
***The Role of Japan in Asia.* By Shinichi Ichimura.**
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The International Center for Economic Growth publishes a series of “reflections on broad policy issues by noted scholars and policy makers”. The contributors to this series include internationally well-known economists such as Nobel Prize laureate Theodore W. Schultz, W. Heinz Arndt, Deepak Lal, Arnold Harberger, etc. The monograph under review also contributes to this distinguished series. *The Role of Japan in Asia* comprises two stimulating and concise essays: the first, entitled, “Contributions of Private Enterprise” and the second, “Economic Development, Education and Technological Progress”. Both essays attempt to account for post-World War II Japanese and Asian development.

To unravel the factors contributing to Japan’s (and other Asian countries)¹ amazing progress from poverty to prosperity, particularly during the 1970s and 1980s, the author first surveys the growth performance and overall pattern of economic development in twenty-two Asian countries grouped into six categories. Second, he describes the political economy of post-War Japan: from 1945–2000 six periods are identified for analysis, namely (1) the period of occupation (1945–52); (2) reconstruction (1952–60); (3) rapid growth (1960–70); (4) shocks (1970–80); (5) internationalization (1980–90), and (6) trial (1990–2000). Third, in attempting a comparative analysis of Japan and other Asian countries’ economic and sociopolitical developments, the author identified ten factors for Japan’s economic growth, and ten factors for Asian economic development.

Two common features of Japanese and other Asian development identified for special consideration are: (1) acceleration of growth rates, and (2) economic growth with income distribution but without serious political disruption (p. 37). The author attributed the acceleration of economic growth since 1960 in the East Asian economies to the twin factors of steady increase in the accumulation of capital and the consistently high rate of

savings. However, he emphasized that the rapid accumulation of capital must be accompanied by efficient and effective use of capital, to which he observes that in this important aspect, the East Asian economies (except Philippines) have been able to employ capital much more efficiently than economies in South Asia and Latin America. He also underscores the importance of technological innovation, “the most remarkable” being the Green Revolution — which had salutary impact on equity concerns throughout those East Asian economies making rapid transitions from being traditional agrarian ones to modern industrializing ones with substantive expansion of the external (notably the export) sectors. As Professor Ichimura puts it,

Had the Green Revolution not made it possible not only to increase production but also to absorb the enormous surplus of labour in the rural areas in Asia, the distribution of income and social stability would have been much worse in all agrarian areas in Asia. (p. 37)

Significantly, the massive and systematic World Bank study “The East Asian Miracle” also concluded that the East Asian economies “accumulated both physical and human capital much more rapidly and consistently than other economies, accounting for a large portion of their superior performance”.² Two other conclusions of the study, which seem to be similar to Professor Ichimura’s observations above are: first, the accumulated capital has been employed in highly productive investments; and second, effective technological acquisition and development have been attained to enhance productivity growth.

On issues pertaining to international development co-operation, Professor Ichimura argues that the Japanese economy is in the *kokusaika* or internationalization period. Hence, Japan “must take initiatives to play a leading role in world economic affairs, particularly in the Asian Pacific area” (p. 43). The roles identified include the areas of international trade and equity investment; governmental loans and other types of ODA; transfer of industrial technology, both hardware and software (including human resource development). The author emphasizes that the role and

contributions of the Japanese private sector in these various areas of international development co-operation, as indicated, are most notable and pervasive in foreign direct investment and trade-related investment. He believes that Japanese FDI will further increase in the future *vis-à-vis* American and European investments. Presently, with another round of yen appreciation since the 1985 Plaza Accord, more relocation of Japanese industrial activities from Japan to the developing countries of East Asia will be occurring.³ As Japanese FDI and multinational companies bring with them a package of new technologies, Japanese management practices (including lifetime employment, seniority-based wage system and firm-based labour unions) and private enterprise activities will have much more economic impact than just capital-sharing. Some of the Asian or ASEAN countries, for instance Singapore and Malaysia in the early 1980s, were explicit in their admiration of the Japanese model of economic development including firm-level management practices so much so that Singapore had the "Follow Japan" official campaign and Malaysia had the "Look East" policy.⁴ However, as there was a deficiency in the attainment of results in transferring the Japanese work ethic or the strategy of picking winners, these campaigns began to wane a few years later. Even then, the Japanese experience does provide useful lessons for these and other Asian countries.⁵

Raising a further point that Japan has been "pacemaker and caretaker in the Asian Pacific region", he cogently argues that Japanese economic policy should go beyond its own self-interest and be mindful of world economic responsibilities particularly in promoting the continuing economic growth and socio-political stability in East Asia. Hence, he strongly advocates the import liberalization of the Japanese economy, which can do much to stimulate industrial and trade expansion for the developing economies of East Asia.

Currently, with the Japanese economic reform being very much in the news, this policy advocacy of Professor Ichimura is of particular relevance and urgency on two counts. First, a recent report highlights that in March 1993 there

were still 11,402 regulatory permits and approvals in force. This was 460 more than in 1992 and "the seventh year running of growth in the red tape mountain, according to the (Japanese) government's management and coordination agency".⁶ Second, Japan's trade surpluses with ASEAN, Asian NIEs and other developing Asian economies have been growing significantly.⁷ Indeed, much can and should be done to the liberalization of the Japanese economy, and the reform in this direction should be broadened and speeded up.

The much shorter second essay (a supplement to the longer essay reviewed above) attempts to throw *additional* light on the crucial importance of human resources development and technological progress in accounting for the rapid economic growth of Japan. The author points out the unique and distinguishing feature of post-war Japanese economic policy: that policy-makers and planners have gone beyond Keynesian demand-side management, and are incorporating the supply-side considerations (such as economic indicative plans, nationwide and regional development plans, industrial policies, and manpower as well as education plans). The last consideration bears on the issue of investment in education and human resources development with important linkage to the development of technological capability. It seems the Japanese management of supply-side economics has paid off well over the many years — as shown by the various indicators of the quality and morale of labour (such as the number of hours lost annually; the industrial accident rates; incidence of labour disputes; absenteeism; or more generally, the social crime rate and delinquency). The author definitively concludes that by all these indicators, the Japanese rates are "significantly lower than in most advanced economies" (p. 72). Indeed, the "Look East" policy and the "Follow Japan" campaign are to a considerable extent motivated by these development performance results of Japanese achievements.

On the basis of statistics for the period 1966–87, and analyses of Japan's "technological balance of payments" it seems that Japan is already outperforming most of the European countries, although the United States is still far behind. Even

more significant are the author's findings based on the 1981–88 period — that Japanese substantive effort and investments in rapidly *increasing technological manpower and R&D expenditure* have yielded high returns in technological innovation indicated by patents applied and patents granted. The increases in the R&D expenditure and technological manpower correspond to the rapid expansion of the Japanese economy and export industries. This suggests that Japan has been gaining international competitive edge *vis-à-vis* the U.S. and European competitors in various industries. The author concludes with the notable statement that the Japanese private sector is responsible for the “predominant portion” of the R&D expenditure. The Japanese Government, however, played a crucial role in promoting basic and applied research through its many academic institutions of higher learning. Although the concluding section does not explicitly provide the recommendations of the author, particularly with respect to other developing Asian countries, the findings does suggest the salient importance of supply-side management with the need to accord priority to public investment in education and human resource development in various areas which are relevant to the industrial needs of the economy. Also, as highlighted in the World Bank study mentioned above, government use of fundamental and interventionist policies to acquire and master technology to stimulate rapid increase in productivity has been an important factor in East Asian success.

This slim volume is very readable, virtually free of any technicalities, and should appeal to economists and non-economists alike. This is particularly so given the fact that the author (currently the Vice-Chancellor of Osaka International University and former Director of the famous Centre of Southeast Asian Studies at Kyoto University) has distilled a considerable

portion of his expertise and intellectual wisdom to present his authoritative views and opinions on subjects which he has contributed notably to in the literature.

NOTES

1. These “East Asian” countries include Japan, the Asian NIEs (South Korea, Taiwan, Hong Kong and Singapore), and the ASEAN-4 (Indonesia, Malaysia, Philippines and Thailand).
2. See John Page, “The East Asian Miracle: Building a Basis for Growth”, *Finance and Development* (March 1994): 3.
3. See Dan Bier, “Asia Sees a Silver Lining in Yen’s Rise”, *Asian Wall Street Journal*, 29 June 1994, p. 1, and William Dawkins, “The Rising Yen Encouraging Japanese Firms to Shift to Asia”, *Straits Times*, 20 July 1994, p. 29.
4. See Susumu Awanohara, “Look East: The Japan Model”, *Asian-Pacific Economic Literature* 1, no. 1 (May 1987): 75–90.
5. *Ibid.*, pp. 86–87.
6. “Hata urged to open up Japan’s markets by cutting red tape”, *Business Times* (Singapore), 16 June 1994, which originally appeared in the *New York Times*. The same source also reported that Baring Securities (Tokyo) estimates that these regulatory measures cover industries contributing as much as 40 per cent of Japan’s GNP.
7. “Japan trade surplus with S-E Asia up: Region overtakes US for the first time”. *Straits Times*, 5 July 1994. “S-E Asia”, as defined by the Japanese Finance Ministry, covers 20 trading partners with a broad range of countries, from Afghanistan to South Korea, including ASEAN countries. The current account surplus with these Southeast Asian countries (particularly the NIEs) increased substantially to US\$56.9 billion in 1993 from US\$43.6 billion in 1992. However, Japanese current account surplus with the United States increased from US\$50.82 in 1993 to US\$44.46 in 1992.

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