
THE PROBLEMS AND PROMISES OF JAPAN'S ECONOMIC-GROWTH-LED FOREIGN POLICY IN PERSPECTIVE

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Japan, like all industrialized nations in our increasingly interdependent world, trades and invests abroad. However, unlike Western industrial nations, Japan's role in the international community has been defined almost entirely in terms of these transactions. As Japan's postwar economic power has increased, so have the number of competing views on the sources of Japan's economic prosperity and the definition of Japan's postwar international role.¹

An investigation into Japan's prosperity and purpose reveals that the two are inseparable: Japan's prosperity is its purpose. Japan's leadership has historically considered prosperity—industrialization and economic strength—as the only way their small and resource-poor country could provide for its security in a dangerous world of Western industrialized nations far more powerful than itself. For over 125 years, Japan has striven to grow economically more powerful, first to evade the imperialist grasp of the Great Powers establishing colonies and securing markets and resources in Asia; then to become an imperial power, establishing its own colonies in the region; then to rebuild and prosper after the war.

From the attempted occupation of Taiwan in 1874 to the conclusion of World War II,² Japanese economic growth had been fueled by a gradual arms buildup (with defense expenditures peaking at 38 percent of the 1938-1942 government budget³) and by colonial expansion in East Asia. After World War II, Japan, under U.S. protection and yet contrary to American designs that Japan re-arm to stand against Communist expansion in Asia, renounced the traditional offensive and power-projection elements of national defense. Japan's governing elite committed both the country's resources and its people to economic growth by promoting a paternalistic relationship between corporations and their employees and by socialization through a highly regimented educa-

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tion system (where young Japanese learn *jishuku*, or self-restraint, and more importantly *messhi hoko*, self-sacrifice for the sake of the group). Within the Cold War's bipolar dynamic and under the American-imposed peace constitution, Japan remained relatively disengaged from world political affairs.

What characterizes Japan as a merchant state? More than any other factor, it is Japan's choice of economics and economic measures to define not only Japanese foreign relations, but also Japan's national identity and, to a surprising degree, the identity of the Japanese people themselves. Political scientist Kosaka Masataka⁴ is among those who have portrayed Japan as a merchant state, a perspective he says is widely accepted in the mainstream of the Japanese political, bureaucratic and business elite: "A trading nation does not go to war. Neither does it make supreme efforts to bring peace. It simply takes advantage of international relations created by stronger nations. This can be also said of our economic activities."⁵

To Western observers, this world view is unsettling. Without an ideology, how does Japan define itself? As a nation, what does it believe in? To what purpose will it apply its economic power and technological advantage? Those who feel that Japan is a threat see "the Japanese economy orchestrated by faceless bureaucrats, politicians and managers aiming at world domination through the relentless pursuit of market share abroad and the effective closure of the market at home."⁶ Others see Japan as the first of an evolving form of powerful, progressive new states, the civilian superpower, which rely on persuasion rather than coercion, trade and market share rather than military force and territorial expansion.⁷

The Historical Preeminence of Economics in Japan

Japan is a "geological freak," with almost none of the natural resources necessary for an industrial economy.⁸ Only 13 percent of Japan's territory can support agriculture, and, due to the country's small size, this is not sufficient to satisfy food requirements. Food scarcity is therefore the most fundamental reason for Japan's dependence on trade.⁹ Japan is also largely dependent on imported factors of production, including energy. For every pound of product exported, several more pounds of raw materials must be imported. An export-oriented growth strategy favoring producers over consumers has only increased this dependence on trade: a significant portion of the consumer electronics, vehicles and other products made in Japan today bring no wealth to the country unless they are sold abroad. Again, Japan's basic poverty on the one hand and its large population and voracious economy on the other require that, more than most nations, Japan must trade.¹⁰

Given the imperialist era in which the Western powers encountered Japan, the islands' weakness and vulnerability left the leadership with a clear choice of either coming under the influence of one of the industrial Great Powers—Britain, France, Russia, the United States¹¹—prowling about East Asia at the time, or undertaking a radical transformation of the nation's economy to generate the power to remain independent. Painfully aware of the Opium War

between England and China, Japan chose to industrialize and, from a position of rapidly growing industrial and military strength, to negotiate incrementally more favorable treaties with the Great Powers.¹² It is clear that from the earliest stages of Japan's evolution into a modern state, its national security was predicated on economic strength.

Indeed, by the late 1800s Japan had developed, following the British model, an extensive light industrial infrastructure supporting a textile and a shipping industry. The first iron and steel works opened in 1901. Social infrastructure was also well developed: the Education Code of 1872, based on Western vocational models, led to the designation of eight educational regions, each of which was to have one university, 32 secondary schools, and 210 primary schools, where all children 6 years and older were to begin their education. By 1895, 60 percent of all children attended primary school; by 1900, enrollment was an astonishing 90 percent.¹³

Between 1885-1940, the Japanese economy grew at an average annual rate of over 3 percent, outpacing all Western nations except the United States: "During this period, the Japanese economy was walking a path of self-sustained industrialization, leaving behind the stage of developing nation with primitive [capital] accumulation through agriculture."¹⁴ Author K.K. Kawakami wrote in *What Japan Thinks* (1921) that Japan should dedicate the energies of its increasingly centralized and authoritarian state to build up capital for industrial development, establish a hegemony over Asia, and become strong enough to remain independent in the face of Western imperialism:

It is necessary for the whole nation to become united to be mobilized for the purposes of expansion. . . . The wealth of the people must be utilized also in a nationalistic spirit. Every individual's capital essentially forms part of the State's capital: private ownership can only exist in the interests of the public good. . . . The individual should not work actuated by selfishness, but, as a member of the State, must always look to its general interest. No strife between capital and labor ought to take place in Japan. . . . Let all the people participate in the business of promoting national development; let them cooperate and serve their beloved Emperor.¹⁵

Totalitarian in tone, this message represents Japan's principal interest at the time—economic strength. Given the contemporary importance of understanding Japanese economic policy and purpose, it is necessary for us to put aside considerations of the militaristic ambitions of the state at the time and focus instead on the consistent primacy of economics, especially industrialization and trade. Japan's ambassador to the United States, Hiroshi Saito, wrote in *Japan's Policies and Purposes* (1935):

It is true that Japan has taken great strides in her trade expansion during the past few years. The causes are ascribable to a great extent to the energy, ingenuity and enterprise of her people. But to

say these qualities were innate in the people, would somewhat make a virtue of necessity. The land is small, the natural resources are exiguous, and the population large. The Japanese have to work very hard indeed if they are to make a decent living at all.¹⁶

Again, Ambassador Saito:

We are a nation of 65 millions of people, which is about half the size in population of the United States. But in territory Japan Proper is no larger than your state of California.... We have therefore a problem of subsistence such as the American people have not. This we are solving by industrialization.¹⁷

In contrast with the United States, where a liberal, market-based economy has long been associated with democratic political ideals, industrialization for Japan's modernizing elite was not seen as a question of beliefs and ideology; it was, in the context of the European colonial threat, perhaps the only way to protect the nation. "France, England and the United States had all undergone revolutions or upheavals that shattered the old aristocracy. Japan, on the other hand, experienced its industrial revolution as a conscious decision of its own aristocracy; indeed, industrialism arrived in Japan via the aristocracy."¹⁸

Postwar Reconstruction: The Modern Merchant State Emerges

After World War II, Japanese leaders did not clear away the rubble and decide for the first time to industrialize the nation, as the over-used and inaccurate phrase "Japanese economic miracle" suggests. Japan's postwar economic policy was largely a continuation of its prewar policy, minus territorial expansion. Tremendous war damage set the stage for thorough modernization during reconstruction, while widespread frustration over deprivation during the war became fuel in the forge of industrialization.

Between 1937 and the end of the war, approximately 2.3 million Japanese died, and over 4.5 million were wounded in battle.¹⁹ Ninety cities were bombed, 20 of which were more than half destroyed. Over 800,000 non-combatants were killed or wounded. Two-and-a-half million houses were totally or partially destroyed, leaving millions of people homeless and without any possessions. Before the war, Tokyo's population was nearly 7 million; after the war just under 3 million remained.²⁰ Basic human needs could not be met.

During the war years, first the best rice and then almost all rice was shipped overseas to the soldiers, leaving many civilians foraging for food. Some ate rats, grass soup and insects.²¹ "Of all scarcities during the period immediately following defeat, food was the most desperate. . . . Hunger was one of the commonest (and longest remembered) experiences of the Japanese people during the war years and in the period immediately following."²² Hunger transformed the Japanese into a "nation of barterers and grovelers. Survival—

the elemental task of finding food and shelter—was what mattered. The winter of 1945 and 1946 was an excruciating, soul-searing experience, and even today Japanese who remember accompany their accounts of it with shudders and grimaces of remembered pain.²³

Japan's population had been strictly controlled in the decades leading up to this defeat. Japanese militarist-visionary Ishiwara Kanji, teacher of military history at the Staff College, articulated in the late 1920s a mission for Japan that became popular enough with the military and ruling elite as to gain an unstoppable momentum. He called for government regimentation of the population and economy to suppress opposition and support armaments production.²⁴ (The military at the time controlled the civilian government and the cabinet, was responsible only to the Emperor, and did not have to consult with civilian members on military operations. The military could therefore commit the country to any course of action.²⁵) The Japanese state, Ishiwara argued, should be disciplined and purified, forged into a "fit instrument to carry out Japan's 'Asia' mission." This Asia mission was a radical gamble to put the military—patriots and *shishi*, "men of spirit"—in the position of guarding the *kokutai*, the mystical nation-family; exploiting and then "championing" Asia; then, through an imagined succession of victories against China, Britain, Russia and finally the United States, securing forever the high moral values of *Kodo*, the Imperial Way.²⁶

For the average Japanese, there was little choice but to toil in service to the state, faithfully (though largely in ignorance and under the constraints of a police-state) supporting the elite's delusional ambitions. With defeat and occupation by Allied forces, Japan experienced a profound and dizzyingly rapid social, political and economic decompression. The force of this decompression was channeled into economic reconstruction and found expression as a renewed hunger for prosperity and economic security.²⁷ This rank-and-file hunger mentality coincided with the elite's new national mission—to make Japan a great economic power.

Leading conservative statesman Yoshida Shigeru, prime minister during seven of Japan's formative postwar years (1946-1947 and 1948-1954), believed that disputes between the Allies over the postwar settlement with Japan could be used to Japan's advantage.²⁸ "Losers at war could be winners at peace."²⁹ Through creative diplomacy, Yoshida sought to direct Allied-imposed postwar reforms away from social and political reform toward economic development. Yoshida's emphasis on economic growth and dependence on the United

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"It seemed obvious to Yoshida, and he in turn persistently tried to make it obvious to the Supreme Command for the Allied Powers (SCAP), that if reforms were to be effected, Japan had first to be rehabilitated, but if Japan was to be economically rehabilitated, then the sweeping [social and governmental] reforms would have to wait."³⁰ Yoshida's emphasis on economic revitalization was endorsed by SCAP financial adviser Joseph Dodge. Dodge, appointed by President Truman to assist Gen. Douglas MacArthur, was a staunch free-market advocate. Dodge exhorted the Japanese people to prepare for hard times and to work harder. In Japan, Dodge told reporters:

Any realistic view of the economic problems suggests a rough and rocky road which will severely test the strength, character and loyalty of the people.... There seems to be astonishingly little comprehension among the Japanese people of the real situation in their country. Nothing should have been expected as a result of the war but a long term of hardship and self-denial.³¹

As Cold War boundaries were drawn, the United States pressed Japan to rearm. In what is widely considered Yoshida's most determined move, he resisted this pressure from Washington. If Japan didn't dedicate itself to economic revitalization, he explained, then the growing Communist movement would feed on popular frustration with the slow recovery and could threaten reforms. Gradually, the United States came to believe that a prosperous, unarmed Japan was in the American national interest.

Given war debts and the lack of natural resources, Japan would clearly need to begin trading again. This passage from the Economic Planning Agency report of 1957 demonstrates Japanese official thought at the time: "It is not exaggerating to say that the key to a stable growth of the economy—the goal of the long-range plan—lies in a trade program."³² The report said, "In order to accomplish the plan's 6.5 percent rate of economic growth, it is necessary to increase exports by 82 percent up to fiscal 1962.... This means that Japan must increase her exports at the rate of more than double that of other countries in the world up to fiscal 1962."³³

Free from costly defense expenditures and maintenance of overseas territories, Japan could retool the defense industrial sector to support this massive increase in exports. Many of today's largest Japanese companies, such as Matsushita, Mitsubishi, Mitsui, Sumitomo and Toyota benefited from the pre-war arms buildup; Nissan had more automobile manufacturing plants in Manchukuo, Japanese-dominated China, than in Japan at the time.³⁴ It was around this time that Japan developed its policy of separating politics from economics. The benefits of trade unencumbered by political ideology became apparent when the United States, after the successful Communist revolution in China, chose to recognize the Nationalist government in Taiwan. Although Japan preferred to maintain commercial relations with the mainland, as a weak

and recovering client state, Japan was not in a position to challenge the United States, and therefore followed U.S. policy. However, Japan later declared that its reconstruction would benefit from reestablishing trade relations with the People's Republic of China and submitted to the U.S. Congress a statement guaranteeing that Japan had no intention of forming any bilateral political relations with the Communist country:

China was part of an opposing bloc, while Japan had already recognized Taiwan.... Realizing a solution to the problem of recognizing either China or Taiwan would not be forthcoming, [Japan] decided to increase trade with China and separate politics from economics.³⁵

Today, Japan's foreign policy remains free for the most part of ideological constraints or messages. Markets are markets, resources are resources, expansion is security.

Economics and National Identity

Japan's postwar economic development is called a miracle because of the great speed with which it occurred. The energy and commitment of the Japanese leadership and people to this new national mission accounts for Japan's rapid growth more than did the substantial foreign financial and technical assistance it received. During the reconstruction years, Japan adopted economic rationalism as an ideology and turned to economic success as the measure of the nation's collective self-worth. This economic calculus of identity is today the domestic, that is to say the sociological, foundation upon which Japan participates in the international system.

Certainly, the war's destructiveness left Japan with no option but to rebuild—conditions could only improve, the economy could only grow. Kosaka Masataka summed up the postwar boom as follows:

Popular enthusiasm for the [U.S.] reforms was optimistic and rather light-hearted.... Japan's defeat in the Pacific War had shattered ancient convictions and beliefs.... The people were more than ready for change. It was thus that the optimistic, rather frivolous Japan of the postwar period was born.³⁶

Popular misgivings about Japan's prewar purpose and the overnight demotion of the revered Emperor (previously seen only in photographs wearing an imposing imperial regalia of medals, sword and sash), from martial Shinto deity to the out-and-about (and simply white-suited) symbol of a new constitutional democracy created confusion in the Japanese spirit. Encouraged by the United States through SCAP, and Japan's leadership through Yoshida, the Japanese people turned to industrialization, economic growth and trade as the national purpose. The act of rebuilding consumed the country. It became

part of the Japanese self-identity. Unlike the prewar era, the mission to industrialize was not a collateral strategy of imperialist expansion in Asia. The U.S.-imposed peace constitution and the constraining bipolar Cold War dynamic meant that industrialization and economic expansion were the only channels remaining for Japan to achieve security, gain influence, and earn recognition. No longer looking for colonies in Asia, Japan's search for markets became global.

Ishihara Shintaro, outspoken conservative politician and author of the controversial book *The Japan That Can Say No*, while perhaps not representative of mainstream Japanese thought, has expressed concern about the primacy of economics in the Japanese sense of self. This concern is corroborated to an extent by more mainstream opinion leaders such as political scientists Kosaka Masataka and Nagai Yonosuke.³⁷ Ishihara explains that Japan's postwar existence has been defined almost entirely by economic measures and by Japan's participation in the international economy:

The core [of the Japanese] outlook is an unqualified belief in the absolute effectiveness of economic rationality.... The economy and participation in the economy become an unbreakable bond joining public, private or official and personal.... Participation in it is the way the individual takes his rightful place in society. That, in miniature, is the politics and diplomacy of Japan, and that is what it has been for more than a hundred years.³⁸

Ishihara describes Japanese foreign policy as being market-driven. He likens sudden changes in Japan's relations with other states to the destruction of factories that are not performing. "Our government unilaterally abandoned Taiwan in favor of a more profitable relationship with China, and then deserted Israel for oil—maneuvers exactly like the demolition of a factory that has become obsolete. This kind of foreign relations is merely a means of plunder to satisfy the hunger of the deprived."³⁹ The governor of Kanagawa Prefecture wrote despairingly about the economic focus of Japanese foreign policy: "Although we talk about the era of internationalization, we look to the world only in terms of what is good for Japan. What passes for international sense is a roll of bank notes—'money talks.'"⁴⁰ All nations pursue their national interests, but Japan's policies in particular have been criticized domestically and internationally for lacking breadth and vision.

In 1982, the Industrial Structure Council, an advisory group to the Ministry of International Trade and Industry, developed an economy-based security policy for Japan, under the label "comprehensive security." The comprehensive security policy suggested that Japan: (1) remove trade barriers, liberalize financial institutions and strengthen the General Agreement on Trade and Tariffs (GATT) to promote free trade; (2) focus on high technology as an engine to boost the global economy; (3) invest more in cultural and educational exchange programs; (4) work for greater North-South, East-West harmony as a way of enhancing Japan's long-term security; (5) increase aid in agricultural

technology as a way of securing imported food resources; (6) make "positive contributions" to areas of importance to maritime trade, such as the Suez and Panama canals and the Hormuz and Malacca straits; and (7) support private business in generating and disseminating technology while facilitating structural adjustment in industry.⁴¹ Although there is frequent debate in the United States over its national interest, this debate generally occurs within a three-part paradigm: American foreign policy must promote the national defense, an open-market economy, and the country's democratic heritage. Japan's comprehensive security policy, in contrast, defines national interests almost entirely in terms of economic growth, the stability of markets, and access to resources.⁴²

Economics and Individual Identity

Although Japan's initial industrialization was primarily an elite movement to counter Western imperialism in Asia at the turn of the century, the Japanese people appear to have accepted that expanding trade was the key to postwar reconstruction. Japan's transformation into a democratic merchant state could therefore be described as a popular movement—firmly directed, though, by statesmen such as Yoshida. Kosaka Masataka writes that the Japanese people were "prepared to make further sacrifices to develop their country's position in overseas markets. The energy with which the people attacked this task startled the whole world."⁴³

As the country debated, sometimes violently, whether to enter into a security treaty with the United States, economic policies such as prime minister Ikeda Hayato's (1960-1964) "income-doubling plan," designed to give Japan an annual 7 percent growth rate for 10 years, brought a "ray of sunshine into the darkened hearts of the people, who had suffered through the confusions created by the anti-security treaty demonstrations."⁴⁴ Under such government initiatives, a citizen's place in and contribution to the new economy became increasingly equated with self-worth.

Kosaka, however, points out the sacrifices Japanese have made to expand their economy; Ishihara and others also emphasize the cost of this policy to the working people. An example is the employee of a trading company who works long hours to increase corporate profits by hoarding imported lumber, thereby driving up the price, who cannot afford a home because companies like his have made them too expensive.⁴⁵ Norma Field, in her book *In the Realm of a Dying Emperor: Japan at Century's End*, remembers her aunt, who despaired for her husband's deteriorating health, "What's the Japanese economic miracle worth? Look at him, worn to a rag. And when they're through with him, it'll just be that. They'll be through with him."⁴⁶

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Others have made the provocative and very appealing argument that the reluctance of the Japanese government and people to come to terms with their war guilt has complicated the calculus of identity.⁴⁷ Under these circumstances, rational economics becomes more inviting than an unreliable and contested history for a number of social and governmental functions, such as providing inspiration and legitimization. This Japanese worldview—a system of distorted values where a difficult past is left unresolved and economic measures come to mean more than self-determination or fulfillment—may appear to be out of touch with reality. Shintaro and others have asserted that industrialization and catching up with the West were elevated to the status of national ideology.⁴⁸ Although perhaps it could not have been otherwise, Japan has caught up to the West and now finds itself despondent, looking inward at an emptiness that remains nevertheless.

The Japanese Merchant State Today

Japan today is an economic superpower, and while its economic indicators have been admired the world over, many people are uneasy about the larger picture. Japan's economic power—its trade surplus, productive capacities and financial assets—and its reluctance or inability to articulate a grand strategy lead to apprehension: now that Japan has this capacity, what will it do with it?

"[Japan] is fated to have to import resources to feed its domestic industries and to export manufactured goods to pay for the imports."⁴⁹ This could be said of any resource-poor country, but how many countries transform dependence into power? Japan continues to be dependent—without resources, without market access, without security treaties, Japan is once again a poor and vulnerable nation. Yet, apparently free of an ideological heritage and with comparatively little leadership ambition, the modern merchant state Japan has flourished, quietly bowing into new markets and selling more and more consumer goods. It is worth pausing here, however, to note there are historical precedents.

The policy of old Venice—outfitting every crusade but never going on one, maintaining the best commercial intelligence service in the Mediterranean, avoiding ideological and religious fanaticism—was much closer to the intellectual ethos of postwar Japan than it was to that of the military powerful Great Britain in the heyday of Queen Victoria.⁵⁰

Since publication of the book *The Rise of the Trading State: Commerce and Conquest* by Richard Rosecrance in 1986, political scientists and economists have increasingly suggested that a fundamental shift in the nature of power itself and the role of the state is occurring, and that Japan is a prototype of the maritime civilian powers which, while less significant as states in the Westphalian territorial-military sense, will become increasingly important in the

world economy, and therefore increasingly powerful. Many states—in Asia, Europe and Latin America—are now recognized as participating profitably in the international system in much the same way as Japan, through trade-based interdependence.

The returns, as Japan, Korea, Taiwan, Hong Kong, the Association of Southeast Asian Nations (Singapore, Malaysia, Thailand, Philippines, Indonesia, and Brunei), Brazil, Mexico, China, India, and others have demonstrated, can be incredibly high. Small European nations, like Switzerland, Belgium, Holland, Austria, Denmark, Norway, and Sweden, have also grown dramatically as their foreign trade has risen as a fraction of the gross national product. The vigor of such growth resembles that of late medieval and early modern city-states which, like Venice, Genoa, the Dutch Republic, and the members of the Hanseatic League, were dependent on trade for food, raw materials and markets and yet prospered in consequence of that dependence.⁵¹

Chalmers Johnson has written that since 1945, two types of states have been evolving: the Westphalian territorial state, which goes back to the time of King Louis XIV, and the oceanic or trading state, which is the legacy of British trading policy in the 1850s and which is today organized around the Atlantic and Pacific basins.⁵² As a non-military state, Japan, devastated during the war, has been more successful today securing by trade the resources that it aimed to capture by military force in the 1930s and 1940s.

Perceptions

Of course there is the legacy of the Pacific War, but it is also as a result of Japan's singular emphasis on trade that Japan's diplomacy has been weak and Japan's popularity never high. Nagai Yonosuke's observations on Japanese diplomacy reflect an embarrassed desperation: "Japanese diplomacy has no unified, long-range aspect which could be called 'national interest' or 'policy.' Japan merely has a sheaf of 'interests' in the form of commercial relations, foreign investment, foreign assets, exchange of technical information and persons, foreign aid, which are loosely organized around a vague commitment to the 'Free World.'"⁵³ Western observers regularly make similar observations about Japan today—in journals and newspapers, scholars and analysts dissect the politics and purpose of Japan, searching for a plan or strategy whose explanatory power would enable outsiders first to understand Japan's priorities, and second to get an idea of how far Japan will go to achieve them.

Many Japanese are also concerned about the suspicion created, and the damage done to Japan's international image, by the lack of person-to-person interaction between Japanese and the people with whom Japan trades:

Communication is blocked while waves of Japanese products inun-

date the world After 20 years of 'silent trade' a rather large share of the world's dollars have accumulated in Japan and the Japanese continue to make radios with broad grins on their faces. From the foreigner's point of view, what is going on? Is it some sort of huge conspiracy, impossible to detect from the outside, that is in progress within the confines of that small island country? The Japanese are a weird and creepy lot—you never know what they are up to⁵⁴

Political economist Robert Gilpin describes Japan as practicing "industrial preemption," the policy of protecting its domestic market so that the growth of demand for a product enables a domestic firm to achieve economies of scale before competing in international trade:

This tactic of 'import protection for export promotion' has been practiced most systematically by Japan In preventing imports or direct investment by foreign firms, the Japanese . . . enable their own corporations to reap a significant share of the benefits and 'value-added' of foreign innovations. 'Industrial preemption' thus causes intense negative reactions in the United States and other economies.⁵⁵

Japan's continued use of industrial preemption in trade and, under the legacy of the Yoshida doctrine, its relatively passive, self-serving role in the world system have contributed to Japan's economic power. However, if Japan were to be a leader in a new era of peace, prosperity and civilian powers, then Japan must go beyond economics in investing in the international community. It must not, as one Japanese observer commented, continue to "think locally and act globally."⁵⁶

Studying Japan as a modern merchant state reveals on the one hand that the key to the success of such trading states lies in its ability to convert poverty into power through economic interdependence, and reveals on the other hand that the economic unilateralism and international ambivalence deeply rooted in what could be described as Japan's contemporary world-view might in the long run undermine its hard-earned, trade-based economic success and security.

Conclusion

Japan's historical focus on industrialization and subsequent rapid transformation into a modern merchant state stem from the leadership's search for security. Having adopted Western utilitarian rationalist thought during the Meiji era, Japan chose a distinctly different developmental course than its continental neighbors, including most notably China. Japan is not Asian and it is not Western. Japanese say, "Japan is Japan." Indeed, it is this singularity that continues to draw political scientists and economists into the study of Japan's

power and purpose. Considering the Japanese government's relative ambivalence in the realm of foreign affairs, Japan seems to have succumbed to the temptation of complacency. To others, however, Japan represents the promise of a gentler tomorrow, when wars are few and the civilian trading state pursues its national interest with win-win rationality.

Because societies have become so interdependent and because their complexity makes them more vulnerable to disruption, the logical means for advancing national interest is now trade. Japan is clearly enjoying the benefits of its trade strategy, which has brought the nation the wealth it once sought through military means.⁵⁷

Here, then, is a look at Japan's problems and its promise.

Problems

As the United States adjusts to a more restricted, less unilateral role in world affairs, Great Powers such as Japan find themselves being called on to fill a vacuum. Japan has traditionally filled the vacuum with money, for example, financing gaps in American foreign aid, American military protection (paying for U.S. bases in Japan), and the operations of multilateral organizations. Will Japan offer something that transcends its wealth and imparts a sense of Japaneseness and Japan's stake in the world?

Japan's trade practices are not simply the result of private firms expanding their markets. As a merchant state, Japan's foreign economic policy—its foreign policy—is the result of the state's emphasis on economic strength as a form of national security, as apparent in Japan's history and its comprehensive security policy. Countries such as the United States, which maintain politically contentious trade deficits with Japan and try, sector by sector, to negotiate sales and increased market share, apparently do not realize the extent to which Japan's trade practices, such as the industrial preemption Gilpin discusses, are forms of national defense. Japan's industrial base and its competitiveness are its sources of security.

Some also may say that Japan, under longstanding security agreements with the United States, should not feel insecure. But, what nation can realistically plan on indefinite protection by another state? The United States, until the recent threat of a North Korean nuclear program and, later, provocative North Korean incursions into South Korea, was preparing to reduce forces in the Asia-Pacific region. For realistic national security reasons and for the sake of its political maturity, Japan must of course consider its long-term defense without the United States.

Despite the centrality of economics in the postwar, especially post-Cold War, policymaking of all leading nations, and despite the apparently genuine

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faith in *heiwashugi*, "peace-ism," of many Japanese today, the reality is that whatever license to lead and shape world events Japan had earned through hard work and its impressive economic growth has expired on the shelf, frittered away by the internationally ambivalent Japanese governing elite.⁵⁸ One possible result will be that it becomes much more likely that circumstances will arise requiring Japan to develop a true warfighting capacity. Neither the Japanese people nor Japan's neighbors are ready for that.⁵⁹ This brings us back to Japan's dependence on U.S. protection, which, though it will continue for the foreseeable future, cannot be guaranteed indefinitely.

Japan participates in international trade regimes created and supported by the United States historically at an opportunity cost to the American people.

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Of course liberal trade regimes such as the GATT and now the World Trade Organization (WTO) benefit U.S. multinationals, but they also benefit all other international firms. The liberal trade regime enables the United States to expand markets, trading far and wide, but it also enabled Europe to rebuild after World War II, Japan to become a powerful trading state, and newly industrialized countries such as Argentina, Brazil, Korea, and Singapore to continue to convert economic interdependence into prosperity.

The perceived hypocrisy of Japan's perceived protectionism at home—structural and non-tariff trade barriers included—undermines its international image and the viability of its comprehensive security policy, therefore threatening Japan's survival as a peaceful merchant state. America's commitment to democracy and

free market capitalism may not be consistent, but it does not solely benefit the United States either—U.S. foreign policy has, since the Revolutionary War, been shaped by the struggle between realism and the nation's very real idealism. Values of universal application—if not universal implementation—for example democracy and human rights, have been the ideological parameters of U.S. foreign policy. And Japan? The merchant state, during its developmental phase (from the end of World War II through the early 1970s), very reasonably put economics before anything else. Today, however, Japan's participation in the international system is characterized by the momentum of *amae*, a continuing appeal to others for indulgence.

Furthermore, as mentioned above, Japan needs to demonstrate, even at a cost to its own profits, a commitment to mutually beneficial international trade regimes, such as GATT and the WTO, from which it has benefited and to which it professes support:

Until now, Japan has never been required to bear responsibility for

the smooth development of the world economy or the maintenance of free trade. It has never considered, from a position of strength, the difficult problems of maintaining a balance of mutual advantage in economic exchange. . . . However, Japan has been content to protect its own industry while extending its foreign trade wherever possible through the use of the free trade principle, ignoring the basic requirement of mutual gain through trade.⁶⁰

Just as the international community grasps for a handle on Japan, it seems that the Japanese themselves are also in need of a more fulfilling sense of self and more meaningful measure of self-worth than economic success. Although this success has laid solid foundations for the future, it is unlikely to provide in itself the answers to questions of identity and national purpose. Japan will have to exorcise the poltergeists of its past by dealing in good faith with its war legacy,⁶¹ then define itself at home before it can define its interests to the world in terms more meaningful than transactions.

Promise

Japan's promise lies in its potential as an advocate for peaceful and responsible economic interdependence. As medium-sized firms, like the large multinationals before them, find that substantial profits can be made abroad, and as multinational firms globalize production, countries will become increasingly interdependent. The contractual web underpinning this interdependence at once creates rational, market-driven win-win incentives to coordinate domestic policies, such as the regulation of capital markets. And, of course, bilateral, sector-specific trade friction (your country is selling too many cars in my country, I can't sell enough microprocessors in yours) is far less destructive than war. By effectively contributing leadership to multinational regimes, Japan can be a leading force for stability and, if it converts its economic strength into a respectable political currency, an example of a new kind of civilian power:

[T]he term 'power' no longer means what it used to: 'hard' power, the ability to command others, is increasingly being replaced by 'soft' (persuasive) power. Neither Japan nor Germany, then, is about to become a new superpower, for this role no longer exists in the old sense.⁶²

One observer has suggested that not only could Japan's type of power become an example, but Japan's emphasis on stability, cohesion and continuity throughout change could be an important contribution to the global economy⁶³ and to the emerging multilateral world order as well.

Japan's security lies in mutually beneficial interdependence, not in economic nationalism. Consequently, the ideal national mission for Japan at century's end may be to moderate not only its own, but any zero-sum tendencies in the

international economy. Then Japan would become a politically more respected and, in such a world, a more secure, merchant state.

Notes

1. Economic historian Tessa Morris-Suzuki points out in her chapter, "Economic Theory and the 'Economic Miracle'" that Japanese economists themselves disagree over how to explain their country's 10 percent annual growth rates between 1956-1973 (Tessa Morris-Suzuki, *A History of Japanese Economic Thought* [New York: Routledge, 1989], 131-164.)
2. An excellent book on the Taiwan expedition, Japan's first colonial venture, is Donald Calman's *The Nature and Origins of Japanese Imperialism: A Reinterpretation of the Great Crisis of 1873* (New York: Routledge, 1992). Other references include: Leonard Gordon, "Formosa as an International Prize." Ph.D. Dissertation, (University of Michigan, 1961); Marius B. Jansen, *China in the Tokugawa World* (Cambridge: Harvard University Press, 1992); John Peter, *The Japanese Interpretation of the "Law of Nations."* (New York: Princeton University Press, 1979).
3. W.G. Beasley, *The Rise of Modern Japan* (New York: St. Martin's Press, 1990), 198.
4. All Japanese names are written in the Japanese style, with family name first, given name second.
5. Quoted in Kenneth B. Pyle, *The Japanese Question: Power and Purpose in a New Era* (Washington, DC: The AEI Press, 1992), 36.
6. Hanns W. Maull, "Germany and Japan: The New Civilian Powers." *Foreign Affairs* (Winter 1990): 91.
7. Robert S. Ozaki and Walter Arnold, eds., *Japan's Foreign Relations: A Global Search for Economic Security* (Boulder: Westview Press, Inc., 1985), 3. The Strategic Studies Institute of the U.S. Army War College also published a study concluding that "Japan is not now and is not likely to become a military threat to East Asia or anywhere else." See Thomas L. Wilborn, *Japan's Self-Defense Forces: What Dangers to Northeast Asia?* (Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 1994).
8. Friedman and Lebard make a powerful argument about the essential influence of geography and geology in shaping the soul of a nation (George Friedman and Meredith Lebard's "Irreconcilable Differences: The Future of the Rift," *Psychology Today*, [May/June 1992]: 48-53).
9. Population pressures began building during the Age of National Unification (1600-1853), a period of peace and stability following the Era of Warring States (1185-1600), a period of nearly continuous civil war; it is estimated that the population rose from 10 million in 1600 to 30 million in 1850, with 16 percent of people then living in cities (Beasley, 26).
10. A number of reference books provide Japanese import and export data; the Asahi Newspaper Company publishes the handy, annually updated *Japan Almanac*; dependency rates and more in-depth information are available (in Japanese) in the annually updated *Nihon Kokusei Zue*, produced from government documents by the Nihon Kokusei Zue Association and published by Kokusheishya.
11. Beasley, 26.
12. The first Sino-Western conflict in the nineteenth century was the Opium War, fought from 1839 to 1842. The Treaty of Nanjing, which ended the war, opened five ports to the British—the first of the "treaty ports" where Western nations were granted various privileges.
13. Beasley, 95.
14. Economic Planning Agency, *Japan in the Year 2000* (Tokyo: The Japan Times, Ltd., 1982), 10.
15. K.K. Kawakami, ed., *What Japan Thinks* (New York: The Macmillan Company, 1921),

62. For a truly comprehensive analysis of the foundations of Japan's evolution into a merchant state, one must go further back, as far back as the 1700s, when, for example, Honda Toshiaki (1744-1821), adviser to a feudal lord, wrote *Keisei Hisaku* [A Secret Plan for Managing the Country], in which he presented step-by-step instructions for Japan's colonial expansion through which "Japan can certainly be made the richest and strongest country in the world" (Honda Toshiaki, *Keisei Hisaku* [A Secret Plan for Managing the Country], 1798, quoted in Donald Keene, *The Japanese Discovery of Europe: Honda Toshiaki and Other Discoverers, 1720-1798* [London: Routledge and Kegan Paul, Ltd., 1952], 170-171).
16. Saito Hiroshi, *Japan's Policies and Purposes* (Boston: Marshall Jones Company, 1935), 99.
 17. *Ibid.*, 125.
 18. Friedman and Lebard, 52. See also James Fallow's provocative article, "What is an Economy For?" *The Atlantic Monthly* (January 1994). Fallows identifies four main patterns distinguishing Asian economic systems (of which he generally considers Japan to be a paradigmatic example) and Western economic systems: (1) the purpose of participating in an American-style economy is to raise the consumer's standard of living, while in an Asian economy it is to increase the collective national strength; (2) the "Anglo-American ideology views concentrated power as an evil," while the Asian model views concentrated power as serving the long-term national good; (3) "the Anglo-American model views surprise as the key to economic life," while the Asian-style system deeply distrusts markets; and (4) national borders in the Anglo-American model are regrettable and can be overcome through fair trade, while in the Asian-style model "the world consists of us and them, and no one else will look out for us."
 19. For context, comparative World War II death and casualty figures: British Empire, 350,000 killed, 475,000 wounded; Soviet Union, 6.75 million killed, 4.9 million wounded; United States, 293,000 killed, 670,000 wounded (*Compton's Living Encyclopedia, America OnLine*).
 20. Kosaka Masataka, *A History of Postwar Japan* (Tokyo: Kodansha International Ltd., 1972), 13. The 20 cities more than half destroyed include Tokyo, Osaka, Yokohama, Nagoya, Kobe, Hiroshima, Nagasaki, Aomori, Mito, Kawasaki, Hiratsuka, Shizuoka, Gifu, Yokkaichi, Okayama, Tokushima, Kochi, Kumamoto, and Kagoshima.
 21. Interviews with Japanese who were teenagers at the time of the war.
 22. Kosaka, 15.
 23. William Chapman, *Inventing Japan: The Making of Postwar Civilization* (New York: Prentice Hall Press, 1991), 6-7.
 24. See Richard Samuels, *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan* (Ithaca, New York: Cornell University Press, 1994) for a comprehensive discussion of the interplay between Japan's growth as a military power and Japan's early industrialization. The term *fukoku kyohei*, "rich nation, strong army," became a slogan under which Japan's modernizing elites dissolved the feudal system and established state control over industrial production (Samuels, 37).
 25. Paul Kennedy, "Japanese Strategic Decisions, 1939-1945," in *Strategy and Diplomacy, 1870-1945: Eight Studies* (Glasgow: Fontana Press, 1983): 181-195. See next note.
 26. For a summary discussion of the rise of nationalism in Japan, see Beasley. Japanese historian Hosoya Chihiro, now at the International University of Japan, has also written extensively on militarism, foreign policy decision making, and Japan's steps toward war.
 27. Ishihara Shintaro, "Nation Without Morality," in *The Silent Power: Japan's Identity and World Role*, ed. Japan Center for International Exchange (Tokyo: Simul Press, Inc., 1976), 79.
 28. Pyle, 21. While anti-Yoshida conservatives, such as Kishi Nobusuke, arrested as a war criminal and then "depurged" in 1952 to lead reconstruction efforts, may have ar-

gued for a more assertive postwar international posture, the point is that Yoshida's emphasis on economics was accepted and has endured.

29. See Richard B. Finn, *Winners in Peace: MacArthur, Yoshida, and Postwar Japan* (Berkeley: University of California Press, 1992).
30. Kosaka, 92.
31. *Ibid.*, 98
32. Economic Planning Agency, *New Long-Range Economic Plan of Japan* (Tokyo: The Government of Japan, 1957), 156.
33. *Ibid.*, 15.
34. Beasley, 189.
35. Kosaka, 232.
36. *Ibid.*, 65.
37. Kosaka Masataka was Professor of International Politics, Faculty of Law, Kyoto University. Nagai Yonosuke was Professor of Political Science, Tokyo Institute of Technology.
38. Shintaro, 85.
39. *Ibid.*, 88-89.
40. *Ibid.*, 230.
41. Ozaki and Arnold, 12.
42. See Kent Calder, *Crisis and Compensation: Public Policy and Political Stability in Japan, 1946-1986* (New Jersey: Princeton University Press, 1988), 411. Calder points out, "Western conservatives only infrequently give thought to dimensions of national security beyond military aspects, and indeed often equate the two. But in reality they are distinct because national security must incorporate an economic element. Even traditional military security stands upon an economic basis." James Fallows emphasizes that in Asia generally and in Japan especially, the economy primarily serves to strengthen the state (Fallows, "What is an Economy For?"). Note also that Japan's narrow focus on economics may be slowly changing. One example is the Ministry of Foreign Affairs 1995 Diplomatic Blue Book reference to Japan's interest in maintaining regional stability; also, the Japanese government has come to play a leading role in international environmental protection and is working to improve the quality of its development assistance.
43. Kosaka, 203.
44. *Ibid.*, 202. This income-doubling plan is also said to have been a reward to big business for having financed the foundation of Ikeda's new political party, the Liberal Democratic Party. See Beasley, 233. The security treaty, officially known as the Treaty of Mutual Cooperation and Security Between Japan and the United States, was signed in September 1951 and revised amidst violent demonstrations in 1960.
45. Shintaro, 82.
46. Norma Field, *In the Realm of a Dying Emperor: Japan at Century's End* (New York: Vintage Books, 1993), 299.
47. Ian Buruma, *The Wages of Guilt: Memories of War in Germany and Japan* (New York: Farrar, Straus and Giroux, 1994). Another excellent perspective on Japan's handling of its war legacy is a translated collection of essays by outspoken columnist Honda Katsuichi (*The Impoverished Spirit in Contemporary Japan: Selected Essays of Honda Katsuichi*, ed. John Lie [New York: Monthly Review Press, 1993]). See also Haruko Taya Cook and Theodore F. Cook, *Japan at War: An Oral History* (New York: The New Press, 1992) and John W. Dower, *War Without Mercy: Race and Power in the Pacific War* (New York: Pantheon Books, 1986).

During the fiftieth anniversary of Japan's defeat in the Pacific War, Education Minister Yoshinobu Shimamura stated that it was only a matter of opinion whether Japan's invasion and colonization of Asia and the Pacific could be characterized as aggressive. He said that because 70 percent of the population was born after the war, Japanese should stop dwelling on it. "In an era when most people know nothing

about the war, is it really right to keep bringing up the past and apologizing in detail?" (*International Herald Tribune*, August 11, 1995, 4).

Also reported: The wartime prime minister, General Hideki Tojo, secretly ordered production of a Japanese atomic bomb in 1943, according to wartime documents that appear to remain classified. A team of scientists was assembled at the Institute of Physical and Chemical Research. Key research facilities were destroyed by U.S. B-29s in the spring of 1945. Physicist Tatsusaburo Suzuki said he and a 50-man team worked frantically to develop an atomic bomb for use against America, and, he said, "We had no doubts about using it if we could." A former U.S. intelligence officer has stated that Japan was also developing atomic weapons in what is now North Korea, out of reach of U.S. bombers (*Japan Times*, July 22, 1995, 1-2; July 23, 1995, 1).

Also reported: The Imperial Army manufactured poison gas on the island of Okunoshima and is thought to have killed 80,000 Chinese prisoners there. Poison gas was used against the Chinese in battle more than 2,000 times, and at the end of the war Japan abandoned over 2 million poison gas shells in China (Japan did not use gas against American soldiers partly because President Roosevelt warned of retaliation). The army tried to hide its production facilities on Okunoshima after the war, but Allied soldiers found the plant (*International Herald Tribune*, August 14, 1995, 4). The Imperial Army is also said to have conducted medical and biological experiments on live Chinese prisoners in Mongolia, including frostbite and mixed-blood transfusion experiments, and injections of germs and viruses, and is reported to have killed more than 3,000 Chinese in these top-secret experiments.

48. Shintaro, 80.
49. Ozaki and Arnold, 4.
50. Chalmers Johnson, "The Rise of the Trading State: Book Reviews," *The Atlantic Monthly* (December 1985): 106.
51. Richard Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World* (New York: Basic Books, Inc., 1986), ix-x.
52. Johnson, 106.
53. Yonosuke Naga, "Social Attitudes and Foreign Policy During the 1970s," in *The Silent Power*, 112.
54. *Ibid.*, 18-19.
55. Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987), 112, 218.
56. Quoted in Richard Swift, "The Rise of Japan: Prisoners of Prosperity," *The New Internationalist* (May 1992, 231): 5.
57. William J. Holstein, "What Trade Might Win That Troops Can't: The Rise of the Trading State: Commerce and Conquest in the Modern World," *Business Week*, February 24, 1986, 12.
58. The price of this lost opportunity is compounded by the reality that, with prolonged slow growth rates, bank failures, regulatory scandals, and a labor shortage problem, Japan's economy has lost much of the respect it commanded only a few years ago. "It may seem paradoxical that at the very time when Japan has at last achieved unchallenged status as an economic great power, Japanese economic thought has entered a period of profound crisis. Quite abruptly, the immediate task for analysts of the Japanese economy ceased to be the search for causes of high growth, and became the pursuit of solutions to economic crisis" (Morris-Suzuki, 164).
59. "It cannot be said what future public opinion in Japan will support, but in recent years it definitely has not been expansionism or aggression.... In 1992, 46 percent of those surveyed in a USIA [United States Information Agency, the U.S. government's public diplomacy and information dissemination agency] poll agreed that 'Japan should be a pacifist country and that the SDF [Self-Defense Forces] should be strictly limited to defending Japan....' In a poll sponsored by the Prime Minister's Office in

February 1991, only 33.3 percent of those surveyed thought that the SDF should place priority on maintaining national security, while 15.6 percent chose maintaining civil peace as the primary mission, and 39.2 percent indicated disaster relief.... Only 7.3 percent believed that Japan should go it alone on defense instead of depend upon the alliance with the United States" (U.S., U.S. Information Agency, "Opinion Research Memorandum," August 6, 1992, 5; Government of Japan, Defense White Paper, "Defense of Japan 1992," Reference 58: 306, 308. Compiled and quoted in Wilborn, *Japanese Self-Defense Forces: What Dangers to Northeast Asia?*, 25).

60. Kosaka Masataka, "Japanese and Americans in a Competitive Alliance," in *The Silent Power*, 182.
61. "The Japanese are making a serious mistake whose consequences will be felt for years to come. Japan is too rich a nation to be easily loved. More to the point, so long as it will not come to grips with its recent past, it will be seen by many other countries as a powerful potential threat rather than as a powerful potential friend. And that is where Japan is actually quite different from many other countries whose governments and people have visited unspeakable misery on others. Not only does Japan refuse to apologize, it also refuses to allow an accurate account of its behavior in official history books. Generations of young Japanese have been deliberately misled about their nation's history, and that is truly dangerous" (Hodding Carter, "Ignorance of Past Threatens Future," Distributed on-line by the Newspaper Enterprise Association, June 5, 1995).
62. Maull, 91.
63. *Ibid.*

