

Open to trade

Japan's Industrialization in the World Economy, 1859-99

by Shinya Sugiyama

The Athlone Press,

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The Political Economy of Japan

Volume 2: The changing international context

edited by Takashi Inoguchi and

Daniel I. Okimoto

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Japan's economic integration into the world economy began in 1859 when a number of the country's ports were opened to foreign trade and tariff autonomy was virtually removed by the "unequal treaties" imposed by the Western powers. For the next 50 years, Japanese import taxes were among the lowest in the world. More than a century later, and having protected itself with a vengeance in the interim, Japan has returned to the position of being among the world's lowest tariff countries.

Yet tariffs are not the only barrier to trade, as the recent history of US-Japanese economic negotiations has amply shown. Many today would argue that a whole host of non-tariff barriers still insulates a good deal of the Japanese economy. Interestingly, Shinya Sugiyama's painstakingly researched business history of Japan's early foreign trade experience suggests that similar obstacles to foreigners existed at the time. The country's already highly developed distribution

and financial systems acted as *de facto* non-tariff barriers to the penetration of Western merchants. In this sense, at least, little seems to have changed over the past century or so.

The much more ambitious book edited by Takashi Inoguchi and Daniel K. Okimoto tries to take the story into the future. It is the second volume in a massive project on contemporary Japan, and explicitly aims at a comparative, forward-looking and interdisciplinary treatment. The major questions it seeks to answer at the outset are on the future of Japan's international relations - will the country remain in conflict with the West, will it integrate smoothly in the world economy, will it gradually turn into a new hegemonic power?

Most of the contributors in fact eschew predictions and stick to the relatively familiar past. When the future is looked at, the answers given are inevitably tentative and, at times, in contradiction with each other. Okimoto, for instance, in an interesting paper on the links between domestic politics and foreign trade issues, stresses the country's lasting stability and implicitly suggests a scenario of future co-operation. Stephen Krasner, on the other hand, in a chapter devoted to US-Japanese relations, is less sanguine - declining US hegemony and the inflexibility of Japan's domestic political system in the face of shocks could strengthen international tensions.

On the issue of future hegemony, Bruce Russett points to the importance of America's pervasive cultural influence in explaining the persistence of US power. By implication, Japan, weak in military terms and hardly prone (indeed, deeply reluctant) to proselytize its culture, let alone some universal principle, is highly unlikely to play a world role. Yet, in a fascinating, if insufficiently fleshed out, theoretical piece on the driving forces

of international relations, Shumpei Kumon and Akihiko Tanaka suggest that the world is already moving away from traditional power politics based on military force (what they call the "prestige game"), towards a "wealth game" in which economic competitiveness determines countries' relative strengths, and may in future evolve towards a "knowledge game", in which it will be control over the sources of information that will give power to



Playing the wealth game: traders on the floor of the Tokyo Stock Exchange.

participants. Japan's chances of playing a leading role in the latter area are clearly on the increase, despite the country's alleged lack of "creativity".

In contrast to the companion volume on domestic issues, mainly written by economists, the present one is dominated by political scientists. This provides an amusing contrast in the vocabulary used to describe the same thing - economists talk about countries or governments, political scientists about the "state". More importantly, the economic volume suggested that, through deregulation and the operation of market forces, Japan was increasingly converging on the Western model. This volume, by contrast, argues that many of the institutional differences that characterize Japanese policy-making are likely to persist.

There is one thing, however, which economists and political scientists have in common - a poor forecasting record. Few or no economists foresaw the two oil shocks or the early 1980s irresistible rise of the dollar. None of the contributors to the present volume, writing between 1985 and 1987, envisaged a swing away from, or even a dent in, the Liberal Democratic Party's hold on power at home. And none seemed to see the potential implications for East Asian international relations (and for Japan's need of the United States nuclear umbrella) of Gorbachev's new policies. The latter trend, in particular, could, over the longer run, alter Japan's international position a good deal more fundamentally than anything that has happened since the outbreak of the cold war.

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