASEAN+3 (Japan, China, and Republic of Korea) summit meeting held in November adopted "Joint Statement on East Asia Co-operation" as the first joint declaration to be issued by this summit meeting. The message of this joint statement was that the countries of East Asia would promote regional co-operation in a wide range of fields, including politics, economics, and culture. Furthermore, the trilateral summit dialogue among the leaders of Japan, China, and South Korea that was realised on this occasion in the form of a breakfast meeting can be said to have been an important step towards the further promotion of co-operation among these three countries and in Northeast Asia.

<sup>282</sup> See "The Modality of the Security and Defence Capability of Japan," Report of the Prime Minister's Advisory Group on Defence Issues, August 12, 1994.

<sup>283</sup> The heads of the World Health Organisation and the UNHCR have been Japanese, but its nationals are severely under-represented, with France and Russia over-represented. See *Asahi Shimbun* (1996:70).

<sup>284</sup> Public support for peacekeeping is up in Germany and Japan as noted by Maull (1996: 12). He cites Mayumi Itoh (1995), "Expanding Japan's Role in the United Nations," *Pacific Review* 8, no. 2: 283–302 as having found that public support for SDF operations in UNPKO has increased from 45.5% to 48.4% between 1991 and 1994. This trend is confirmed in Katzenstein (1996a).

<sup>285</sup> For example, Western sanctions against Myanmar/Burma, while also supporting odious regimes in Guatemala, Honduras, etc.

<sup>286</sup> *Asahi Shimbun*, 1993-02-03. "Kokusai Shakai ni okeru Nihon no Yakuwari: Anzen Hosho Mondai ni kan Suru Teigen. (LDP: Japan's Role in the International Society: Proposals on Security Issues)."

<sup>287</sup> *Daily Yomiuri*, 1998-06-08. "Editorial: Improve PKO Law Further." The movement towards "normality" continues to be the model of the U.S. role in the world, which the Japanese left opposes.

<sup>288</sup> See also Warren S. Hunsberger ed. *Japan's Quest: The Search for International Role, Recognition, and Respect*. Armonk, NY, M.E. Sharpe, 1997.

<sup>289</sup> *Daily Yomiuri*, 1998-06-13. "Japan Must Sound Nuclear Alarm—Yasuhiro Nakasone (PM 82-87)."

<sup>290</sup> It was previously held that the dispatch of SDF personnel overseas was not permitted under Japan's exclusively defence-oriented policy, but the government with a change of law decided that the SDF could be sent abroad on non-military missions. After the gulf war came to an end in April 1991, Japan for the first time ever dispatched Maritime Self-Defence Force (MSDF) minesweepers to clear mines from the Persian Gulf. Then in June 1992 the Diet enacted the Law Concerning Cooperation for the United Nations Peacekeeping Operations and Other Operations, which makes possible the overseas dispatch of SDF personnel to participate in peacekeeping operations led by the United Nations. Nonetheless, the Japanese National Diet made the idea of sending any manpower conditional on five basic rules of participation: a ceasefire agreement must exist, the country must agree to accept the forces, be neutral, in the case that (1) to (3) could not be met, all cooperation would be ceased, and the Japanese defence forces are to use the minimum of arms.

<sup>291</sup> "Warm welcome for Japan's Iraq troops," BBC News, Last Updated: Thursday, 19 February, 2004, 16:14 GMT.

<sup>292</sup> The objectives of the ASEAN Regional Forum are outlined in the First ARF Chairman's Statement (1994), namely: 1) to foster constructive dialogue and consultation on political and security issues of common interest and concern; and 2) to make significant contributions to efforts towards confidence-building and preventive diplomacy in the Asia-Pacific region. The 27th ASEAN Ministerial Meeting

(1994) stated that ARF could become an effective consultative Asia-Pacific Forum for promoting open dialogue on political and security co-operation in the region. In this context, ASEAN should work with its ARF partners to bring about a more predictable and constructive pattern of relations in the Asia Pacific.”

<sup>293</sup> Interview: JPN-R-RIPS, Tokyo 1997.

<sup>294</sup> Morrison (1987: 5) argues that Tokyo adopted ASEAN positions on Vietnam after the latter's occupation of Kampuchea (Cambodia) caused international furor.

<sup>295</sup> Former U.S. Secretary of Defence, Robert S McNamara, referred to this in his lecture, *U.S. Foreign and Defence Policy for the 21st Century* on Tuesday 7 May, 2002 at the LSE.

<sup>296</sup> An official helping co-ordinating ODA policy is of the view that the impact of ODA has to be seen in its entirety. According to him the notion that ODA is simply serving the interests of Japanese firms is out of date. In the 1990s ODA became demand driven and had to conform to his government's political objectives stated clearly in mission statements (Interviews: JPN-G-MOFA, Tokyo 1998). For Dr. Kazuo Takahashi, who is familiar with academic concepts, the idea of 'public goods' is indeed useful (Interview: JPN-R-FASID 2, Tokyo 1999).

<sup>297</sup> A senior official was of the view that Japan had little choice but to accede to U.S. demands and sever official aid to Vietnam. He also stated that if private firms continued ties with Hanoi (as did all the *sogo shosha*), it was not the government's place to dictate terms in commercial matters (Interview: JPN-G-MOFA, Tokyo 1998).

<sup>298</sup> It was also their view that the U.S. government was underestimating the strength of nationalism in the region and overestimating ideology (Interview: JPN-F-Nissho Iwai 1, Tokyo 1997). This was ultimately confirmed when the blunder made by the U.S. was admitted by Robert McNamara in *Argument without end: in search of answers to the Vietnam tragedy*. (New York: PublicAffairs, 1999). How Japanese private sector officials make decisions affecting foreign policy is overlooked in the literature. The knowledge base that they require to make key investments goes beyond most subjects and well into politics. Thus aware of the risks of going into Vietnam, they had a superior view to that by the State Department.

<sup>299</sup> Mark Mason (1998) "Foreign Direct Investment in Burma," in *Burma: Prospects for a Democratic Future*, ed. Robert I. Rotberg (Cambridge: The World Peace Foundation and Harvard Institute for International Development).

<sup>300</sup> Interview: JPY-G-NDA 1, Tokyo 1997.

<sup>301</sup> *Economist*, 1991-07-27. "A Hesitant Patroller of the Pacific. Japan Woos and Worries Asia."

<sup>302</sup> *Ministry of Finance Statistics Monthly*, May 30, Tokyo: MOF, 2000.

<sup>303</sup> *Defence of Japan*, August 28, Tokyo: Defence Agency, 2000.

<sup>304</sup> Data until 1993 are for the GNP, and since 1994 are the GDP. All these figures are original estimates

<sup>305</sup> *Defence of Japan*, August 28, Tokyo: Defence Agency, 2000

<sup>306</sup> Myanmar would probably be in the top 15 list in PPP terms but is not included in the table because recent data are not available.

<sup>307</sup> The figure for Iran is for 2001. No figure is available for 2002, but the ranking for Iran is not expected to have changed.

<sup>308</sup> See "A Tiff over Taiwan, Red Herring in Japan and the Rap on Erap" Editorials Monday, April 30, 2001 <http://starbulletin.com/2001/04/30/editorial/editorials.html>

<sup>309</sup> Nissho Iwai's role in Vietnam's continuation of ties with Japan during the diplomatic isolation imposed on Hanoi by the Allies is a case in point. Such contacts would give *advanced* warning of problems—this is even before, say, the full development of a particular weapon (for which parts must be procured, designs made, etc). (Interview: JPN-F-Nissho Iwai 3, Tokyo 1997). Also, a dissident from China suggests that Japan's intelligence network uses the cover of benign posts in international organisation for intelligence (Interview: PRC-R-Tsukuba U 2, Tsukuba 1998). Beyond human intelligence, surveillance by satellites and marine-air patrols provides information. Thus it is likely that the firing of a North Korean missile over Japan only highlighted the passive defence posture in Tokyo, rather than the officially registered surprise. What is significant about North Korea is the *absence* of an extensive Japanese *sogo shosha* network within, making it a unique case for Japan in Asia. Yet this is not to say that Japan has absolutely no leverage in North Korea: the largest source of foreign funds in North Korea comes from Japan via a network of gambling concerns run by ethnic Koreans in Japan. In this sense it is less likely that North Korea actually poses a threat to Japan, as it would mean an end to hard currency. According to one source, this grey area business has a larger turnover than Toyota Corporation, one of the largest private sector industries in Japan. (Interview: JPY-G-NHK2, Tokyo 1999).

<sup>310</sup> See also *Economist*, 1992-11-21. "Outcast of the Islands. Japan's Most Dangerous Voyage." The plutonium is extracted in Europe from uranium burned in Japanese nuclear power stations. The *Akatsuki Maru's* cargo is for Japan's JPY 600 billion (USD 4.9 billion) *Monju* reactor, producing power from 1994.

*Monju* can supposedly breed more fuel than it consumes—at least, in theory. America, France, Britain, and Germany have tinkered with fast-breeders, but have largely abandoned them as being too dangerous and expensive. Uranium it is far easier to handle than plutonium. Japan plans to build a number of plutonium-fuelled breeders to complement the country's uranium-burning power stations.

<sup>311</sup> Interview: JPN-R-PRL, Tsukuba 1997.

<sup>312</sup> A British Ministry of Defence report stated that Japan has all of the components necessary to construct nuclear weapons. London *Sunday Times*, Jan. 30, 1994.

<sup>313</sup> *Japan Times*: April 16, 2003

<sup>314</sup> See Peter Katzenstein, *Cultural Norms and National Security*, 1996; Yoshihide Soeya, "Japan: Normative Constraints Versus Structural Imperatives," in Alagappa, Muthiah, ed. *Asian Security Practice: Material and Ideational Influences*, Stanford: Stanford University Press, p. 203, Chalmers Johnson, "History Restarted: Japanese-American Relations at the End of the Century," in Richard Higgott, et al. eds. *Pacific Economic Relations in the 1990s: Cooperation or Conflict*, Sydney: Allen and Unwin, 1993; and Thomas U. Berger, "From Sword to Chrysanthemum: Japan's Culture of Anti-Militarism," *International Security* 17, Spring 1993.

<sup>315</sup> The notion of Japan as a "global civilian power" was introduced by Yoichi Funabashi in "Japan and the New World Order" *Foreign Affairs* 70, no. 5 (Winter 91/92): 58–74.

<sup>316</sup> A leading physicist states that research is so constrained that the future of atomic energy in Japan is in jeopardy. (Interview: JPN-R-PRL, Tsukuba 1997).

<sup>317</sup> Despite the anti-Japanese statements expressed by groups in South Korea, officials there are actively engaged in learning from local government structures in Japan sponsored by CLAIR (Interview: JPN-G-CLAIR, Tokyo 1997).

<sup>318</sup> Low-level Japanese contacts try to bring North Korea "back in from the cold." For example, some 350 Japanese politicians (mostly local assemblymen) flew to North Korea on July 21<sup>st</sup> 1991 for informal talks.

<sup>319</sup> As found in the *Economist*, 6 Jul 1991, "The other ring of fire: Defending Asia."

<sup>320</sup> Ibid. The *Economist* noted that for some countries, such as Malaysia and China, a rebound in spending was to come to replace ageing equipment after reductions in the 1980s. For countries in Southeast Asia, this was more the case given that they had earlier been equipped to fight guerrilla wars. Increases in weapons purchases in the were region were also because the former Soviet Union and its ex-satellites, along with western suppliers, were hit by recession and declining defence spending at home, and thus competed for business abroad.

<sup>321</sup> See Richard A. Bitzinger and Steven M. Kosiak, "Windows of Opportunity: The Potential Military Application of Japanese Advanced Commercial Technology Transfers to East Asia," The Defence Budget Project (Washington, D.C., September 1995). Also Rheinhardt Drifte, *Arms Production in Japan: The Military Applications of Civilian Technology*. Westview Special Studies on East Asia. Boulder: Westview 1986.

<sup>322</sup> The Financial Times reports of attempts to allow Japanese firms into weapons development. Yet, this is still an idea and it is unclear if the government will be able to carry out the policy with the opposition parties pointing the importance of maintaining the peace constitution.

<sup>323</sup> Interviews: JPN-G-NDA 2, Tokyo 1997 and JPN-F-Nissho Iwai 2, Tokyo 1998. However, Japan is beginning to talk about changes to this policy in 2004.

<sup>324</sup> Andrew Mack states the biggest single reason for increased arms procurement in Eastern Asia may be simply that the region has the world's fastest-growing economies; some studies show that no factor is better correlated with increases in a country's defence spending than is its economic growth. See *Economist*, 1993-02-20. "Asia's Arms Race: Gearing up. A Boom in Military Spending and the Arms Trade." Another reason is that most of the states in region have not yet developed an indigenous military industrial complex.

<sup>325</sup> Interview: JPN-F-Nissho Iwai 4, Tokyo 1998. During the crisis the offices of this *sogo sosha*, like most others, were monitoring the shipping lanes. The political conditions in Indonesia were of special concern. For regional spending see Tom Muir, "Naval Shipbuilding and Ship Acquisition Projects in South East Asia." *Maritime Defence: The Journal of International Naval Technology* 19, no.6, July/August 1994: 156–159.

<sup>326</sup> This includes Vietnam's reliance on the former Soviet Union, the Indonesian purchase of the East German navy's hardware, Malaysian procurement of advanced Russian MiGs and the Thai procurement of a Ukrainian Aircraft Carrier. (Interview: RUS-G-Russian Embassy). These defence upgrades in Southeast Asia have been reported in the popular press as an "arms race." But, analysis by Panitan Wattanayagorn, "Military Modernisation in ASEAN," Paper presented at the ISA-JAIR Joint Convention at Makuhari, Japan, September 20–22, 1996, shows that the nature of Southeast Asian is to be a more consistent with economically better off countries bearing their burden for the defence of thousands of

miles of maritime areas, as indicated by the kind of weapons purchased. Indeed trends in 1998 suggest that Wattanayagorn is correct, as Southeast Asian countries have scaled back expensive upgrades of their militaries in the face of economic crisis.

<sup>327</sup> The issue of open Sea Lanes is key for Japan and for Asian trade (Wattanayagorn 1996: 15). This is an old issue in seas that are famous for insecurity. See Michael Leifer, "The Security of the Sea Lanes in Southeast Asia," *Survival*, 1 January/February 1983:16-23, cited in Robert O. Tilman, (1987) *Southeast Asia and the Enemy Beyond: ASEAN Perceptions of External Threats*. Boulder: Westview Press, 1987, p. 122). Japanese trading houses and firms dealing with petroleum are also very concerned with this issue given that incidences of piracy have gone up since the 1997/98 currency crisis (Interviews: JPN-F-Nissho Iwai 1, Tokyo 1998 and JPN-F-Occidental Oil, Tokyo 1998). Piracy has been historically very high in the region, but in the 1990s was up (JPN-F-Occidental Oil, London 1995). Also see Tammy Arbuckle, "Scourge of Piracy Returns to Southeast Asia." *International Defence Review* 29, no.8 (August 1996): 26-29.

<sup>328</sup> The de facto nature of security co-operation is shown with the degree of consent of Southeast Asian leaders to Japan's vastly increased defence responsibilities under the new U.S.-Japan defence pact. In a review of the defence guidelines a key official of the Self Defence Agency did not see a Southeast Asian backlash as a factor (Interview: JPN-R-RIPS, Tokyo 1997).

<sup>329</sup> See retired Major General, GSDF, Yoshida Akiji, "Four Factors for Considering the Future Japanese Land Forces," *DRC Annual Report* (Tokyo 1999). At the time of writing this report he was a Member of the Research Committee, Defence Research Center, SDF.

<sup>330</sup> See Ruben P. Mendez, "Peace as a Global Public Goods." In: Kaul, Inge, Isabelle Grunberg, and Marc A. Stern, eds., *Global Public Goods: International Cooperation in the 21st Century*. New York: Oxford University Press 1999.

<sup>331</sup> The link between economics and security is confirmed by Adam Smith (Kindleberger 1986: 2 & 7). Economists themselves no longer concern themselves on the subject, leaving the matter to the infant discipline of international relations. This is unfortunate, as the link between international relations and economic is severely ignored by the jealous separateness of the disciplines. The resulting disparate discourses impede progressive development of knowledge, and thus policy. Francis Fukuyamana, in a recent *Atlantic Monthly* Journal argument makes the case for state building to ward off terrorism. See "State of the Union: Governance," in *Atlantic Monthly*, January/February 2004, pp. 146-148.

<sup>332</sup> See the different summaries of Susan Strange's work following her passing away. Chris Brown Roger Tooze,

<sup>333</sup> See E. H. Carr, *The Twenty Years Crisis*, 1939, in Chapter 4: The Harmony Of Interests, <http://www.mtholyoke.edu/acad/intrel/carr.htm>.

<sup>334</sup> See Susan Strange, 'The Persistent Myth of Lost Hegemony', *International Organization*, Vol. 41, No. 4 (1987), pp. 551-74.

<sup>335</sup> As noted by the Prime Minister at the ISA conference in Makuahari, Japan, 1996.

<sup>336</sup> Interview: ENG-F-ING Barings 1 & 2, Tokyo 1997 & 1999.

<sup>337</sup> For the effect of Japan's investments in Thailand prior to the crisis see Kaosa-Ard, Mingsarn (1996) "Japanese Direct Investment in Thailand" in Leon Hollerman and Ramon H. MYERS, eds. *The Effect of Japanese Investment on the World Economy*. Stanford: Hoover Institution.

<sup>338</sup> For the politics of the US-Japan axis of the debate see Sauri Katada, *Banking on Stability: Japan and the Cross-Pacific Dynamics of International Financial Crisis Management*. Ann Arbor: The University of Michigan Press 2001. For a critique of the US role see Paul Krugman, "America the Boastful." *Foreign Affairs* 1998, 77 (3): 32-45.

<sup>339</sup> See Narongchai Akrasanee, et al, *ASEAN-Japan Cooperation: Foundation for an East Asian Community*, Tokyo: JCIE 2003.

<sup>340</sup> William Jefferson Clinton, visited Beijing in 1993, before visiting Tokyo, suggesting that the *nichibei* relationship of the Cold War was no longer important. This is similar to George W. Bush, by passing Canada, to visit Mexico, in 2000. Both proved to be gross errors, with the US leaders eventually returning to their allies.

<sup>341</sup> The warnings of speculation in growing economies came for example from Paul Krugman, "Dutch Tulips and Emerging Markets." *Foreign Affairs* 74, 1995:4, 28-44.

<sup>342</sup> Kantaro Seki, "Helping Thailand Out of Its Financial Trouble." *The Japan Economic Review* September 1997: 5.

<sup>343</sup> Interview: JPN-G-OECF 3, Tokyo 1999. In contrast to notions that Japan has few ideas for the regional, at the bureaucratic level it is clear that there is an ambition to re-create the AMF. Part of this effort is the swap fund, but a larger effort comes from trade credits, insurance and other funding to smoothen economic exchange in the region.



<sup>344</sup> See David S. Landes and Charles Tilly, eds. *History As Social Science*. Englewood Cliffs, N.J.: Prentice-Hall 1971.

<sup>345</sup> African representatives are sceptical about the West. (Interviews: ETH-G-Embassy of Ethiopia, Tokyo 1997 and RSA-G-Embassy of South Africa, Tokyo 1997.) The Ethiopian Ambassador saw the Japanese as the "last hope for Africa." This view is confirmed by other researchers visiting Japan and also those studying in Japan. (Interview: KYN-R-AERC/CREA, Tokyo 1998). A scholar returning to the Tanzanian Ministry of Finance after two years in Japan was more detailed, suggesting that Japan has no ideological baggage against *Ujamaa* (Julius Nyerere's African socialism attacked by Western academics). Interview: TNZ-G-Ministry of Finance, Tsukuba 1996 & TNZ-R-ESRF-1997, Tokyo.

<sup>346</sup> See Paul Krugman, "Can America Stay on Top?," *Journal of Economic Perspectives*, 2000 vol. 14(1), pages 169-175, Winter.

<sup>347</sup> By the end of 1999, Japan had \$2.7 trillion in overseas assets, including more than 11 percent of the outstanding private debt on U.S. Treasury securities. See John B. Judis, "Bush-League Economics," *The American Prospect* vol. 13 no. 2, January 28, 2002, web: <http://www.prospect.org/print-friendly/print/V13/2/judis-j.html> At the end of the first quarter, according to a Federal Reserve report released on June 10, 2004, foreigners owned about 40 percent of outstanding Treasury securities, up from 30 percent in 2000 (see Line 11 in table L.209). Foreigners own \$1.65 trillion in Treasury securities, up from \$1.03 trillion in 2000. See *Flow of Funds Accounts of the United States: Flows and Outstandings*, First Quarter 2004, Board of Governors of the Federal Reserve System, Washington DC 20551.

<sup>348</sup> See for more on the devaluations" Ligang Liu, Marcus Noland, Sherman Robinson and Zhi Wang (1998) *Asian Competitive Devaluations*, Institute of International Economics, Working Paper 98-2, Institute for International Economics, Washington, D.C.

<sup>349</sup> T. Kuhn, *The Structure of Scientific Revolutions*. Chicago: University of Chicago Press, 1962.

<sup>350</sup> See K. J. Holsti (1985) *The Dividing Discipline: Hegemony and Diversity in International Relations*. London: Allen & Unwin, 1985.

<sup>351</sup> See Charles P. Kindleberger, "International Public Goods without International Government," *American Economic Review* 76, no. 1 (1986): pp.1-13; Murakami, *An Anticlassical Political Economic Analysis: A Vision for the Next Century* (Stanford: Stanford University Press, 1996); Strange, *States and Markets: An Introduction to International Political Economy* (London, Pinter Publishers; 1988); Robert Cox, *Production Power and World Order: Social Forces in the Making of History* (New York: Columbia University Press, 1987); Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984); Razeen Sally, *Classical Liberalism and International Economic Order* (London: Routledge, 1998).

<sup>352</sup> Rodger A. Payne (2000), "Habermas, Discourse Norms, and the Prospects for Global Deliberation," paper presented at the International Studies Association, 41st Annual Convention, Los Angeles, March 14-18, 2000, in Columbia International Affairs Online 12/00.

<sup>353</sup> In *Knowledge and Human Reason* (1968), Habermas saw three different types of "knowledge-guiding" or "cognitive interests": first, the technical interest of the natural sciences in control over the physical phenomena; secondly the "practical interest" of the human sciences in intercultural understanding and normatively meaningful interaction between subjects; and thirdly, the emancipatory interest of critical social sciences in social self-realisation and autonomy.

<sup>354</sup> In his *Theory and Practice* (John Viertel, translator), London: Heinemann, 1963, Habermas made the case for an empirical philosophy of history with practical intent, written in essence within the Hegelian-Marxist dialectical framework. But, by 1970 he stressed the need to be on guard against critical theory lapsing into a new objectivism that simply dictated the truth of subjects deeds' from the outside (See Austin Harrington, *Hermeneutic Dialogue and Social Science: a Critique of Gadamer and Habermas*. London: Routledge, 2001, p. 20). Thus, by making the argument that through reason society can overcome domination by the state, Habermas makes a clean break with Marxists.

<sup>355</sup> For Payne (2000:1), the central Habermasian concept of "communicative rationality," is a discursive form of collective reasoning, and he notes, Communicative rationality results when a community's members discuss disputes or problems in order to discover or develop intersubjective agreement. Normative consensus is ideally achieved in inclusive and public deliberation free of various distortions, such as threats or lies. Given that "ideal speech situations" are unlikely to occur, discursive democracy and communicative rationality might well be considered somewhat utopian ends even for modern democratic societies. Meaningful deliberation would seem to be especially problematic in international contexts that are typically dominated by a very small number of powerful states (see Waltz, 1979; and H. Milner, "The assumption of anarchy in international relations theory: a critique." *Review of International Studies*, 1991, 17: 67-85) and regularly feature coercive rather than communicative action.

<sup>356</sup> The Soviet-led Eastern bloc may have collapsed for this reason (see Koslowski & Kratochwil, 1994).



<sup>357</sup> Peter Wilson, "Radicalism for a Conservative Purpose: The Peculiar Realism of E. H. Carr." *Millennium: Journal of International Studies* 30, 2001 no. 1, pp. 123-136.

<sup>358</sup> See Headley Bull, "The Groatian Conception of International Society," in Herbert Butterfield and Martin Wight eds. *Diplomatic Investigations: Essays in the Theory of International Politics*. London: George Allan & Unwin 1966. Also, Headley Bull, *Anarchical Society: A Study of Order in World Politics*, New York: Columbia University Press 1977. The other telling critique here is that Bull essentially constructs a world that has rules for capital at the international level whilst ignoring the interests of post colonial states.

<sup>359</sup> Stephan Haggard, *Pathways from the Periphery: Politics of Growth in the Newly Industrialising Countries* (Ithaca: Cornell University Press, 1990) and Robert Wade, *Governing the Market: Economic Theory and Role of Government in East Asian Industrialisation*. (Princeton: Princeton University Press, 1990). There are Japanese voices who argue that Japan's development has been slowed by MITI: see Hideki Mori, *Managing Technological and Industrial Development: Lessons from Japan, Inc.* no.13. Tokyo: Japanese Comparative Culture Research Association 1989.

<sup>360</sup> Atul Kohli, *State Directed Development: Political Power and Industrialization in the Global Periphery*. Cambridge University Press, 2004. Kohli examines why some developing country states have been more successful at facilitating industrialization than other states, looking in detail at South Korea, Brazil, India, and Nigeria over the 20th century. The states in these countries varied from cohesive-capitalist (mainly in Korea), through fragmented-multiclass (mainly in India), to neo-patrimonial (mainly in Nigeria). In the book Kohli argues that cohesive-capitalist states have been most effective at promoting industrialization and neo-patrimonial states the least. The performance of fragmented-multiclass states falls somewhere in the middle. After explaining in detail as to why this should be so, the study traces the origins of these different state types historically, emphasizing the role of different types of colonialisms in the process of state construction in the developing world.

<sup>361</sup> See Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, (London: Allen and Unwin, 1976). Of course Gunnar Myrdal's lengthy work *The Asian Drama*.

<sup>362</sup> Richard Stubbs argues for an Asian form of capitalism. (Interview: CND-R-McMaster, Toronto 1999.)

<sup>363</sup> See Paul Kennedy, "Japan: A Twenty-First Century Power?" in Craig Garby and Mary Brown Bullock, eds. *Japan: A New Kind of Superpower?* Washington, D.C.: Woodrow Wilson Center, 1995.

<sup>364</sup> See for example Japan Center for International Exchange (1976) *The Silent Power: Japan's Identity and World Role*. Tokyo: The Simul Press. Several non-Japanese scholars have however, written otherwise.

<sup>365</sup> See Hugo Dobson, 'Japan and the G8 Evian Summit: bilateralism, East Asianism and multilateralization', *G8 Governance*, No. 9, February 2004. Also *Japan and the G7/8, 1975 to 2002*, Routledge Curzon, 2004.

<sup>366</sup> Reinhard Drifte, *Japan's Rise to International Responsibilities: The Case of Arms Control* (London: Athlone, 1990); *Japan's Foreign Policy in the 1990s: From Economic Superpower to What Power?* Series: St. Antony's (Basingstoke: Macmillan, 1996); *Japan's Quest for a Permanent Security Council Seat: A Matter of Pride or Justice?* St. Antony's series (London: St. Martin's Press, 2000).

<sup>367</sup> For work that is empirically rich, but unable to give adequate theoretical meaning see Robert Orr, *The Emergence of Japan's Foreign Aid Power* (New York: Columbia University, 1990); Walter Hatch & Kozo Yamamura, *Asia in Japan's Embrace: Building a Regional Production Alliance* (Cambridge: Cambridge, 1996). Walter Hatch, *Grounding Asia's Flying Geese: The Costs of Depending Too Heavily on Japanese Capital and Technology*. The National Bureau of Asian Research Series: NBR Briefings. (Washington, D.C.: NBR Publications, 1998); David Arase, *Buying Power: The Political Economy of Japan's Foreign Aid*, London: Lynne Rienner Publishers, 1995.

<sup>368</sup> While the story of US Admiral Perry is known, what is less well known is the Japan elites anger at the racism shown towards them at post WW I international forums. For the story at Versailles, see Margaret MacMillan, *Paris 1919*. For the manner in which Washington separated the Anglo-Japanese alliance, see Ishimaru Tota, Lt. Cmdr., (1935) *Japan Must Fight Britain*. London: Hurst and Blakett.

<sup>369</sup> E. H. Carr *Conditions of peace*, London: Macmillan 1942, and *Democracy in International Affairs*, Nottingham: University of Nottingham 1945.