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# International Political Economy: Japan's Quest for a Rightful Place in the Sun

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July 23, 2013@10:40-12:10

# Introduction

- ◆ Japan's Postwar Economic Diplomacy
  - ◆ 1<sup>st</sup> period (1950s): Recovery
  - ◆ 2<sup>nd</sup> period (1960s): Miracle
  - ◆ 3<sup>rd</sup> period (1970s-80s): Conflicts
  - ◆ 4<sup>th</sup> period (1990s-2012): Recession
  - ◆ 5<sup>th</sup> period (2013-): Renaissance?

# Theory

- ◆ Two well-known theories on Japan's foreign economic policy
- ◆ (Late) Chalmers Johnson: Japan as a “developmental state”
- ◆ Kent Calder: Japan as a “reactive state”

# Late Chalmers Johnson

Picture removed due to  
copyright restrictions.

Picture of  
Chalmers Ashby Johnson

(August 6, 1931 –  
November 20, 2010)

# Johnson's Theory

- ◆ Japan as a developmental state
- ◆ Top priority: Economic development
- ◆ “Soft authoritarianism”: Bureaucratic dominance
- ◆ State-industry cooperation
- ◆ Industrial policy: industry targeting ⇒  
Mercantilist trade policy: Promoting exports, suppressing imports, inward foreign investment
- ◆ Mimicked by other Asian states

# Kent Calder



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Source: <http://www.sais-jhu.edu/voices-of-sais/kent-e-calder>  
Courtesy of Dr. Kent Calder



# Calder's theory

- ◆ Japan as a reactive state
- ◆ Two meanings of being “reactive”
  - ◆ Passive ( $\Leftrightarrow$  pro-active)
  - ◆ Flexible ( $\Leftrightarrow$  rigid)
- ◆ Both aspects based on domestic politics
  - ◆ Passivity: Many choke points in policy making due to the medium sized constituencies
  - ◆ Flexibility: Role of media, transnational relations



# Theoretical wrap-up

- ◆ Differences between Johnson and Calder
  - ◆ Bureaucrats v. politicians
  - ◆ Strategy v. foreign pressures (*gaiatsu*)
  - ◆ Closedness v. trade and investment opening
- ◆ Both are historically limited: Johnson relevant to 1<sup>st</sup> and 2<sup>nd</sup> periods; Calder relevant to 3<sup>rd</sup> period
- ◆ How about 4<sup>th</sup> period and after?

# 1<sup>st</sup> period (1950s): Recovery

- ◆ Reconstruction from devastation from war
- ◆ 1956 Economic White Paper: “No longer postwar”
- ◆ Japan joins IMF (1952) , World Bank (1952), GATT (1955), UN (1956), OECD (1964)
- ◆ Joining GATT was especially hard because of opposition from European countries

# Centre William Rappard (Formerly GATT Headquarters / currently WTO)



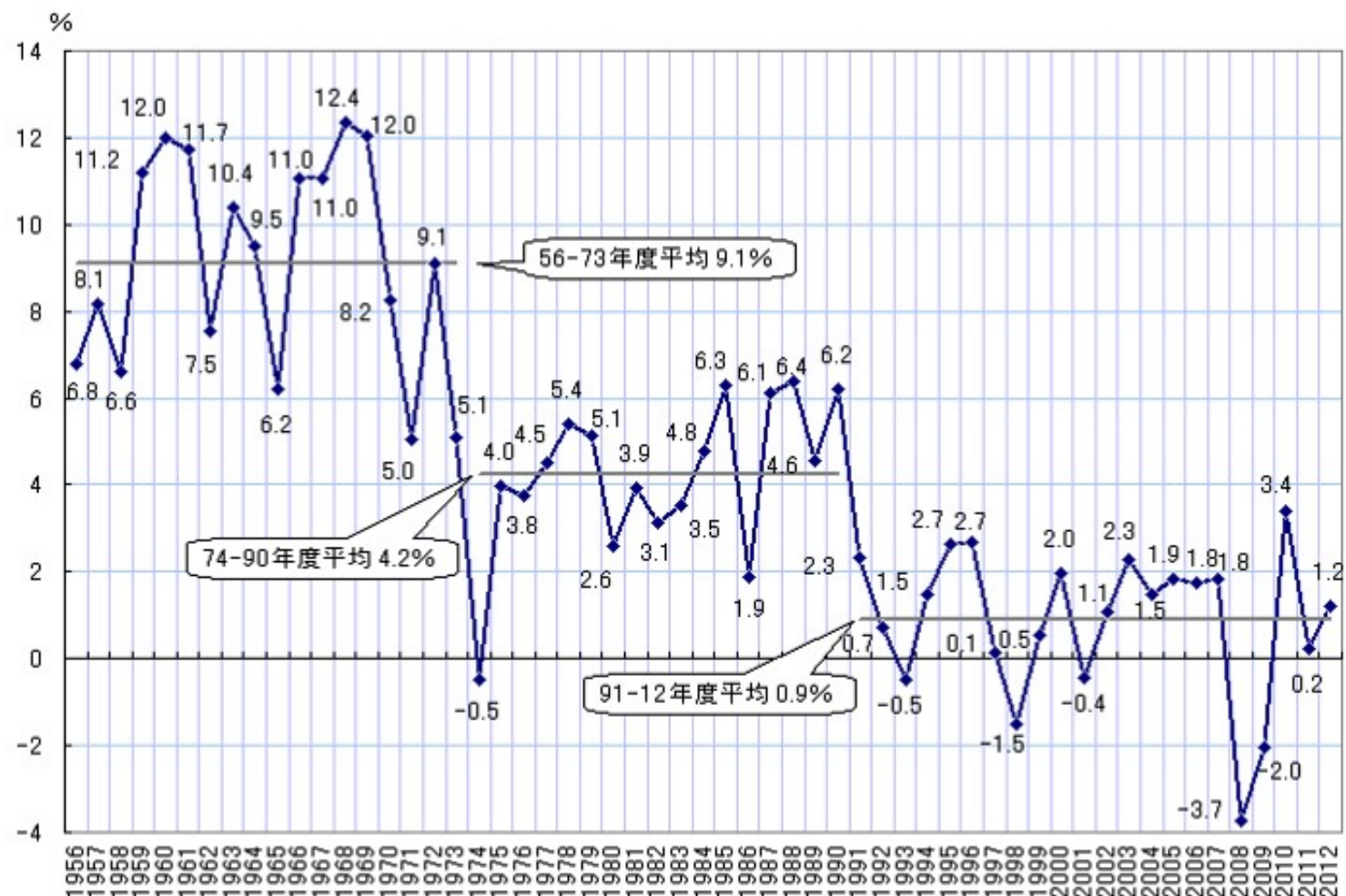
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## 2<sup>nd</sup> period (1960s): Miracle

- ◆ Japan's GDP surpasses that of (West) Germany in 1968 to become a No.2 economy among the industrialized countries
- ◆ Double-digit growth in most years in 1960s
- ◆ Reasons
  - ◆ According to Johnson, due to developmental state
  - ◆ Good luck: Propitious international environment, political stability, low energy prices, etc.
- ◆ Japanese economic diplomacy: not active

## 経済成長率の推移



(注) 年度ベース。93SNA連鎖方式推計。平均は各年度数値の単純平均。1980年度以前は「平成12年版国民経済計算年報」(63SNAベース)、1981～94年度は年報(平成21年度確報)による。それ以降は、2013年1-3月期2次速報値<2013年6月10日公表>。

(資料)内閣府SNAサイト

# 3<sup>rd</sup> period (1970s-1980s): Trade conflicts

- ◆ US becomes less lenient toward Japan
- ◆ 1970s: various orderly market arrangements (OMAs): voluntary restraints on exports of various products
- ◆ Prying Japanese markets open
  - ◆ MOSS talks (1985-86)
  - ◆ Structural Impediments Initiative (SII) (1989-90)
- ◆ Confrontational approach: Section 301, Super 301
- ◆ Japan flexible in some cases (Calder), not in others



# (Then) US trade representative Carla Hills (second from right)

Picture removed due to copyright restrictions.

Picture of  
U S. Trade Representative Carla Hills and  
Japanese Ambassador Ryohei Murata sign the  
new semiconductor agreement in Washington.  
AP/Wide World Photo

<http://aliciapatterson.org/stories/quiet-renewal-japan-chip-pact>



# Japan Nikkei 225

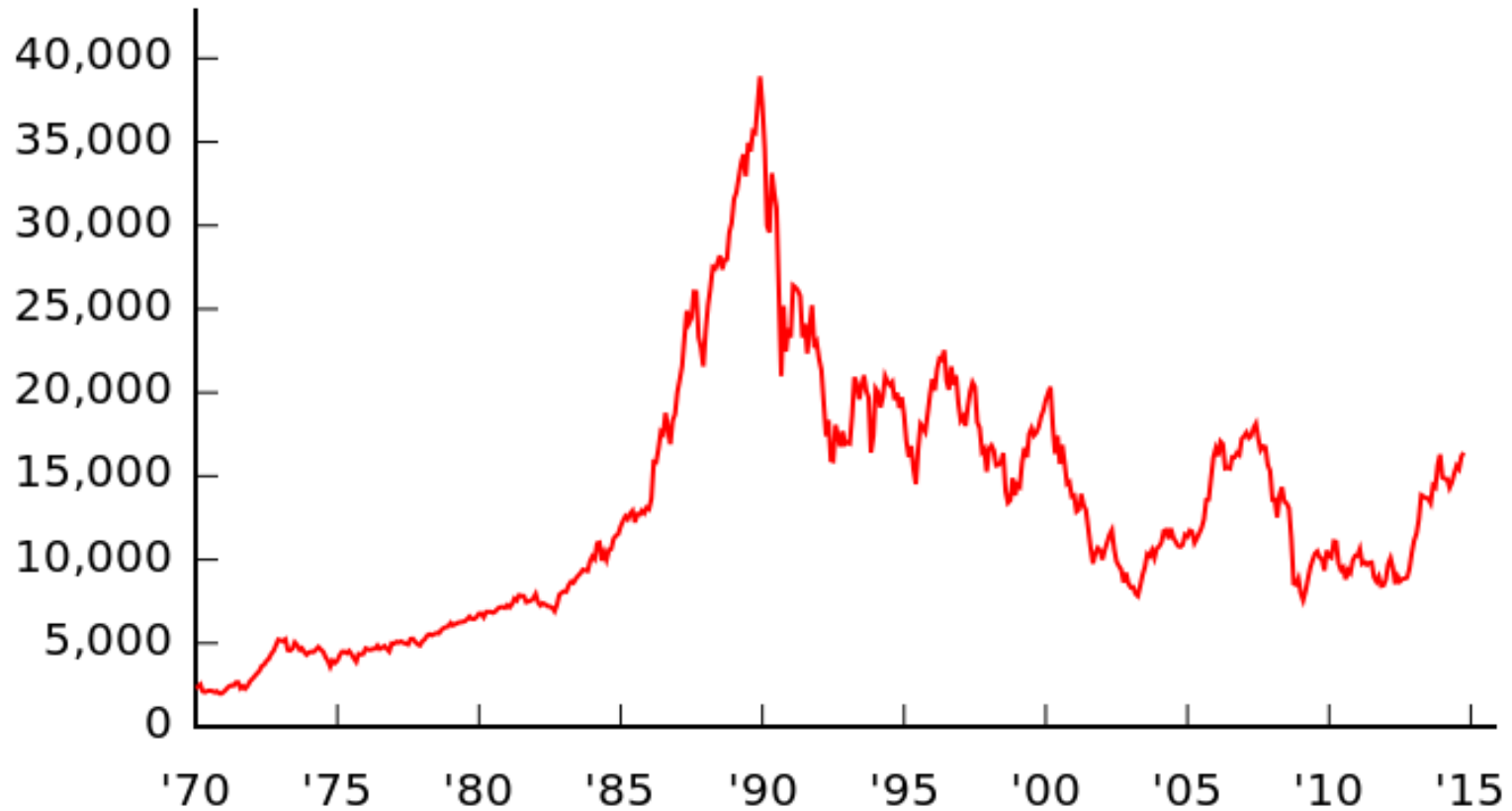


Image by Monaneko from Wikimedia Commons (2015/03/03)  
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# 4<sup>th</sup> period (1990s onwards): recession

- ◆ In 1990, bubble bursts, pushing Japanese economy into long-term stagnation
- ◆ Foreign companies lose interests in Japanese markets
- ◆ Trade conflicts slowly wind down
- ◆ Japan takes initiatives in economic and non-economic areas: e.g. proactive environmental diplomacy (contra Calder)

## 5<sup>th</sup> period (2013-): Renaissance?

- ◆ Brief Democratic Party (DPJ) inter-regnum: Attempt to break bureaucratic dominance, failure in diplomacy: Japan-US, Japan-China
- ◆ In economic diplomacy, some initiatives that will be in line with interests of Liberal Democratic Party (LDP)
- ◆ Kan and Noda (DPJ) show interest in TPP; Abe (LDP) succeeds in participating in negotiation

# Obama and Abe



\* Source: Official Website of the Prime Minister of Japan and His Cabinet  
([http://www.kantei.go.jp/jp/96\\_abe/actions/201302/23usa.html](http://www.kantei.go.jp/jp/96_abe/actions/201302/23usa.html))