

JAPAN : PAST, PRESENT AND FUTURE — A VIETNAMESE PERSPECTIVE —

BY NGUYEN XUAN OANH

NINETEENTH CENTURY JAPAN : THE MEIJI REVOLUTION

Much has been said about Japan's emergence as a natural economic power. Unlike Australia which is, in fact, an extension of Western history and civilization, and hence also, the processes of socio-economic development and industrialization, Japan's rise to unprecedented economic prosperity has its origin in Asia's historical and traditional feudalism. The metamorphosis from the Tokugawa Shogunate to the Meiji era has been frequently advanced as the silent revolution in Japan's modern economic history.

One recalls interestingly several historical episodes. As early as 1854, Japan was forced to open her ports to the United States. The change from ' kimono ' to western attire was re-

success, if properly guided. In the case of historical Japan, success has led unfortunately to disaster! By trudging the road of militarism, it has been said that Japan has erred into the " dark days " of the century.

Notwithstanding our interest in history, it should be of interest to observe how Japan has undergone the first metamorphosis, and what is of greater interest, is how Japan has managed from the ashes of total defeat to emerge as Asia's new economic giant?

While it is certainly beyond the scope of this short paper to diagnose the myriad causes that have led to something as complex as the Japanese success, it is, nonetheless, not an exercise in futility to iden-

garded as a fascinating change in Japan's life style. Telegram and other postal services became standard means of communication around the closing decades of the century (19th). The first railway between Shim-bashi and Yokohama was built around 1870, and the steam-driven trains fascinated everyone. In short, the majority of the Japanese people watched with endless curiosity and fascination the day-to-day transformation of the Japanese economy. As early as the first decades of the 20th century, Japan has already joined the world community as a military power. The stunning victory at Port Arthur in 1905 over Imperial Russia has made Japan also a world naval power!.

Success generally breeds

tify suggestive features in industrialisation and development of the Japanese case, and draw transferable lessons for other countries. But for the purpose at hand, it is rather to acquire a firmer grip of the nature of the transforming process, or hopefully to obtain some incisive insights into this outstanding performance from which it would be possible to map out the economic role of Japan in the Pacific Basin Community in the forthcoming decades.

First and foremost, mention should be made of the psychological predispositions of the Japanese people that have come to accept a state of national crisis in those critical days. A crisis, in fact, that was so deep and so serious that nothing short of national cohesion of thoughts, and national unity in action that would appear to have been the immediate solution. When Commodore Perry, by sheer military strength rather than diplomacy, forced open the Japanese ports in 1854; and again in 1868, when the demonstration of the US military might to end the war at Hiroshima and Nagasaki, it was not an Imperial Order that really set the nation on a new policy course. Rather the momentum came from the people themselves. It was the political and military leaders, the merchants and captains of industry, the well-to-do and the socially less

privileged..., just about everyone, the men and women from all walks of life who, recognizing the national crisis, have turned themselves into devout supporters of the new national government. If it can be said that the national unity has its roots in the traditional and organic structure of the Japanese society. Simply put, it is the product of history, the Japanese "soul", often called the "socio-political spirit", that conditioned the national mood.

Secondly, it was beyond simplistic explanations to trace out the rationale of the decision-making process of a fifteen-year old monarch and his court, still untutored then in the arcane art of national economic management, and certainly less in the complexities of the techniques of growth and development, to have come up with the right course of action in the early Meiji years. For the so-called "Meiji technology" involved amazingly, but necessarily at a time when foreign assistance and aid were a totally strange concept, an indigenous and systematic program to create and mobilize agricultural surplus for development. The sustained impact on the economy was far-reaching. Agricultural production doubled, almost tripled in the following years. Through land tax and rural savings, this "surplus" was channeled into the construction of infra-

structure facilities, and non-agricultural projects. Greater production, large scale labor-intensive construction projects, created new employment and income, giving further impetus to higher production and employment.

Thirdly, but not apart from the Meiji technology, was the national recognition of private ownership of the means of the production as a constitutional right of the Japanese people. Also, the spirit of free enterprise, as a way of life, was unanimously accepted. The laws of the land, the entire legal and institutional framework were attuned to supporting the development of a strong private sector. What was more is the creation of socio-economic infrastructure that clearly reflected the supportive attitude of the Meiji government. The dissemination of technical knowledge, in particular modern technologies of production and management were given greatest attention by the Government. As for the socio-economic situation of labor in general for both the agricultural and manufacturing sectors of the economy, the so-called terms of trade between these major sectors were constantly readjusted in such way that they reflected a large measure of "fair-play" with regard to the distribution of the gains of growth and development.

Major technical changes were undertaken in most sectors, chiefly in the agro-processing industries, such as cocoon rearing, weaving and dyeing. The wide range of technological improvements were clearly intended for a fuller and more efficient utilization of labor.

Lastly, the financial intermediaries contributed immensely to the mobilization and canalization of agricultural surplus into non-agricultural projects such as the light and processing industries which were considered highly productive.

The primitive system of cash deposits with regional and local trading houses were quickly upgraded. A full-fledged ban-

king system was in the making, with the Bank of Japan undertaking the well-known functions of regulating the money supply and credit, and at the same time, safeguarding the value of the national currency. Commercial and specialized private banks were given the function of providing loans and credit to private business. They continuously introduced new credit and banking operations and services with the ultimate object of attracting unemployed funds to finance new industrial ventures. This double function which was previously in the hand of the Central Bank, exerting on the one hand overall supervision and control of banking

operations, and providing private loans and credit on the other, was gradually reduced. While the Bank of Japan retains its proper role as "the bank of last resort", it was the private commercial banks which became the "key players" in the newly restructured banking system. The clear-cut delineation of responsibility and power between the Bank of Japan and the private commercial banks has made the new credit system healthy and much more efficient. The banking system, together with the government fiscal policy, became a powerful tool for promoting growth and development with relative stability.

TWENTIETH CENTURY JAPAN: THE MATURING PROCESS

It has become clear from the foregoing analysis that the "launching pad" for sustained growth has been successfully constructed. Twentieth century Japan saw an explosion of primary product exports. The growth of textile exports -- cotton, rayon, synthetics -- was marked with spectacular increases. A flexible market-determined interest and exchange rates kept the Japanese industries on a highly competitive edge in international markets. The trend for export-oriented industrialization became the national policy, and was characterized by a trend of rapid growth rate in most sectors.

The later was further accelerated by massive imports of new technology (1) which provoked periodic but powerful investment spurts.

It is of primary importance to note that the accelerated trend of growth was facilitated by the emergence of new institutional innovations: the financial clique, often called the Japanese "zaibatsu", and the establishment of MITI, a powerful organ for trade industrialization and development.

By virtue of its sheer size and its own credit facilities, the "zaibatsu" mobilised resources, diversified investment funds to sectors of its interest, al-

located foreign exchange, and benefited naturally the inherent economies of scale. Furthermore, it tends to mobilize the labor market by attractive job offers and good working conditions. Life-time jobs were offered, with job training tailored to the specific needs of the employers. The result was a highly disciplined labor force with absolute loyalty to the financial clique. If the "zaibatsu" was known to have contributed much to the stability of work and labor employment, it was the all-powerful MITI which provided the over-all framework for production and business in general. For the combined

direction of the ministries of industry and trade supervises the activities of these two sectors by offering " administrative guidance " as to what level should be the volume of production at any time and the number of production units in any sector of the economy. It is

often said that Japan, in fact, is the only country in the world in which the government decides how many private firms should be in any industry, and then sets to arrange the desired number (2). To sum up, it was this harmonious government-business relationship, the work

attitude of labor, work ethic, the overall institutional and legal environment, the iron discipline... all these and many more that have contributed to the rise of Japan prior to World War II.

POST WORLD WAR II JAPAN: WORLD ECONOMIC POWER STATUS

It is astonishing, indeed, to observe that the growth rate of the Japanese economy, in real terms, has tripled the average annual rate of 3 percent of the pre-World War II years, notably 10 percent in the years 1951-73 and at a least 4 percent in the following decades. With the population increase was between 1 and 1.5 percent, Japan enjoys a per capita income of US\$ 16,301 in 1986, with the US and Australia's figures for the same year being 16,709 and 10,325, respectively. (3) The causes of the recent emergence of Japan from total defeat to super economic power status are complex and certainly too numerous to identify in this paper. It is, nonetheless, all too evident that some of them reflect the characteristics of the Japanese social structure and tradition, the psychological and spiritual frame of mind, and they have continued to condition the post-war Japanese society. More precisely, it was the nation's wide recogni-

tion of a grave national crisis, and hence the determination to face this humiliation with dignity that animated the Japanese people of post World War II. But it should be also clear that it was the drastically changing attitude, and hence the subsequent US policy vis-a-vis the " zaibatsu " as a counter policy to the post-war Communist emergence in the Orient that has created the condition for Japan's economic rehabilitation. Instead of dismantling the war industrial machinery, the reverse was then true. Both capital and raw materials were poured into this vast reservoir of technology equipped with a very large and disciplined labor force that was all but too ready to work. One finds the same work ethics under the direction of the same captains of industry, in the same urgent national mood of putting an end to the national shame.

A deeper analysis reveals, however, much more. The most

obvious is to be found in the new formula for business management. It involves nothing less than the reestablishment of a business hierarchy together with a corresponding stratified new salaried working class. Mitsui, Mitsubishi, Sumitomo... for instance, reign as always the business structure, with reputable new comers, such as Sony and Toyota... In the financial family, it was the banks of Nomura and Kangyo, Fuji and Sanwa which emerged as new leaders.

It is of prime interest to note that in this new hierarchy, the first-line corporations usually award top remunerations, and only to the elite, the top graduates from the prestigious colleges and universities of the country. The salary scale is determined by a conscientious grading of the educational institutions by the business community. To these, life-time contracts are frequently offered.

The second-line corpora-

tions have less discriminatory power in the choice of graduates and their institutions. The general pay scale is generally lower and life-time employment may not be guaranteed. The third-line companies, usually less known in the business hierarchy, rarely employ college graduates and permanent positions are not known conditions of job contracts.

This built-in, but unwritten discrimination based on educational background creates, in turn, a corresponding tradition in educational administration. It is well known that students with proven intellectual capacity are encouraged by generous scholarships to enter elite universities and colleges. A good academic degree is generally accepted in business as the key to highest managerial positions in both the government bureaucracy and the business world.

But it is far from being the truth that college education is both the necessary and sufficient conditions for highly remunerative employment. The export-led industries, the backbone of the Japanese industrial machinery, have learned from their grueling overseas experiences that competition in international markets is vital to their success. On-the-job training that is tailored not only to domestic but also to international competition subsequently supplements academic

education. Often a life-time process, it begins the first day the newly employed graduates are introduced to their jobs. The potential administrators and future business leaders are consequently taught at many jobs, informed as much experience as there are key administrative divisions in a company. Usually receiving the greatest emphasis, however, is the statistically oriented techniques of quality control. The Japanese experience has also shown that knowledge and personal experience in the various aspects of quality control have become accepted as a key to assessing individual worker's skill in an integrated team environment.

The following statistical data on education provide some proof of the trend in education

of the post-war labor force in Japan. While only 5.4 percent of all males, and 0.6 percent of all females aged 17 to 22 enrolled in 365 institutes of higher education in 1937, over 40 percent, and 34.5 percent of them, went to well over 2,000 colleges and universities in 1985. (4)

Theoretical rationalization aside, what are some additional raw statistics which might contribute to a better understanding of Japan's rise to world economic power status. Improved technology of which the use of robots has been singled out as a higher productivity-promoting factor has received large-scale application throughout Japan's key industries. It is interesting to note that the number of robots in use in Japan is far greater than in US, as indicated in the table below :

Industrial robot in selected countries

Countries	Manufactured robots in use	
	1985	1983
Japan	93,000	41,265
USA	20,000	9,400
Germany, F.R.	8,800	4,800
France	5,900	2,010
Italy	3,300	2,000
Sweden	3,100	1,900
U.K.	3,017	1,753
Canada	1,032	1,753
Belgium	961	514
Switzerland	600	n.a.
Australia	n.a.	528

Source: Japan 1986, 1987 and 1988 : An international comparison, Keizai Koho Center, Japan (Institute for social and economic affairs).

The utilisation of this new automated process of production is intensive in both heavy and light industries, such as automobiles, machine tooling... . While exports tripled in recent

years, Japan enjoys increasingly larger trade surplus. Furthermore, Japan's investment overseas has also increased significantly.

As early as in the late 1980's,

several companies have begun their operations in the US and Western Europe. Worth mentioning are the operations of Sony in California, Honda in Ohio, Nissan in Tennessee...

TWENTY FIRST CENTURY JAPAN : PROMOTING INTERNATIONAL ECONOMIC COOPERATION THROUGH RECYCLING JAPAN'S SURPLUS

It has become clear that Japan's success in recovery and development has been spectacular in recent decades. As a result, Japan has assumed undeniably world economic power status. The ensuing surplus on Japan's current account, now standing at some US\$ 90 billion, is likely to prevail to several years, according to reliable economic projections. The accumulation of this huge surplus reflects Japan's economic vitality and prowess, particularly in the face of the deteriorating performance of many developing nations and even of several industrialized economies. The world debt problem remains serious both by its sheer size, and so is the inability to search for an acceptable solution. Curious enough, it is, nonetheless, a nagging problem for the country that generates this surplus.

While it is an accepted fact that there is a genuine desire to diversify this surplus for the benefit of INTERNATIONAL ECONOMIC COOPERATION, both on economic grounds, and

also in the interest of promoting global economic stability, it is much less clear how to channel it to productive ends. What is the operational structure that is responsible for the allocation of funds, technology and capital?

It would be certainly of interest at this point to examine some of the major considerations Japan should take in providing both technical and financial assistance to the Pacific Basin Community.

Would it be appropriate for Japan to exert an overtly leading role in the region, and hold sway by its sheer economic size? Or would it be expedient to leave the Basin members to run the show, while retaining the role of a little-noticed leader?

First, what posture should Japan adopt in its new role as leader cum partner of development?

Second, while it is generally accepted that firmer steering is an imperative for success, would this be accomplished through regional institutions, such as the Asian Development

Bank and its newly established affiliate, the Asian Finance and Investment Corporation, even though it is widely known, by the size of its share holding, Japan inevitably retains a leading role in such institutions.

Third, since the harmonious mix of government and business cooperation in economic activities that paved the way for Japan's success be transferable to the Basin community? Would this formula be a tool for regional integration? Fourth, as regards the structural organization of regional cooperation, will a version of the European Economic Community be desirable? Decade-long experience from the Common market countries should be of valuable lessons for both organizational arrangements, as well as determining the rights and responsibilities of member countries. Even the nature of associated membership countries or observer status in the European Community could be useful references for countries which are not exactly on the Pacific Basin, but none-

theless have maintained traditional trade and cooperation with the Basin-Countries.

It has been said time and again that the ultimate end of economic policy, international cooperation is political security. Summarily defined, it is, nothing but those regional arrangements which could sustain a stable integrated region that provides raw materials for production, food and consumer goods for the households, and increasingly larger market share for its industries. Would a loosely-footed system of administrative organs with clear cut delineation of responsibility be all that is needed?

On these broad issues that tend to verge on national sover-

ignty, there are serious divergences of views and opinions. Admittedly, every national leader earnestly hopes to develop his country, but this should be done without impairing the country's sovereignty. Although these objectives are not and should not be mutually exclusive, it certainly requires both artful diplomacy and political stamina to make them compatible. It is difficult and sensitive enough to formulate economic policy governing two countries. It is all the more complex when it is meant to extend it to cover an entire region.

Be it as it may, economic regionalism appears to have been accepted as a trend for

economic cooperation. A step forward, however timid, in this direction, is a step in the right direction. In the case of Japan as a potential leader, it is not only the question of how Japan will try to exert its influence, but also how deftly it will handle the political exigencies of its ally, the United States, and the sensibilities of its admiring but still distrustful developing neighbours. Japan's intantion to hold sway all of Asia and Southeast Asia is of rather recent history, and quite likely, there still remains powerful emotional counterweights to the enthusiasm of receiving capital and technology from Japan.

CONCLUDING REMARKS

It is high time for regional cooperation. In the specific case of Japan, it is deemed politically wise to undertake this cooperative venture in steps, the first of which being the establishment of overall organizational arrangements for every potential Basin nation. A powerful regional committee of a ministerial level could be convened, and with it, a competent secretariat be established with the special purposes of proposing a blue print for necessary organizational structures; it would also in addition undertake studies as to what should be

the basic set-up for a regional organization. It should bear in mind that the ASIAN PACIFIC COMMUNITY is, in fact, a wide area with a great diversity of political spectrum and historical background. Research studies should also examine the necessity of various technical and administrative organs, the functions of each, and the delineation of power and responsibility between them. Should there be a customs union? A monetary union? Free trade agreement? These and many more issues should be the objects of serious examina-

tion and studies.

With the Asian development Bank already firmly established as a regional financial headquarters, the region's financial facilities have been further strengthened by its affiliate, the Asia Finance and Investment Corporation. Much more, nonetheless, is necessary. The needs of developing countries are both numerous and varied in nature. There are urgent needs for both financing the construction of the much needed infra-structure facilities, and meeting the demand of equity and working capital

of the private sector. The setting up of a Fund for Development with loans from the international agencies and other private sources is therefore of utmost urgency.

The trend for regional and international cooperation is obvious. For we live today in a world of interdependent relationships. So much so that what happens in one country will be transmitted sooner or later to others. Regretfully, the ability of existing regional arrangements and the international economic system still fall short of assisting the nations of the less developed world.

One recalls the economic turbulence of the past few years! The recovery of major industrial countries, policy adjustments by many developing countries and the flexibility of commercial banks in dealing with debt-servicing difficulties have all helped to calm the atmosphere of world crisis. This should not be taken, however, that the world economy has regained its momentum of the 1960's, and that development is again

making good progress. Growth in general has slowed down, and inflation continued to be a real threat to stability. The 1987 October crash, the recent jitters on the world stock exchanges should remind us that the world equilibrium remains precarious. Investment remains hesitant and the growth rate of the world economy sluggish.

The existing world monetary system continues to deprive developing countries of adequate sources of external financial resources to solve their development problems. Interest rates are volatile, exchange rates erratic. These complicate the payments situation, especially those of developing economies whose exports earnings have shrunk considerably because of declining import demand and mounting protectionism in the industrialized countries.

It is high time for leaders of the Pacific Basin Community to take positive steps toward greater and constructive regional cooperation. We are all aware that there are at pre-

sent several regional organizations that loosely knit countries together. We have seen the Bangkok Agreement on trade and preferential arrangements, and on mutual beneficial assistance. Also the Asean Clearing Union and the Asean Reinsurance Corporation have been recently established, together with the Trade Co-operation Group on money and credit cooperation. Much, indeed, has been done; yet much is left to be done.

The above mentioned regional promotional schemes are still too narrow in scope and activities, and regretfully, far too limited in participation! The field of regional cooperation and finance offers many opportunities and possibilities for mutually rewarding experience. All possible avenues are well worth exploring. Crucial steps toward fuller regional consultations and economic cooperation at this time reflect a growing sense of responsibility toward the community in which we live.

References :

1. - Patrick, H. and Rosovsky, H. *Asia's new giant Brookings, Washington 1986.*
- Boltho, A. *Japan : an economic survey 1953-1973, Oxford, London 1975.*
- Okawa, K, Rosovsky, H. *Japanese economic Growth, Standford, California 1973.*
- Keizai Koho Center, *Japan 1988, An international Comparison, Tokyo, 1987.*
2. Ohara K., *Japanese economic growth, Standford, California, 1973.*
3. Rosovsky, H. *What are the lessons of Japanese Economic History?*
- Youngsom, A. J. ed. *Economic Development in the long-run, Unwin, London 1972.*
4. Unpublished report of the Ministry of education, *Japan, 1985.*