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7

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BUREAUCRATS RULE?

Bureaucrats and the Japanese Polity

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Editorial Notes

Personal Names

All personal names are given in the
customary order in the native
language of the person, unless
otherwise requested. Hence in
Japanese names the family name is
given first, e.g., HATSUSHIBA
Kiyoshi, and in Western names the
family name is given second, e.g.,
John OLERUD

Romanization

Due to software limitations circum-
flexes are used in place of macrons,
and omitted in most personal and
place names.

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Note. Previous issues of *Social
Science Japan* have carried a call for
articles. Our thanks go to all those who
have sent manuscripts. Unfortunately,
due to space limitations we have been
unable to print many of the articles.
Because this situation is unlikely to be
remedied in the foreseeable future, we
have reluctantly discontinued the call
for articles.

*Institute of Social Science Director Wada (l) and
University of Tokyo President Yoshikawa (r) at
the ceremony marking the official opening of the
Information Center for Social Science Research
on Japan.*



The Information Center for Social Science Research on Japan: *An Introduction from WADA Haruki, Director*

This year marks the 50th anniversary of the founding of the Institute of Social Science, created as the first of the University of Tokyo's post-war reforms. University President Nanbara Shigeru conceived of the Institute as a place for social science research that would help to promote the construction of a democratic and peaceful state and society in Japan. Under its first director, Yanaihara Tadao, *Shaken* (as it is more commonly known) pursued social science studies on the United Kingdom, the United States, France, the Soviet Union, China, and other victorious states from World War II in order to generate ideas for Japan's reforms.

Fifty years later, Japan is one of the world's leading economies, and *Shaken's* research program has undergone changes consistent with the new international environment. Its recent work reflects a broadly comparative perspective that looks at Japan and the other industrialized countries, examines the economic and political problems facing developing countries, and discusses Japan's relations with other states and multilateral institutions in an increasingly interdependent global system. In addition, *Shaken's* work is no longer designed simply to learn from the outside, but also to teach, to provide information and research that might be beneficial to scholars and policymakers around the world.

For this reason, *Shaken* has been increasingly engaged in international intellectual exchange programs. To formalize this mission — and to take full advantage of new media like the Internet — the Institute created The Information Center for Social Science Research on Japan in May 1996. In addition to the *Social Science Japan* Newsletter, the Center has established the SSJ Forum e-mail list and is currently preparing a new English-language journal (see back cover) and a social science database. The Center's staff currently consists of two full professors, two associate professors, two visiting foreign professors, and two research associates. We at the Institute can think of no better way to celebrate our 50th birthday than to further *Shaken's* goal of promoting open international exchange in the social sciences.

The Continuing Dilemma: Bureaucracy and Political Parties

Bernard S. SILBERMAN

IN 1900 a milestone of some kind was reached when Yamagata Aritomo, the redoubtable Genro, wrote that, "We have reached the point where laws are already highly developed, where there is little room left for arbitrary decisions by officials and where at last administration is becoming a specialized technique."¹ It was no coincidence that this was written just at the point when political parties achieved a certain legitimate status through the ascendance of Ito Hirobumi to the position of president of the Jiyuto. Yamagata clearly had in mind the strategic and tactical measures he had pursued following the collapse of the first party cabinet — the Okuma-Itagaki cabinet of 1898. Subsequently, when the party cabinet fell from grace Yamagata had returned to power and integrated the hierarchy of the civil service so that it was seemingly protected from day-to-day patronage incursions by a party government. In doing so he had also seemingly strategically transformed the structure of politics. Now it appeared that arbitrary (read political) decisions could no longer be made without the constraint of the specialized and scientific rules of administration. Bureaucratic dominance and political party subordination, Yamagata hoped, was now assured. Yamagata hoped that he had institutionalized the bureaucracy as the primary mediating institution between state and society, thus reducing political parties to the pursuit of special private interests.

A scant nine years later, Hara Kei had faced this strategic and tactical dilemma and concluded that the only solution to the continued subordination of the political parties to the bureaucratic elites was the conception of a permanent majority of one party: his party, the Seiyukai. As Tetsuo Najita put it:

In principle he [Hara] did not reject a two party system, but he saw no virtue in struggling within the Diet with other parties. His reason was clear: a perpetual majority in the Lower House would force the ruling cliques to work continuously with that majority, while a two-party system would permit the government to play off one party against the other.²

In short, Hara thought, long term majoritarian control over the Lower House would force the bureaucracy to come to terms with the parties and to produce what he considered to be a constitutional government — one in which the executive was accountable if not responsible to the legislative branches of government.

Hara sought to achieve this through the creation of a structure of pork-barrel and patronage tactics. Utilizing the bureaucratic structure in its role as mediator between state and society, Hara sought to create a majority party which could remain in power through pork-barrel legislation. Hara's genius lay in his ability to combine the pork-barrel with economic development so that it had the appearance of economic rationality and would therefore be difficult for the bureaucrats and the private sector to resist. Hara's assassination brought an end to that vision. Seiyukai power eroded and the

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References

- 1 As quoted in Ōkurashō Insatsu Kyoku, *Gikai seido Nanajūnenshi: kenseishi gaikan* (Tokyo: 1963), p. 34.
- 2 As quoted in Tetsuo Najita, *Hara Kei in the Politics of Compromise: 1905-1915* (Cambridge, MA: Harvard University Press, 1967), pp. 23-24.



The Continuing Dilemma *continued*

conflicts over Diet control made it possible for the civil and military services to view the parties as contemptible creatures of private interest — a view which came to be commonly held.

Hara's legacy was, however, a powerful one, but its import was not to be understood clearly until the recreation of a party politics in the post-Pacific War era. This legacy consisted of two goals: 1) the creation of monopoly power by a single party; and 2) the creation of a majority politics. The first goal continued to be operative in the postwar period because the integrity of Yamagata's bureaucracy remained in force. Structurally, the place of the bureaucracy in the political system of the postwar period had undergone no serious change. The only means by which parties might gain structural equivalence or domination was through Hara's tactic of utilizing the bureaucracy to strengthen party position by conflating pork-barrel allocation and economic development. I do not believe it to be a coincidence that this solution was arrived at by the inheritors of the prewar conservative parties. The LDP thus achieved what Hara had hoped to achieve — long term monopoly of legislative power which forced an ever tighter bond between bureaucracy and party in the pursuit of economic development.

The second of Hara's goals or strategic aims was the creation of majoritarian politics. That is, a politics where legislative decisions were carried out by majority votes along party lines. This was achieved by the LDP in the struggle for the renewal of the American-Japanese Security Treaty (Ampo) in 1960. The passage of the renewal by the majority party LDP in the absence of the opposition was the clearest statement of majoritarian politics. This was a watershed in Japanese politics. Hara's dream of a majoritarian politics had come true.

Both of these dreams come true had all the defects of their advantages. The first dream required, in some sense, that the bureaucracy remain formally integral while increasingly politicized as the LDP remained in power over the years. With no alternative means of gaining promotion bureaucrats increasingly had to toe the line of party wishes. This provided little in the way of problems since the LDP's aim was to maintain its monopoly by continuing to conflate pork-barrel with economic development. The longer they stayed in power the wider the distribution of the benefits of economic development. Even the most skeptical of bureaucrats would find it not too difficult to accept this goal in its general utility. The result, however, has provided all of the conditions of "tactical" and "strategic" corruption. The long sojourn in power made it possible for the LDP to pursue every avenue for the maintenance of power. For the bureaucracy this meant that economic rationality and utility came to be viewed through the narrow lens of economic development. It was this latter condition which made it possible for that epitome of bureaucratic rationality, the Ministry of Finance, to allow the finance of economic development and expansion in the 1980s to be based on ephemeral land values. At the same time the show of majoritarian force in

These goals and tactics produced structures of informal relationships that have, I believe, produced an increasing loss of confidence in the bureaucracy as the mediating institution of Japanese society.

1960 was accompanied by such mass demonstrations and leadership instability that the LDP, fearful of future replays, used its majoritarian status to leverage the opposition into a hegemonic relationship. The "low profile" of the following decades was made possible by the opposition's acceptance of a role in sharing power. The culmination of this was the amusing and bemusing partnership of the Socialists and the LDP in a coalition government.

The bureaucracy's structural position produced persisting strategic aims and tactical behaviors on the part of the pre- and postwar political parties. These goals and tactics produced structures of informal relationships that have, I believe, produced an increasing loss of confidence in the bureaucracy as the mediating institution of Japanese society. The present crisis is one which seeks to resolve the issue of what institution can take up that role. It well may be that the circle will turn to bureaucracy again but surely not in the same form. Ironically, the dialectic relationship of party to bureaucracy may have, in this present crisis, produced the greatest opportunity for further democratization of Japanese politics.



Annals of the Institute of Social Science No. 37, 1995

This is the final issue of the *Annals of the Institute of Social Science*. It will be replaced by the *Social Science Japan Review*. Details can be found on the back cover of the newsletter.

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- Malcolm TREVOR: *Hybrid Factory: The Japanese Production System in the United States*, edited by Tetsuo ABO
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The Ministry of Finance, Change, and Sherlock Holmes

Ulrike SCHAEDE



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THERE is a famous Sherlock Holmes story in which the detective solves a mystery based not on what happened but on what did *not* happen. In this case, Holmes identifies the culprit because the watchdog did not bark, meaning that the crime had to have been committed by someone with whom the dog was familiar.

A similar mystery happened at the Ministry of Finance (MOF) in the fall of 1995: Why was the head of MOF's Banking Bureau, who was informed of Daiwa Bank's staggering losses in the U.S. but withheld the information for several weeks, not demoted into early retirement? The answer to this puzzle provides a window to analyze what is happening inside MOF these days.

On August 8, 1995, Daiwa Bank informed Mr. Nishimura Yoshimasa, Director-General of MOF's Banking Bureau, of huge losses and management problems in its New York office. Mr. Nishimura chose not to inform his U.S. counterpart, or anyone else, and the situation was not revealed to the public until September 18. This period exceeded the legal time limit of notification in the U.S. regulatory system and proved to be a costly mistake for Daiwa Bank. There are two reasons why the "dog did not bark" and Mr. Nishimura remained in office. The first is related to MOF's reaction at the time of the incident, and the second concerns the internal promotion process within MOF.

Several explanations have been offered for MOF's infringement of U.S. regulations. Some journalists claimed that MOF was simply ignorant of the U.S. regulatory system. Others, willing to give MOF slightly more credit, suspected a stubbornness of the Japanese regulators who, while knowing the rules, thought they could push Japanese habits and customs onto the international stage.

A third, more sophisticated view argues that this was a smart move for MOF, as in August, 1995, MOF was dealing with several domestic defaults and the possibility of serious bank runs (Kizu Credit, Hyogo Bank, and Osaka Credit). The thinking may have been as follows: if the Daiwa Bank news were disclosed on top of the bankruptcy news in Japan, bank runs would be even more likely. The total bill for the Japanese financial system with bank runs would be much higher than the cost of disguising Daiwa's problem, even if this meant sacrificing Daiwa Bank. The fact that Nishimura remained in office — that the dog did not bark — gives weight to the third explanation. Nishimura knew the rules and acted in coordination with his bosses within MOF. If anyone were to be fired, it would have been one of his bosses.

The second reason why Mr. Nishimura was not fired is related to the highly rigid, even anachronistic, internal promotion process of the Japanese bureaucracy. All officials are rotated to new positions in June about every two years. Two basic rules guide this process: (1) juniors may not be in higher positions than seniors; and (2) early positions predetermine the career path. This means that to become "administrative vice minister" (AVM), the highest civil service position, one must occupy a certain set of positions early on.

...in Japan, the major clue lies not in who resigns, but in who is promoted; any deviation in promotions from the old rigid pattern may indicate a major change.

Competition among bureaucrats for this top spot (which only one of each year can attain) begins after about eight years in the ministry. About 15 years into his career, a MOF man can predict his future path with some certainty. Together, these two promotion principles imply rigidity as to who can reach the senior positions. They also mean that unexpected rotations affect the artfully crafted hierarchy.

Among the most important of the promising career positions for young MOF officials are Budget Bureau positions, especially those for agriculture, health & welfare, construction, and "general budget administration." Everyone who spends some time there can consider himself "on the fast track." Most of the recent AVMs have had at least 15 years of Budget Bureau experience.

With the help of the *Ôkurashô meikan*, the annual "Who's Who in MOF," we can see that Mr. Nishimura, with 12 years in the Budget Bureau and other very good positions, was among those on the fast track, but not without competition, mostly from Mr. Komura, recognized as the "#1-man" of his year since the early 1970s. He has spent more than 18 years in the Budget Bureau, and is currently its Director-General. Therefore, the prediction made by magazines and "MOF observers" is that Mr. Nishimura will resign in summer 1996, while Mr. Komura will continue in the ministry.

Regardless of whether or not Mr. Nishimura acted on behalf of his bosses when he decided to withhold the Daiwa Bank information, requiring him to resign early would have caused several awkward personnel problems. If Nishimura were to leave early, MOF would have had to find an appropriate high-level *amakudari* position for him. This complicates the strict hierarchy in *amakudari* positions, which is a direct continuation of the internal MOF promotion pattern. In addition, a younger person would have had to be promoted to the position of Banking Bureau Chief, which is considered to be among the top six or eight positions within MOF. This can cause two problems. The sudden change may lead to violations of the typical promotion career path, which could destroy the equilibrium in the personnel alignment. Furthermore, in order to observe the age hierarchy, pushing up a younger person would, strictly speaking, require two to three high-ranking and important officials to resign early. They would also require supreme *amakudari* positions. In short, "firing" Nishimura would have been very costly for MOF. And, on top of everything else, firing Mr. Nishimura would have established a precedent, which would indicate that from now on, whenever a comparable problem develops, someone from MOF would have to resign.

For the last five years, MOF has been more in the news than any other Japanese agency. People are outraged. Politicians criticize MOF. Journalists predict its demise. The MOF stock is trading at an all-time low. If a private company found itself in such a situation, it would, in the worst case, file for Chapter 11 (total reorganization) or, short of that, launch a major turnaround



天下り

Amakudari, descent from heaven, refers to the career of a civil servant subsequent to his tenure in the ministry. The quality of the post-ministerial position, either in other government institutions or in the private sector, is tied to total lifetime income and depends on the career within the civil service. For a detailed analysis of the system, see Ulrike Schaede, "The 'Old Boy' Network and Government-Business Relationships in Japan," in: *Journal of Japanese Studies* Vol. 21 No. 2, 1995, pp.293-317.



strategy. This would undoubtedly involve replacing the CEO and senior management, and sending out a clear message of intent to the public.

MOF is a bureaucracy, however, and bureaucracies move slowly. No new managers can be brought in from the outside, as the labor market for MOF "managers" is internal and highly insulated. But the fact that MOF is a bureaucracy does not mean that it cannot launch its own turnaround strategy from within. Historically, the strength of the Japanese civil service has been its ability to adapt pragmatically to changes. Change from within is the strategy of choice. But because MOF will not move fast, we have to observe carefully what is happening inside MOF. The clues available are the moves of important officials within the organization. Change within a bureaucracy, if any, is brought about by inside individuals. In contrast to other countries, where we would look for who is asked to resign, in Japan, the major clue lies not in who resigns, but in who is promoted; any deviation in promotions from the old rigid pattern may indicate a major change.

The good news for MOF watchers is that there are indicators of change from within. There seems to be some agreement that the old promotion pattern needs to be less rigid. This is partially achieved by a redefinition of what constitutes "merit." Consider Mr. Sakakibara, labelled "Mr. MOF" or "Mr. Yen" (after the turnaround for the Yen/Dollar exchange rate in August 1995) by the media, and as outspoken and aggressive a MOF man as one has ever seen. Had he been promoted according to the old pattern, he would have been retired two years ago (his initial positions at MOF were not strong enough). Instead, after serving as Director-General of the International Finance Bureau, he now stands a chance of moving even higher.

Only time will tell whether MOF will be able to change successfully from within. MOF's career civil servants are as smart, well-trained, and hard-working as ever. Some of them are moving quietly towards change. You may not see it since there is no barking dog to alert the public. But don't write MOF off yet; change may be happening even though the watchdogs don't announce its coming.

Conference Announcements

にほん せいしががかい
日本政治学会

Annual Meeting of the Japanese Political Science Association
Hokkaido University, October 5-6, 1996

にほん しそう し ががかい
日本思想史学会

Annual Meeting of the Association of Japanese Intellectual History
International Christian University, October 26-27, 1996

Culture, Norms, and Japanese Security

Peter J. KATZENSTEIN

CONTEMPORARY Japan eschews police and military violence. This choice is not unalterable. But neither is it transient. It has had important political consequences both at home and abroad. Over the postwar decades, the police have dramatically improved their position in the Japanese polity, and through its national security policy the Japanese government has gradually changed Japan's position in the world by creating options that affect how it and other states behave.

Non-violent state behavior results from two distinctive aspects of Japan's security policy. First, the Japanese definition of security goes far beyond what American police or military officials would recognize. Japanese officials define internal and external security in comprehensive terms. They emphasize the social, economic and political aspects of security rather than focusing more narrowly on the explicitly coercive dimensions of state policy. Japan's security policy is thus part and parcel of its quest for social stability through economic growth. Second, Japan like other states must cope with often dramatic change as it seeks to protect state security. Like other states it does so with varying degrees of success. We need to explain the variability with which the Japanese government adapts its security policy to social and political change.

Institutional analyses that reflect on culture are largely neglected in a tidal wave of publications on Japanese politics and security affairs. Yet empirical research informed by "soft" cultural theories is quite promising for "hard-nosed" security issues that established theories, realism and liberalism, do not explain adequately. In my view "culture" is not a helpful analytical tool for empirical research; instead it is more useful to analyze particular aspects of culture, here social and legal norms.

The norms that have informed Japanese security policy for a whole generation did not emerge mystically from the fog of ancient history, nor did they appear suddenly, magically, as an immaculate historical conception in 1945. Instead the 1950s saw intensive political conflicts over what kind of country Japan should become. These conflicts proved so acrimonious, so widespread and so politically costly, that Japanese elites in the early 1960s refocused the country's political agenda toward high economic growth. Equally important, those elites decided to live by the procedural norm of concurrent majority rule, which respects the veto power of intensely held minority views. This norm has since shaped Japan's collective identity and the interests informing Japanese security policy.

Norms are not static; they are contested and contingent. Why do they not change all the time in response to the push-and-pull of daily politics? The answer lies in history and in institutions. Actors attribute far deeper meanings to the historical battles that define collective identities than to the transient conflicts of daily politics. Collective identities are not easily changed, as any number of intransigent disagreements vividly illustrates. Second, the taken-for-grantedness of institutionalized norms limits the range



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Culture, Norms, and Security *continued*

Further Reading

Peter J. KATZENSTEIN (1996),
*Cultural Norms and National
Security: Police and Military in
Postwar Japan*. Ithaca, NY:
Cornell University Press.

Peter J. KATZENSTEIN, ed.
(1996), *The Culture of
National Security: Norms and
Identity in World Politics*. New
York: Columbia University
Press.

of choice at any given time. Law is such an institution. History and institutions thus give norms both importance and endurance.

With a focus on the state and norms one can develop an institutional account of Japan's security policy. To do so requires two things. First, we must understand that the state is different sets of political relations; we cannot stipulate the state as a unitary actor. Three sets of relations matter in particular: within the state, between state and society (or polity) and between the polity and some features of the international environment. Second, we must stipulate, both at an abstract level and within the specific historical context of contemporary Japan, the norms that help shape security policy. At an abstract level we must recognize both norms that regulate behavior and norms that constitute identities, rather than focus only on the former. At the specific level, this means focusing attention especially on the relations between social and legal norms.

Institutionalism offers an explanation that is superior to two alternative formulations of rationalism, contemporary variants of realism and liberalism. Students of national security in international relations typically subscribe to a realist perspective that focuses on the international balance of power and neglects domestic politics altogether or considers only the politics inside government bureaucracies. However, significant shifts in the international balance of power during the last three decades cannot be linked plausibly to the comprehensiveness of Japan's security policy. Realism thus does not illuminate central aspects of Japanese security policy.

Important strands of contemporary liberalism, such as the new economics of institutions in the analysis of American politics, pay close attention to norms and rules in their models of domestic politics and policy. But liberalism privileges norms that regulate behavior. It excludes from analysis norms that constitute the identity of actors and that shape the standards of appropriate behavior which inform interests and policy. In so doing, liberalism slights an important factor that can help us understand why Japanese security policy is flexible in some situations and inflexible in others.

I do not deny that the international balance of power, under certain circumstances, can have effects that may outweigh those of state institutions and norms. In acute international crises or in the way, for example, material capabilities can often have decisive effects on the security policy of states. By and large, though, these circumstances did not define the context in which the Japanese formulated security policy during the last half century. Similarly, I do not disregard the regulatory norms that are at the center of liberal analyses. But Japanese security policy cannot be understood without paying close attention to constitutive norms. For the case at hand, the international

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balance of power is indeterminate and regulatory norms are insufficient to account for the distinctive aspects of Japanese security policy.

I would argue, furthermore, that these shortcomings of rationalist analysis are generic. Norms and identity are central to our understanding of the process by which interests are formulated and evolve. Rationalism is analytically powerful because it is parsimonious; it takes interests and identities as givens. And for that reason rationalism is wrong, especially in eras of rapid change. A rationalism that is not embedded in an institutional-cultural analysis is destined to fail. It cannot help us recognize problematic aspects of reality that we need to ponder.

Careful empirical research can reveal when the effects of institutionalized norms begin to wear thin, eventually leaving nothing but the Potemkin villages of politics. Eastern Europe's socialism, we know in hindsight, was a facade because masses were no longer willing to believe and die for it, and because political leaders were no longer able to believe and kill for it. Contemporary Japan offers a second example. Japanese politicians like Ozawa Ichiro have, in the late 1990s, staked their careers on the political intuition that what obstructs the path to Japan's "normalization" is a Potemkin village, not a strategic hamlet. The jury on Ozawa's hunch is still out.



Forthcoming from the Institute of Social Science. . .

20世紀システム (The 20th Century Global System)

A new series to follow the Institute's 1992 critical and popular success, the Contemporary Japanese Society Series (現代日本社会). It traces the development of an international system heavily influenced by American-style political, economic, legal, and social forms of organization.

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Volume 1: 構想と形成 (Design and Formation)

Volume 2: 経済成長Ⅰ 基軸 (Economic Growth I: Core System)

Volume 3: 経済成長Ⅱ 受容と対抗 (Economic Growth II: System Spread and Counter-responses)

Volume 4: 開発主義 (Developmentalism)

Volume 5: グローバル化と国家 (Globalization and the State)

Volume 6: 機能と変容 (Function and Transformation)

Volume 1 is tentatively scheduled to be published in early 1998, with other volumes following shortly thereafter.

ISS Contemporary Japan Group

The ISS Contemporary Japan Group serves as a forum to provide foreign researchers at the Institute with critical feedback on their work. It also often invites non-affiliated scholars to present their research. Researchers visiting Tokyo are most welcome to attend Group meetings. Contact Associate Professor ISHIDA Hiroshi (ishida@iss.u-tokyo.ac.jp) or MASUYAMA Mikitaka (mikitaka@umich.edu).

Stephen ANDERSON *Center for Global Communications, International University of Japan*

February 15, 1996

A Model of Developmentalism and the Political Economy of Digital Technologies in Japan

The social impact of the Internet, computers, and other communications devices can be traced to digital technologies that will transform industrial societies. This talk examined the theoretical questions raised for political economy, and introduced the model of developmentalism presented by Yasusuke Murakami in a forthcoming book from Stanford University Press. Anderson argues that Japan will be a critical case to test models such as developmentalism, as well as the specific implications of digital technologies for advanced industrial democracies.



Steven VOGEL *Harvard University*

March 22, 1996 [co-sponsored by the Comparative Politics Research Group, University of Tokyo]

Deregulation Japanese Style

Professor Vogel argued that many discussions of deregulation tend to confuse it with liberalization, or to assume that deregulation must follow one simple, straightforward path. Japanese deregulatory efforts differ markedly from efforts in the U.S., the U.K., and France (which differ between one another as well) in part because of the nature of the institutionalized interests likely to be affected by deregulation as well as the prevailing ideas among state actors regarding their mission. As a result, Japanese deregulation tends toward the promotion of "structured competition" rather than simple market liberalization.



Raymond CHRISTENSEN *Brigham Young University*

May 20, 1996

An End to Corruption? The Effect of Electoral Reforms in Japan

The recent electoral reforms have led some observers to make hopeful exclamations about the likelihood of an end to corruption. Professor Christensen, however, argued that the reforms will not end corruption because they fail to deal with the incentives for corrupt behavior; they merely change the likely avenues of shady deals. He further claimed that the discipline of comparative political science needs a theory of campaigning that tackles the questions of why and how politicians engage in activities determined to be illegal, and how categories of acceptable and unacceptable behavior are established.

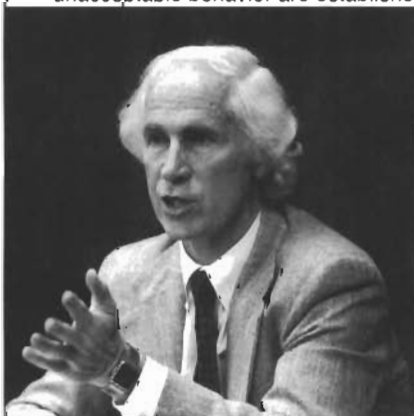


T.J. PEMPEL *University of Washington*

June 27, 1996 [co-sponsored by the Comparative Politics Research Group, University of Tokyo]

Regime Shift: Japanese Politics in a Changing World Economy

Three recent shocks to Japanese politics-- the end of the LDP's 38 years of uninterrupted dominance, the recession, and questions regarding UN PKOs -- have been the source of debates on its likely future shape. Providing a broad discussion of Japanese political history in the post-war era, Professor Pempel argued that the Japanese polity is likely to be affected by the development of socioeconomic coalitions with different interests in a shifting global political economy.



The Ministry of Health and Welfare, and an Injection of Political Science

MASUYAMA Mikataka

BOTH journalistic and scholarly observers have noted the drastic changes that the Ministry of Health and Welfare (MHW) underwent around 1980. While freelance writer Tahara Soichiro focuses on the palpable change of mood in the ministry, political scientist Eto Mikiko addresses important shifts in bureaucratic structure at the agency, looking specifically at changes in budget, laws, and organization. As she notes, although the MHW's budget expanded more quickly than did the general budget in the early 1970s, the latter half of the decade witnessed a "policy vacuum." New legal and organizational initiatives did not emerge until the early 1980s. These policy initiatives — specifically the 1982 Health Care for the Aged Law, the 1984 revision to the Health Insurance Law, and the 1985 Creation of a Basic Pension — have been addressed and discussed, but never explained.

The traditional approach for explaining policy change focuses on shifts in the balance of political power. For example, as a journalist like Tahara might suggest, MHW officials like Yoshimura (the health insurance reform point man) and Yamaguchi Shin'ichiro (the proponent of the pension scheme) took up leadership posts in the ministry, at about the same time that Takemi Taro — who had acted almost like a despot toward MHW — stepped down from his post as head of the Japanese Medical Association after a 25-year reign in 1982, which helped to redefine the policy direction of the ministry, and symbolized an important shift in the balance of power between MHW and the JMA. Furthermore, Tanabe Kuniaki points out that the legislation of social policy-related laws has generally taken place under large LDP majorities, and the conservatism of the early 1980s certainly helped the MHW.

In contrast to the bureaucratic dominance view, a number of scholars look at the importance of *zoku*, or policy tribes of influential politicians. The argument is generally that influential politicians, through their placement in *zoku*, gain a level of expertise in a given area of policy (see, for example, Inoguchi and Iwai, 1987). In the Health and Welfare administration, even though the *zoku* might be shaped typically by politicians' career patterns, a closer inspection of the policy innovations after 1980 reveals that these were in general bureaucratic initiatives that were affected less by intervention by politicians than many had been in the earlier period. As a result, we need to bear in mind Leonard Schoppa's point — made in his study of education policy — about the need to look carefully at our cases, since the divisions between politicians can prevent them from making themselves capable of overcoming the power of bureaucrats; furthermore, *zoku* power needs to be differentiated from party power.

The diversity of politicians has become a central focus of research for some recent scholars of Japanese politics, particularly those who use the principal-agent (PA) model. Mark Ramseyer and Frances McCall Rosenbluth (R&R) argue that politicians choose to reallocate authority in order to circumvent the "collective action dilemma" created by diverse preferences among politicians. Using this positive choice analysis of bureaucrat-politician



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Health, Welfare, and Political Science *continued*

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relations, R&R argue that — notwithstanding shifts in the LDP's policy direction — the absence of major change in the career paths of bureaucrats and of bureaucrat-proposed legislation in the postwar years demonstrates the extent to which the bureaucrats are themselves the agents of the politicians, who remain the principals in the relationship. There are a couple of problems with this approach, however. The first is that even if bureaucrats are relatively independent (and outside the reach) of politicians, we would still be unlikely to see major changes in career patterns and legislation in the postwar era. Second, there are cases in which personnel changes happened specifically because of politicians' interference. This does not disprove R&R, of course, but it hints at some weaknesses in the efficiency of the PA relationship. Would the changes noted by Tanabe in MHW ministerial orders have to indicate a change of direction in LDP policy goals, which the bureaucrats were themselves simply trying to put into action, if analyzed with R&R's theoretical apparatus?

Using historical institutional analysis — in essence a theoretical effort to emphasize the importance of the state and administrative structure (see Evans et al., and Steinmo et al.) — Ellen Immergut for instance has attempted to explain the introduction of social insurance systems in three European states by looking at the differences in legislative administrative relations in these countries. This kind of analysis works well for international comparison, but its principal explanatory power is limited to the presence of certain constraints as well as the setting of limited alternatives. From the historical institutionalist perspective, the change in MHW policy would be considered negligible, or as having resulted from administrative procedural change by the administrative reform campaign. The ideational impact of this campaign must be evaluated in a way that takes account of the mutually constituting and shaping roles played by institutions and ideas (see, for example, Hall, Dobin, and Powell & DiMaggio).

As a number of researchers on the MHW have pointed out, the "new conservatism" of the Reagan-Thatcher years helped to create an ideational background against which administrative reforms were enacted. The proposals for changes in medical insurance and for the pension system did not, however, simply spring up in the early 1980s. MHW bureaucrats had been debating these topics since early in the postwar era, and had attempted to implement such schemes on a number of occasions in the time. Certainly the Health Care for the Aged Law and so forth had in part been designed to constrain demand for medical care by introducing individual co-payment into the scheme, but the introduction of market principles into health care was limited to hospital food and high technology care.

Furthermore, what contributed to the constraints on medical expenditures was not deregulation, but rather the strengthening of certain regulations on the supply side, especially reducing the number of beds and monitoring suppliers' medical practice. In particular, with the introduction of an "inclusive payment" system, the system for remuneration for services was revised, and the general expenses that had traditionally hiked up overall

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costs were somewhat reined in. This kind of regulation, like cross-subsidization, had been pursued consistently throughout the postwar era, but had been stymied by the resistance of the Japan Medical Association until the 1980s (see Masuyama and Campbell). The transition from focusing on regulation on the demand side to regulating supply was not so much a programmed change of method as it was a reflection of "reciprocal consent" of the sort that Richard Samuels noted in his study of Japanese energy policy, where such consent developed in part out of the manifest failures of nationalization.

Administrative reform probably did not exactly set the ideational direction for policy transition in the MHW in the 1980s, but rather acted as an intervening variable, creating momentum for institutional reform. Campbell and Kato both examine how policymakers took the initiative in overhauling or pursuing their own policy objectives, using the space created by the administrative reform campaign. Campbell uses power and ideas as two variables with which to divide policy formation into four categories; he then emphasizes the role of bureaucrats in mustering support from politicians as well as policy specialists. Kato, on the other hand, uses the idea of "bounded rationality" to create a link between institutionalism and rational choice theory, showing how individual bureaucrats rationally pursue their goals, which are themselves shaped by organizational factors; this in essence becomes the pursuit of organizational goals. At the risk of oversimplification, one might say that in terms of the need of bureaucrats to seek the support of politicians, there is not much difference between Campbell and Kato. Using a firm as an analogy, we could say that whereas Campbell sees bureaucrats as entrepreneurs interested in reform, Kato sees them primarily as being similar to salaried men with strong allegiance to the company. Seen this way, Campbell and Kato together make an important contribution to our understanding of the changing relationship between bureaucrats and the polity: neither displacing nor relying on the theory of bureaucratic dominance, they suggest that bureaucratic initiative has a privileged role in social and political change.

Further efforts need to be made to build a theory of the relationship between the bureaucracy and the polity by asking when and why politicians — as "policy consumers" — would choose either to support the "reformist entrepreneurs" or to negotiate with the "salaried men." Both principal-agent theory and Kent Calder's Crisis-Compensation model represent steps in the right direction, but Campbell and Kato rightly embed the importance of the delegation of authority in broader analyses of what bureaucrats can and cannot do. Clearly, in order to discuss the role of the bureaucrats in a democracy, we need an analytical framework capable of specifying when bureaucrats are likely to use their own initiative, and when they are likely to be used by politicians. The construction of a theory that places the relationship between bureaucrats and politicians within a broader series of links with pressure groups and policy networks would greatly contribute to our understanding of the practice of modern democracy.



The Poisoned Body Politic: The AIDS Case and the Erosion of Trust in MHW

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TWO thousand hemophiliacs in Japan caught HIV from products intended to give them more normal lives by supplementing their blood with the clotting agents that hemophilia had denied them. These products, derived from large quantities of donated blood, proved vulnerable to viral infection, such as Hepatitis B. Every country had cases of HIV infection from whole blood transfusions or blood products (Factor VIII and Factor IX), but not all countries responded in the same way. People in all countries must reflect on the multiple failures of industry, practitioners and health bureaucracies to contain the rapid spread of HIV not only by blood products but (much more widespread) shared needle use and sexual transmission. This article attempts place the response to HIV in Japan in its broader political context.

As of April 1996, four hundred hemophiliacs had died from complications related to AIDS. The number of victims of HIV from surgical use of HIV-infected blood products is not known, and lack of record-keeping makes it unlikely to ever be known. What is known is that hospitals continued to use unheated blood products after heated products were available in January 1986, and that the pharmaceutical companies continued to ship unheated blood products to customers until December 1986. In short, the medical system never functioned at all — doctors responsible for treatment of hemophiliacs (allegedly) failed to find out the dangers facing their patients, pharmaceutical companies (allegedly) supplied defective products, and Ministry of Health and Welfare (MHW) officials failed to ensure safe blood supplies and even (allegedly) were aware of problems not only in other countries but actual cases of HIV in Japanese hemophiliacs long before acting to prevent further infections. Recently discovered documents and testimony point to even more serious allegations: a possible profit motive for corporations, highly placed physician-advisors, and hospital staff to delay the introduction of safer products; and a possible cover-up by a ministry unwilling to admit its responsibility.

Another book is waiting to be written about the complete context of HIV and AIDS in Japan. The issues of sexually-transmitted HIV have been almost completely off-limits for public discussion, except for gay sex, which was blamed for the so-called "first AIDS case" in Japan in 1985. Nationalism may have been one factor in the blind faith that "it can't happen here," voiced by members of the MHW AIDS task force in 1983. In this respect the Japanese response to HIV and AIDS resembles that of other nations. US and French scientific community struggles over the discovery of the HIV virus and the licensing of tests led to delays in the testing of the French blood supply in the hopes of developing an indigenous test. One international solution, the International Conference on Harmonization, being pursued by the pharmaceutical industry (for its own reasons) may alleviate these problems by developing internationally-recognized protocols to expedite pharmaceutical certification in countries other than those in which products were first tested. While an ICH accord would not prevent unforeseen complications of pharmaceutical products, products developed to solve such

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problems in one country might be available worldwide with less nationalistic bickering.

Analysts of previous cases of defective pharmaceuticals in Japan, such as Kawana Hideyuki of Mainichi Shimbun, have singled out the lack of international coordination of pharmaceutical regulation, the isolation of Japanese academic medicine, and the lack of adequate funding for independent research as factors contributing to the relative severity of side-effects cases. Lack of international coordination on pharmaceutical regulation played a part in the failure to adopt 1961 US FDA guidelines on chionoform drugs (SMON) requiring a prescription, limiting the dosage to ten days, and restricting the use to treating amoebic dysentery. In Japan, as well as the UK and Sweden, Ciba-Geigy and its subsidiaries expanded production and continued to sell in ordinary drugstores. Academic isolation also figured in SMON: after ten cases of SMON in Sweden, government researchers found the link between SMON and chionoform products; in Denmark, after four cases. Japan had 11,000 victims before it invested in medical research into the origins of SMON.

The apology of MHW Minister Kan on February 16, 1996 to victims of HIV blood products opened the possibility that the political response to this lawsuit might be different from previous pharmaceutical product scandals. In previous cases, including lawsuits over thalidomide, chloroquin, and chionoform in the 1960s and 1970s, MHW denied any responsibility and never issued an apology. MHW also contested any responsibility for diseases resulting from industrial pollution cases of Minamata (final settlement announced May 20, 1996) and Yokkaichi asthma. Partly because of the difference between long-term impairment in previous cases and the rapid, lethal progress of AIDS, the timing of the settlement in HIV lawsuits is the fastest so far. First filed in 1989 in Tokyo and Osaka, the initial settlement took seven years, compared with thirty-four years in the case of the Minamata disease. Even with the rapid settlement and public apology, public opinion of MHW and the medical system hit an all-time low in March 1996. In a Yomiuri survey conducted on March 21st and 22nd, 96% of respondents answered that they had little or no faith in MHW administrators in light of the HIV scandal.

Political response has so far inspired no more public confidence than ministry efforts to mend its tarnished image. Partisan fighting clouds the Diet investigation into the failure to bar infected blood products and the mysterious loss of documents at MHW. Clearly, the cabinet of Hashimoto Ryutaro is controlling the pace of the Diet inquiry, moving the venue for most from the Upper House to the Lower House, and keeping the witnesses few and unsworn. Ruling coalition members of the Lower House Committee on Health and Welfare rejected opposition demands to hear sworn testimony from the main subjects of inquiry: Abe Takeshi, chair of the MHW Aids Task Force, and Gunji Atsushi, head of the Biological Products Section of the Pharmaceutical Affairs bureau of MHW. Even the location of the hearings



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was shifted from the Upper House Subcommittee on AIDS of the Committee on Health and Welfare (chaired by opposition Shinshinto member Miyakugi Ban) to the Lower House Committee on Health and Welfare. The LDP stands to lose from a wider investigation, which would call into question the actions of former LDP MHW ministers (including Hashimoto Ryutaro himself) and actions of Diet members who were once MHW bureaucrats. The latter include Mochinaga Kazumi, former chief of the entire Pharmaceutical Affairs Bureau, who currently serves on the Lower House Committee on Health and Welfare.

Political considerations have driven the response to the HIV blood scandal in Japan in two contradictory directions. Partisan electoral interest has so far limited the chances for complete public investigation into the actions of the AIDS task force, the question of when MHW knew that HIV cases had occurred among hemophiliacs, and the mysterious disappearance and resurfacing of critical documents from that period. Former bureaucrats continue to run for LDP seats and act to protect their interests, holding posts on the Lower House Committee on Health and Welfare and complaining about Minister Kan's apology. The leadership of the LDP continues to use its position as the largest party to limit Diet investigation into scandals which implicate LDP members past and present. On the other hand, Prime Minister Hashimoto's interest in increasing the power of politicians with respect to MHW shaped his decision to appoint Kan Naoto, long-time critic of MHW in general and specifically their response to the lawsuit by HIV victims. Minister Kan's roots in citizens' rights activism and Sakigake party membership do distance his actions from those of the LDP. But Hashimoto had to approve his appointment, and his crusade to open the ministry coincides nicely with Hashimoto's interest in controlling social welfare spending in the era of record budget deficits and stagnant government revenue.

Some of the solutions which have been proposed in Japan include more public subsidies for medical research to end reliance on pharmaceutical company ties, a center for disease control much like the American CDC, and more automatic disclosure of public documents by ministries. Such public disclosure laws already under deliberation in conjunction with the banking crisis and bureaucratic entertainment practices (*kan-kan settai*). Yet new public agencies and fresh subsidies in a time of budgetary restraint face serious obstacles. Moreover, agencies created before as part of the political aftermath of the SMON settlement in 1979 proved insufficient to encourage the kind of research and regulatory environment capable of handling the new challenge of HIV in the blood supply. For now, the political response to the HIV lawsuit has produced unanswered questions, outraged victims, their families, and a public disillusioned with its government. Politicians and bureaucrats have not yet proposed measures to correct serious gaps in the medical system for rapid response to new diseases and defective pharmaceutical products.



Health and Welfare Policy and the AIDS Crisis

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Deregulation in the Cargo Transport Sector

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IN Japan, there are four major ways of moving goods: rail, truck, cargo ship, and air. Among these, rail had been the most important, but no longer; with the decline of JR, the share has dropped, and has remained at barely 5% of overall cargo transport over the last ten years. Air cargo has grown by leaps and bounds, but still represents only about 0.2% of cargo transport, meaning that the vast majority is now carried by truck (51.5%) and by sea (43.6%). The transport sector, however, is more than simply moving objects; it also includes door-to-door delivery services, storage and warehousing, custody and protection at harbors and other transport nodes, packing, and other activities. The Ministry of Transport is responsible for regulating this field, and does so through the use of "business laws" for each sector within the overall field of transport.

Much like in other sectors of the Japanese economy, however, transport has been the target of a growing chorus of voices calling for deregulation. The current regulatory framework is, these critics contend, a burden to the efficient operation of the sector and a drain on the economy in general. Japan's trade partners in Europe and North America have entered the fray as well, contending that the regulation of the sector an impediment to trade. In this short article, I would like to detail some of the important trends and problems in the deregulation of the cargo transport sector. Although regulations are frequently related to social as well as economic issues, I focus here specifically on economic aspects of regulations.

Current Regulatory Problems

Trucking

The Trucking Business Law, one of two new transport laws enacted in 1990, reformed the procedures and requirements for acquiring a license and, thereby, entry into the trucking industry. It also abolished the legal separation between "local service" and "regular line" trucks, and permitted area businesses to use consolidated cargoes (meaning that customers can share trucks), which had conventionally been banned by law. There has been, therefore, a certain degree of progress in deregulating the trucking sector. It is important to note, however, that a number of important regulations still exist, including requirements for a minimum number of trucks for operators (for example, in Tokyo, that minimum is set at 10 vehicles), meaning that small firms are unable to enter the market. The Ministry of Transport appears to be moving slowly toward relaxation of these regulations as well.

Under the same law, the rate regulations have also been reformed. For example, in the past, trucking rates had to be approved by the government. Currently, however, firms are allowed to charge what

...deregulation is being carried out in a series of small and careful maneuvers...

they like, provided that they issue proper notification in advance; they are furthermore allowed to alter their charges within 10% of the notified rates. The relevant authorities, however, will retain the right to evaluate a proper range for rates and profits, and may order modification in firms' rates if they fall outside of these general expectations. Many have expressed doubts about the authorities' ability to determine "proper" rates, but trucking firms have negotiated actual rates with shippers for more than forty years, and have discounted official (approved or notified rates) to a considerable extent because of enduring business relationships. In this sense, we can see that there is no problem concerning trucking rate regulation. Moreover, recent lawsuits in the the United States after the bankruptcy of trucking companies that had discounted official rates without following proper procedures, suggest some of the dangers of unfettered rate wars. The Japanese government needs to take some protective measures here as well.

Domestic Shipping and Harbor Transport

Because of Japan's coastline and the significance of coastal region industries, cargo shipping has been extremely important, especially with regard to cement, oil, steel, and other kinds of basic industrial materials. And the recent development of "techno-superliners" (super high-speed cargo ships) has led to hopes that ships will be able to handle spillovers from truck transport. The guidance laws in this industry regulate not only entry into the market but also requirements for equipment and facilities. Entry into the market requires licensing (or simple notification in the case of small-scale firms), and firms are basically free to set charges (legal standards exist, but they are generally not at all used). At least superficially, therefore, the regulations are fairly lenient. The main restrictions on the shipping industry come from the industry's union law, which require, among other things, shipping firms to scrap a certain rate of tonnage of old ships when they build new ones. While these restrictions solve the problem of cargo space surplus as well as overcompetition between firms, they also create impassable obstacles for firms that want to enter the market, since they are basically obliged to purchase the scrapped ships from pre-existing firms, who can use this privilege to limit market access. The Ministry of Transport is looking into possible revision of this law.

Harbor transport, or moving cargo from the vessel to land, is an extremely important activity that can greatly affect the efficiency of the shipping operation. These operations are governed by the Harbor Transport Business Law, which not only lays out a licensing system, but also establishes extremely detailed and narrow licensing categories. In so doing, it carefully regulates entry into the market, making such entry extremely difficult. This law further establishes identical rates in ports. And although it is not a government rule, labor agreements make it difficult and expensive to operate on Sundays and at night, which has been a target of criticism from a number of foreign countries. It is true that harbor transport is severely affected by fluctuations in demand, and it has a history of treating labor severely, but these strict regulations ought to be re-evaluated by shippers and firms from the perspective of rationalizing the entire industry,



The Deregulation of Cargo Transport *continued*

examining the effects of both mechanization and the deepening development of container travel.

Railroads

The same regulatory law that governs passenger trains also lays down strict regulations for cargo trains. Because the same routes and infrastructure are used by both, consideration of safety issues, among others, mandates this kind of joint approach, and affects the procedures for granting operators' licenses. Although transport rates must be approved, various discounts are allowed if prior notification is properly given, making this system relatively flexible.

One of the problems of the Japanese rail system is that the track is itself owned by passenger train firms, meaning that the six passenger firms own the railway infrastructure, and the Japan Freight Railway Co. must negotiate and get their approval when it wants to make a schedule change. In addition, with the end of the Japan National Railway (JNR) era in the cargo field, the majority of cargo yards will be gradually sold off under the JNR Settlement Corporation. And there remains the possibility that the JR cargo network itself will be dismantled if normal service is disrupted or abolished because of the establishment of new shinkansen (bullet train) routes. In theory, other cargo firms could lease route rights from the passenger train firms, but this does not happen in practice because JR's profit margins on cargo are themselves quite slender, and potential competitors would find it difficult to get access to the more profitable routes. As a result, while there are efforts to deregulate the industry in order to revitalize it, debates are currently raging over what kind of national cargo system ought to be created, as well as what sorts of existing infrastructure and restrictions need to be cleared away.

The Issues of Transport Deregulation

The process of transport deregulation in Japan means more than simply dismantling excessive restrictions and liberalizing, though these too are crucial elements. The process relies also on deliberations over the proper role of the sector, as well as over the complicated relationships — both cooperative and competitive — among the various means of cargo transportation. The degree of regulation affects not only these relationships, but also the entire structure of transportation across the country. As a result, such deregulation is being carried out in a series of small and careful maneuvers, rather than through the simple and immediate liberalization of all industrial categories. Furthermore, the MOT, which must remain mindful both of environmental considerations and labor capabilities, is considering how to create "modal shifts" in cargo, such as between trucks and rail or sea. The question of maintaining an efficient, smooth, and safe transportation network will continue to be the basis of discussions of further deregulation in the transport sector.

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The Land Lease Issue in Okinawa

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THE Japanese government is currently holding private land which is supposed to be returned to its owners upon the expiration of the land-lease contracts. This illegal situation has developed from the fact that the landowners refuse to renew contracts that allow the US armed forces to use their land as military bases. The land was expropriated and provided to the US government until the end of March 1996 under the contracts. Under the Special Land Expropriation Law for the US Armed Forces in Japan, if the landowners refuse to renew the contract, mayors of local municipalities are asked to sign in place of the owners. The mayors, however, refused to do so, as did the Governor of Okinawa, Ota Masahide, when asked to sign in their place. The Japanese government then asked the High Court in Naha to order the Governor to sign, and was granted such an order. While the Governor continued to refuse and appealed his case to the Supreme Court, the contract itself ended, as scheduled, at the end of March.

Legally speaking, the Japanese government is obligated to return the land to its owners after the expiration of the contracts. The central government, however, refused to return it, claiming that it has an obligation to keep the land-lease contracts under the US-Japan Security Treaty.

Governor Ota argues that forced contracts violate Article 29 of the Japanese Constitution, which protects private property, and also points out that the procedures taken up to this point cannot be considered to have followed due process under law. He also maintains that land use for the US military must not be considered to constitute "public welfare," since Japan's Land Expropriation Law excludes expropriation for military purposes.

The Japanese government also failed to persuade the Okinawa Expropriation Commission to allow the central government emergency use of the disputed land.

The central government's argument is weak because the Security Treaty only obligates the Japanese government to provide land for US military use in general. It does not obligate private land owners to lease their land to the Japanese government. The rights of these landowners ought to be regulated by domestic law (in particular, the Civil Code), not by international law.

Underlying this entire debate is the constitutionality of the Security Treaty itself, which provides a legal basis for the United States to station its troops in Japan (perhaps not by accident, 75% of the facilities are located in Okinawa). If the Treaty itself is unconstitutional (and I believe that it is), the current disputes ought never to have happened.

Article 9 of the Japanese Constitution stipulates as follows: "Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes." In keeping with this principle, land, sea, and air forces, as well as other war potential, cannot legally be maintained in Japan, where the right of belligerency is not

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recognized. Article 9 clearly prohibits the government from maintaining armed forces, meaning that the Self-Defense Forces are themselves unconstitutional. Allowing a foreign power to station its armed forces in Japan is also prohibited by Article 9 because doing so means that the Japanese government has itself accepted these forces, even though they are not technically under Japanese sovereignty. This is an important if subtle point; we need to interpret the Constitution in this way in order to remain true to the ideals espoused within it.

Without amending Article 9, it seems legally implausible to maintain the US-Japan Security Treaty. The ruling political parties, however, have so far refused to propose such an amendment because they fear a strong anti-war backlash from the Japanese in general and the Okinawans in particular. Okinawa is the only area of Japan which became a battlefield during World War II, and its people have vivid memories of the violence and slaughter that occurs in wartime, and are the most peace-loving people in Japan.

The US military occupation, as well as criminal offenses by members of the US armed forces (the rape last year of a 12-year-old girl by three US service members served as the trigger of the most recent debates), have spurred the Okinawans to make louder claims that they can no longer tolerate the existence of US military bases on their soil. The Okinawans have borne an exceptionally heavy burden here. Since the return of Okinawa by the United States to Japan in 1972, the US-Japan Security Treaty has provided the legal basis for the US presence there, but procedures for US land use in Okinawa are far less restrictive than they are for any other part of Japan. Even after the reversion of Okinawa, its people have had to suffer from both crimes and less serious but still persistent nuisances created by US bases. Even if one is willing to concede the highly contestable point of the constitutionality of the Treaty, the Okinawans ought not be made to suffer the consequences of having a large number of bases on their land.

The Security Treaty exists primarily for the benefit of the United States and its global strategies. It is currently cheaper for the Americans to keep bases in Okinawa than back in the United States, thanks to the financial support of the Japanese government and its *omoiyari yosan* (sympathy budget). Regardless of the constitutionality of the treaty and the current arrangements, the plight of the Okinawans is likely to continue until the Japanese people realize that keeping US armed forces in Japan does not serve their safety or security. □

Japan and the Problem of International Economic Coordination

William W. GRIMES

INTERNATIONAL economic coordination in the post-Bretton Woods era has not been good to Japan. Career MOF officials still lament the effects of the locomotive strategy of the Bonn Summit, which had Japan carrying out a fiscal stimulus just in time for the second oil crisis (personal interviews). Moreover, it has become common wisdom that the train of events set in motion by the Plaza Agreement of 1985 led inexorably to the bubble economy of the late 1980s, and thence to the present recession (see, for example, NHK, 1996).

As unsettling as these experiences have been for Japan, they have also been of great importance for the world economy. The disappointing results and the difficulty in achieving economic coordination have made prospects for effective management of the international economy increasingly dim. One of the major conceptual problems for both policy makers and scholars is figuring out the causes and consequences of global financial integration. At a more mundane level, political institutions and interests within countries further complicate the problem.

Global Financial Integration and Coordination

One point on which most observers agree is that the central problem with which policy makers must contend is what Benjamin Cohen calls the "unholy trinity" — the "intrinsic incompatibility of exchange-rate stability, capital mobility, and national policy autonomy" (Cohen, 1996, p. 280). If one country tries to buck the cold logic of the markets, capital can quickly escape and bring about an exchange-rate or balance-of-payments crisis.

There are only two apparent ways out of the problem, both of which involve policy coordination — mutual reduction of capital mobility, or macroeconomic harmonization. Coordinated reduction of capital mobility has proven difficult, both because of the technical difficulties involved, and because states do not want to lose a piece of one of the most lucrative niches of the world economy. The dangers to an individual economy of trying to stem or even turn back integration are clearly shown in the US

Interest Equalization Tax debacle of the 1960s — which led to the birth of the Eurodollar markets and dramatically reduced the importance of New York in international finance for a number of years — and in the unwillingness of Japan to open a credible offshore market — which has seen Tokyo eclipsed by both Hong Kong and Singapore in the contest to be the financial center of Asia. Thus, even if there were agreement on the desirability of reducing capital mobility, countries would be left in a prisoner's dilemma game that could quickly unravel any agreement that actually arose among states.

Macroeconomic policy coordination is the other possibility, and is the one on which policy makers have concentrated most of their efforts (e.g. Volcker and Gyohden, 1992). While there is disagreement over whether effective

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coordination has increased, decreased, or stayed the same since the days of the Bretton Woods dollar standard (see, e.g., Webb, 1991), no one denies that it is extremely difficult. This is true for both economic and political reasons. Among economists, there is no real agreement on how coordination might best be accomplished (well-known suggestions include "global monetarism" and various forms of "crawling pegs" — McKinnon, 1984; Milner, 1987). Politically, the challenge is perhaps even more daunting. The original Bretton Woods system, devised at a time of optimistic internationalism, called for national governments to be free to carry out policies of their own choosing; it would be difficult to argue that governments today can more easily sell to their domestic constituencies the idea of subordinating national objectives to international needs.

Domestic Institutions and Coordination

According to Putnam, one promising way of meeting that challenge is through transnational coalitions which act to strengthen the domestic actors most in favor of the actions that the international macroeconomic situation requires (Putnam, 1988; Putnam and Henning, 1989; Putnam and Bayne, 1987). However, while this concept works in theory and in certain isolated instances, it runs into two major roadblocks as a matter of course. First is that the needs of the global economic system change rapidly and unpredictably. The ponderous process of playing two-level games and building transnational coalitions has little chance of keeping pace with such change.

Second, and equally important, is the problem of domestic policy-making structures, which condition (and in the short-run, perhaps determine) state responses (Henning, 1994; Grimes, 1995). In the case of Japan, the dominant structural position of the Ministry of Finance vis-a-vis the Bank of Japan, and its short- to medium-term informational advantages vis-a-vis political leaders, mean that MOF's institutional interests will tend to dominate the country's response to international coordination attempts (Grimes, 1995). The Ministry's preference for fiscal stability leads to an overemphasis on monetary policy in dealing with shocks even beyond the short-term. Only over the course of several years are politicians — who are generally ignorant of the details of budgets and economic projections that comprise macroeconomic policy — able and willing to take control over conscious fiscal policy. While this dynamic holds for any macroeconomic shock (the present recession, for example), it also has important implications for international economic coordination.

Japan is not the only country with institutional biases that directly affect international coordination. Germany's highly autonomous Bundesbank, with its constitutional obligation to protect the currency, presents a situation that is very nearly the opposite of Japan's — nevertheless, its policy outputs can also be extremely disruptive, as the EMS crisis of 1993 demonstrated. The

Only over the course of several years are politicians — who are generally ignorant of the details of budgets and economic projections that comprise macroeconomic policy — able and willing to take control over conscious fiscal policy.

United States has provided an excellent example of institutional bias toward extreme fiscal intransigence in the face of international pressure (Destler and Henning, 1989). While major swings have certainly occurred in American fiscal policy — including Great Society/Vietnam War spending, Reaganomics, and the current balanced budget movement — these have had absolutely nothing to do with the requirements of the international financial system.

The problem of domestic institutions in international economic coordination has not been solved even in theory. In practice, it has been surmounted only sporadically, and in limited ways. While many policy makers and authors continue to advocate international-level mechanisms to regularize the process, it is not clear how (short of monetary union) domestic institutions can or will fit into the framework. Until and unless global financial integration forces policy convergence on major economies, what seems most likely is more of the same: political pressure, frustration, and international economic volatility.



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North Korea's International Economic Relations

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International Economic Relations

NORTH Korea is the world's most autarkic economy, with an international trade share (exports plus imports) of 12 percent of GDP, well below the 50-60 percent observed in South Korea, and a fraction of the even larger share that North Korea would exhibit were it a "normal" country. Imports have consistently exceeded exports and that after peaking in the late 1980s, the volume of trade has fallen substantially in the 1990s. Even North Korean officials admit the economy has shrunk by 30 percent since 1991.

North Korea's largest export sectors are apparel, iron and steel, and natural resource-based products such as mineral products, vegetables, and marine products. North Korea's largest import sectors are textile yarn (which is used in manufacturing apparel), petroleum and coal, iron and steel, capital goods, and grain. Arms exports at times exceeded a half billion dollars during the 1980s, though this trade appears to have fallen substantially in recent years.

China, which supplies nearly one-third of North Korea's imports, is North Korea's largest trade partner, followed by Japan, South Korea, Russia, and Germany (Table 1). Much of Japan's trade with North Korea is reportedly conducted by firms affiliated with the Chosensoren (Chochongryun), the organization of DPRK-identified ethnic Korean residents of Japan, with North Korean sources putting Chochongryun trade at 30-40 percent of the total in recent years. As far as can be determined, North Korea ran a trade deficit of \$820 million in 1995, the largest share with China (\$538 million), more than double its level of a year earlier. The only notable surplus it ran was with South Korea (\$127 million). If the deficit with China and the surplus with South Korea are considered in effect politically motivated foreign aid, those two countries are financing approximately seven-eighths of North Korea's international trade deficit.

Financing may also come from remittances by the Chosensoren from Japan. The amount of these remittances can be estimated as a residual of the balance of payments under a series of assumptions. The critical issue in the North Korean balance of payments is to what extent the Chinese are implicitly providing aid by permitting the North Koreans to build up arrears on their imports. In the extreme case that the Chinese simply barter their exports for what imports the North Korean can provide, the remittances necessary to finance imports would be less than \$100 million, far lower than commonly thought. Alternatively, if remittances are as high as usually reported, and either North Korea is running a surplus on its current account, accumulating foreign reserves, and exporting capital, or hundreds of millions of dollars in expenditures are unaccounted for.

Current Reforms

In response to this crisis, the regime has begun some tentative reforms, most notably the creation of a special economic zone in the Najin-Sonbong region.

Table 1Trading Partners, 1995
(Millions US\$)

		Exports	Imports	Net Exports
China	raw	57	535	
	corrected	51	589	-538
Japan	raw	305	282	
	corrected	275	310	-35
South Korea	raw	228	71	
	corrected	205	78	127
Germany	raw	44	47	
	corrected	40	52	-12
Russia	raw	13	77	
	corrected	12	85	-73
Global Total	raw	1,021	1,642	
	corrected	986	1,806	-820
Memorandum: Trade Balance, excluding China				-282

Foreign investment has remained relatively small, however, on the order of \$150 million. High wages, poor infrastructure, and geographic isolation are all obstacles. The Chosensoren account for nearly 90 percent of investment, with most of these investments concentrated in light manufacturing and retailing.

In the future, policymakers may conclude that these changes are inadequate to address the crisis. The question naturally arises: what would the North Korean economy look like if were to undergo successful reform? One way to get a sense of how North Korea might look as a "normal" country, is to use a standard "gravity" model of bilateral trade to simulate its post-reform trade pattern.



Table 2
Actual and "Natural"
North Korean Trade
Shares
Note: Intra-Korean trade
counted as international
trade; GDP in current
dollars from Bank of
Korea.

	Actual Trade Share, 1995		"Natural" Trade Share
CHINA	23	SOUTH KOREA	35
JAPAN	21	JAPAN	30
SOUTH KOREA	10	CHINA	13
RUSSIA	4	U.S.	7
REST OF WORLD	42	REST OF WORLD	15
Memorandum: Share of Total Trade in GDP	12		71

As shown in Table 2, North Korea's natural trade partners would be South Korea, Japan, China, and the United States in that order. South Korea and Japan alone would account for nearly two-thirds of North Korea's trade. Moreover, the share of international trade in national income would roughly quadruple as indicated in the memorandum item (though the resource reallocation associated with such a large increase in trade would almost certainly boost income significantly as well). North Korea's sectors of prospective comparative advantage would largely be in primary products sectors where North Korea's natural resources convey a comparative advantage, and light manufacturing industries which are declining in Japan and South Korea, but could be competitive in lower wage North Korea.

According to a recent paper by the present author, in collaboration with Sherman Robinson and Monica Scatasta, potential income gains for North Korea are enormous, on the order of 40-50 percent. These are comparative static gains, and the economy would undoubtedly experience a decline in measured output during a transitional phase. Moreover, even if the North Korean economy were to expand by 50 percent, the income gap between the North and South would remain huge.

Conclusions

Reform in the North will require external support. The most obvious channel would be the Korean diaspora, including industrialists in South Korea. Normalization of diplomatic relations between North Korea and Japan and the payment by Japan of post-colonial compensation would be a yet another source of external support. Under the right circumstances, multilateral development banks could also be tapped.

It will largely be the North Korean government, however, which will determine in the end whether these opportunities are seized. Unfortunately, the regime faces some significant hurdles in this regard. First and foremost, the existence of a prosperous democratic South Korea poses an enormous ideological challenge to North Korea.

Second, the sheer scale change that is likely to accompany significant liberalization is tremendous. International trade would become far, far more important, and most of that trade would be with South Korea and Japan, two countries with which North Korea maintains highly problematic relations.

Finally, it is hard to imagine North Korea undertaking significant reform without a more secure external environment, specifically without some rapprochement with South Korea.

Consequently, economic reforms, though potentially highly beneficial may not be undertaken, increasing the likelihood of continued economic decline and growing human misery. Although the regime may maintain its stability in the face of secular economic decline, such developments raise the specter of a Rumanian or East German style collapse, accompanied by intervention by external powers.

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Structural Transfiguration of the U.S.-Japan Trade Relationship

TANIGUCHI Masaki

NO one disputes the importance of foreign pressure (*gaiatsu*), especially from the U.S.A., in the formation and development of the postwar Japanese political economy. Among the types of *gaiatsu*, the pressure related to the U.S.-Japan trade relationship has been the most important in both quantitative and qualitative terms, and has even led to a portrayal of the relationship as "irritant diplomacy," or as a process of resisting pressure while making small and incremental changes in behavior. The recent automobile wrangle, however, in which the US side pressed hard for concessions but received none, represents a change in the relationship that requires explanation. In this short essay, I hope to introduce a little bit of doubt into the discussions of the "uses of *gaiatsu*" by focusing on the transfiguration of the political process behind Japan's trade relationship with the United States in recent years.

One can think of the Japanese side's behavior in the trade relationship as essentially taking place in four arenas: first, actors' perception of pressure; second, interaction between government and business; third, the influence of the relationship on the activities of politicians; and fourth, the "political legacies" in the relationship, or the accumulated experiences of decisionmakers and their effects on the process. Clearly, many variables are at work, and it is important to determine which affected negotiations, and in what ways. By explaining why the relationship proceeded smoothly in some instances but rather roughly in others, we can actually build an understanding of the structure of the current and future US-Japan trade relationship. For brevity's sake, this paper provides only an overview of this changing structure, but in general, the "transfiguration of the US-Japan trade relationship" since the late 1980s can be characterized as a result of the "limiting of those factors that facilitated opportunities for cooperation, or an increase in those factors that tend to increase friction."

It is obvious that there have been important changes in each of these arenas. For example, various factors — the realization that the U.S. "Super 301" law would violate GATT rules, the strengthening of American critics of Japan by the end of the Cold War and the reduced need for strong security ties, and the growing apprehension regarding bilateral ties by such external actors as the EU — have altered the way in which Japanese actors perceive American pressure, leading to an environment in which American pressure actually worsens the relationship. Second, government-industry policy networks have taken a variety of blows that reduce "government reach," and thereby increase the (to use Hirschmann's terminology) "voice" of business *vis-a-vis* domestic industrial policy. At the same time, the reduction of financial flows and investment from Japan to the United States and the EU has closed off one avenue of business "exit" from the relationship, as has the shift in negotiations toward areas where such exit becomes difficult. Third, the diffusion of power under the recent coalition governments has tended to obstruct the ability of legislative tribes (*zoku*) to control policy. Prior to this,

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the resolve of individual party and faction leaders had helped to facilitate more harmonious ties with the United States, but currently the ability of individual leaders to affect bureaucratic plans and initiatives is being altered in part by the aforementioned changes in their "perception" of foreign pressure. Finally, regarding the skill of Japanese public actors, in prior trade wrangles, policymakers had dealt with a "positive policy legacy," in which agreements had been considered easy even when concessions and compromise were inevitable, but in the 1990s, they have been faced with a turn toward a "negative policy legacy." Tactics for earlier agreements, such as voluntary export restrictions, had become prohibited by the Uruguay Round of the GATT, and earlier policy compromises, like voluntary import expansion, were considered by economic bureaucrats to have been mistakes not to be repeated. This decision also reflected the accumulation of skills in resisting *gaiatsu* among employees of Japanese ministries.

This kind of "structural transfiguration" is perhaps best symbolized by the US-Japan auto talks that wound up last June. Fortified by opposition to U.S. strategy both within the United States and in the EU, the Japanese side decided to adopt a tough stance in the face of a rapid escalation of US pressure, even if it meant facing sanctions. This was in part due to the fact that there was a real lack of actors and policy instruments capable of dealing with the opposition of the auto and auto parts sector, meaning that the resistance of the sector was far more effective than it had been in earlier trade conflicts. Furthermore, the press lavished praise on International Trade and Industry Minister Hashimoto Ryutaro for his activities, but many of the decisions had already been made in behind-the-scenes negotiating between both sides. In essence, MITI bureaucrats had accepted the numerical targets of the semiconductor agreement and the auto talks during the Bush visit as a kind of poison pill, and they had decided to focus on shifting the locus of negotiations from bilateral to multilateral talks and agreements.

This interpretation of the "structural transfiguration" of US-Japan trade talks is largely based on questionnaire research, conducted by the author, of Diet members and bureaucrats. This questionnaire was designed to clarify some of the long term trends as well as the specific details of the most recent cases of the U.S.-Japan trade talks, as well as to examine the guidance of bilateral trade talks in Japan. Among the conclusions made clear by the results of this survey is that there has been a basic and fundamental change in the U.S.-Japan trade relationship. Whereas Japan has in the past used American foreign pressure in order to clear a path for reforms, it is likely to be employed less frequently, if at all, in the future.



A longer version of this argument can be found in TANIGUCHI Masaki (1996), *Taibei Boueki Koushou no Seijigaku* (The Politics of Trade Negotiations with the USA), Unpublished Research Thesis, Faculty of Law, University of Tokyo.

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Recent Works on the LDP

MAEDA Yukio

LAST year marked the 50th anniversary of the end of the Second World War, and many scholars took the opportunity to take stock of the changes in the Japanese political system over the past half century. Despite the vast number of policy process studies, not enough attention has been paid to the role and changes in the Liberal Democratic Party (LDP). In this review I focus on two works by Japanese scholars that offer new contributions to the field.

KITAOKA Shin'ichi's *Jimintou: Seikentô no 38 nen* (*The LDP: 38 Years in Power*) (Yomiuri, 1995) examines the "soft" mediation of factional disputes that helped to keep the LDP as the conservative ruling party for 38 years, and analyzes the historical composition of the factions as well as their changes over time. In particular, Kitaoka challenges the prevailing view that the LDP's stability, which was crucial to its long term control, was based solely on internal agreements over economic growth forged during the Ikeda administration's policies in the high-speed growth era of the 1960s. Instead, he maintains, the settlement of internal disputes over foreign policy under the Kishi administration of 1957-1960 set the stage for these economic policies by helping to establish a united "mainstream conservative" front. Written in a clear and understandable style, and armed with more than 40 pages of additional sources and materials at the end of the book, this book is a terrific introduction to Japan's postwar political history.

Less an introduction to Japanese politics and more an ambitious piece of comparative analysis, NONAKA Naoto's *Jimintô Seikenshita no Seiji Erîto* (*Political Elites Under LDP Rule*) (Tokyo University Press, 1995) analyzes factional politics, career patterns, and other organizational factors in the politics of the LDP, as well as the Diet and the policy process, using France as a case for comparison. In Nonaka's view, the lack of any central governance body within the LDP, combined with access from unofficial external actors like "supporter's associations" ultimately produced a party out of control. This lack of control — exemplified by the relationships between supporter associations and Diet members, and by the ability of these groups to exert social pressure on internal party politics — became the foundation for the important role of the *zoku*, special policy groups within the party. Even so, this kind of pressure politics was ultimately brought to the breaking point by the development of a political authority structure based almost entirely on career patterns made through factional control.

In fact, policy deliberations in Diet committees as well as the LDP's Policy Affairs Council have been reduced to a mere sideshow by the fact that membership is in practice based on two criteria: seniority and the size of one's faction. Since these are far more important than actual expertise, the great extent to which LDP members have relied on bureaucrats for policy initiatives and decisions has become clear. Based on a close reading of old studies (he includes a richly detailed bibliography), and painstaking new research, Nonaka casts great doubt on those claims that pluralism flourished in the 1980s. It is here that he has made an extremely valuable contribution. This work will likely become the new standard for research on the LDP.



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Conference Report

*The Second Trilateral Symposium on International Law:
March 24-28, 1996, Atlanta/Washington, DC*

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IN 1994, the Japan Association of International Law, the American Society of International Law, and the Canadian Council on International Law jointly established a forum for the academic exchange of ideas on both problems of and problems related to international law. The product of this decision — the First Trilateral Symposium on International Law — was held in July of that year in Tokyo. Bringing together 150 legal scholars from the three countries, the Symposium provided the opportunity for 30 scholars to present papers on topics as wide-ranging as trade disputes and UN peacekeeping operations (PKOs). The results of this conference are soon to be published in a book entitled *Trilateral Perspectives on International Legal Issues* (see box, next page).

After the success of the first symposium, the legal associations of the three countries decided to maintain their links by turning the symposium into an arena for continuing cooperation in research and discussion. As a result, in March 1996, the Second Trilateral Symposium on International Law was held, this time in Atlanta and Washington, DC, focusing on the central theme of "Compliance with International Legal Norms: Problems and Issues." The five sessions — each of which featured papers from six scholars, two from each of the countries — addressed the following topics:

- International Human Rights and Humanitarian Law;
- Theoretical Perspectives on Compliance with International Law;
- Arms Control and Nonproliferation;
- International Trade and Investment;
- Non-binding Norms and Compliance.

The question of "compliance" has become an increasingly important one in studies of international law in recent years. Traditionally, studies of international law had focused on the issues of legislation and enforcement, or sanctions against violation, and had not addressed the question of states' real compliance with international legal norms.

This new attention is due to a variety of factors. Perhaps most important is the establishment of new systems designed to elicit compliance among state actors. For example, international human rights conventions often establish special reporting systems managed by international institutions, which accept reports from each Contracting Party, examine them, and make recommendations regarding how to improve compliance, often checking on accusations of non-compliance from private citizens and NGOs. Similarly, international conventions in the field of arms control and disarmament establish detailed systems of surveillance/inspection in order to secure compliance firmly. Compliance is critical to the effectiveness and viability of these types of conventions. Another factor is the growing diversity and complexity of international treaties and conventions, and the difficulty involved in ensuring compliance of Contracting Parties. For example, in the field of protection of the global environment (e.g., the protection of the ozone layer), each Contracting Party bears a different degree of burden in its

responsibility to fulfill treaty obligations, such as reducing the emission of CFCs. Finally, an increasing number of non-legally binding instruments dealing with matters that had been subject to legally binding instruments. Though not legally binding, they often in fact are complied with as if they were. This has helped to make the traditional meaning of the term "legally binding" somewhat obsolete.

Focusing on the evolving nature of legal norms and compliance, the symposium was divided into theoretical questions (the sessions on "theoretical perspectives" and "non binding norms and compliance") and practical issues ("human rights," "arms control," and "trade and investment"). Each of the thirty presentations provoked lively debate and discussion among the participants. Rather than creating any sort of conclusive solution to the problem of compliance, however, these papers helped to clarify the difficult issues involved, to provide more solid basis for discussions of the issue, and, perhaps most important, to suggest avenues of future inquiry and research. They furthermore helped to bring out the differences in orientation among the scholars from each country (the US scholars tended to focus more on solutions to practical problems, while the Japanese and Canadian representatives concentrated more on highlighting theoretical issues and positions). In this sense, the Symposium was in fact a valuable learning process for the participants.

Like the First Trilateral Symposium, the papers for the Second Symposium will be published as a book (spring 1997), with one participant from each of the countries serving as a member of the editorial committee. As the Japanese representative, I am currently engaged in the final editing of the papers by our authors.

Future Collaborative Research Program

A majority of the Symposium's participants took part in workshops devoted to nailing down the details of the next Symposium meeting. It was jointly decided that the Third Trilateral Symposium on International Law will be hosted by the Canadian Council on International Law, sometime within the next 2-3 years, and that **the theme of the Symposium** will be either "The Influence of Domestic and International Interests on the Development of International Law Norms" or "State Compliance Practices Regarding International Law Norms."

Each country's law association will come up with specific research topics related to each of the themes currently under consideration, and one representative from each country will become a member of the Coordinating Committee, which will examine these topics. Country Working Groups will consist of three representatives from each of the countries, and they will be responsible for determining and organizing research plans, research teams, and resources. This sort of planning has enabled the international legal studies associations of the three countries to provide an example of how to construct a viable international relationship for collaborative research.



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(Michael Young and Yuji Isawa, eds.)
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announcement and call for papers

Social Science Japan *Review*

The *Social Science Japan Review*, a new English-language, internationally refereed journal of the Institute of Social Science, University of Tokyo, will publish original papers on social science issues related to modern Japan, including comparative work and studies of international relations. All disciplines in the social sciences are represented in the *Review*, including anthropology, economics, geography, history, law, political science, and sociology. The *Review* is currently soliciting papers for its next two issues. Although the first three issues are thematic, each issue will also include articles outside of the thematic focus, and we welcome contributions on any topic which deal with contemporary Japan from the perspectives of the social sciences.

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Issue #2, "Japanese Society and 'Community,'" will feature articles on community formation in business enterprises, in religious organizations, and in "virtual reality." Local social movements which seek to develop "community spirit" are included in this theme. The issue will explore the contemporary contexts for the relationship between individual and "community" in Japanese society. The deadline for submissions is **December 1, 1996**.

Issue #3, "The Japanese Economy and Deregulation," will analyze the deregulation of Japanese economic policies and institutions from different disciplinary viewpoints such as economics, political science, law, and sociology. Comparative studies that focus on this hotly debated contemporary topic are welcomed. Deadline for submissions is **February 1, 1997**.

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