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**Exporting the Developmental State: Japan's Economic Diplomacy in the Arctic**

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## **Exporting the Developmental State: Japan's Economic Diplomacy in the Arctic**

Japan remains a developmental state where the state guides and oversees economic development and the strong bureaucracy and businesses in turn complement each other in leading and shaping policies to achieve developmental goals. Japan retains the institutions deemed necessary to enhance the cooperative behaviour of the bureaucracy, businesses and politicians, and norms about what is important in order for an interventionist state to implement policies aimed at achieving economic development and the autonomy of the state. Externally Japan has practiced economic diplomacy with tools like development assistance to achieve its economic security and to promote the developmental state model abroad. The process of making foreign policy contextualised and reinforced the norms, both for Japan's domestic and international audiences. Japan today tries to promote science and technology as a main catalyst for creating industries and supporting its domestic, export-oriented economy. This is based on Japan's own interpretation of its historical path and economic success and is also used to justify its engagement in the Arctic, a region where Japan does not have any sovereign territories. Japan's Arctic policy is as an extension of its economic diplomacy and an attempt to export the Japanese developmental state model.

Keywords: Japan; Developmental State; economic diplomacy; science and technology; the Arctic

## 1. Introduction

The concept of ‘developmental state’ has made an essential contribution to analyses of the economic success of East Asia's economies since the early 1980s. It has emerged again recently in the context of the failures of the Washington Consensus, especially in emerging market economies. Following publication of Chalmers Johnson's *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*, the developmental state became a shorthand for strong interventionist policies that the Japanese government implemented in order to achieve rapid industrialization and economic development before and after the end of WWII.<sup>1</sup> The term was then used to explain the booming economies of the newly industrialized countries (NICs) of East Asia to extract institutional factors to make a developmental state a success. These analyses were important as states increasingly required to navigate economic globalization with astute political-economic strategies. The East Asian development model has been a template for innovative institution-building across Latin America, Africa and parts of Asia, referred to in order to counter the Washington Consensus orthodoxy.<sup>2</sup>

Previous research investigated the theoretical evolution of the concept or the applicability of the concept to other regions of the world than East Asia.<sup>3</sup> Nonetheless, it is rare to come across a debate about today's Japan as a developmental state. Japan is mentioned in almost every paper as an epithet to the concept but the analysis rarely goes beyond that point. In addition, studies on developmental states and state-led development have mostly addressed the domestic context, but had relatively little to say about implications for foreign policy.<sup>4</sup> Against this background, this paper tries to address the following questions: Is Japan still a developmental state? If so, how has it transformed itself over time? What are the implications of Japan's experience to the newer developmental states? What does the foreign policy of a modern developmental state look like?

This paper shows that Japan remains a developmental state where the state guides and oversees economic development and the strong bureaucracy and businesses in turn complement each other in leading and shaping policies to achieve developmental goals. What has not changed

even after three decades since Johnson's first assessment is the existence of strong, shared norms of communitarian capitalism, in which an interventionist state and the private sector collaborate and manage the market economy to achieve economic development and autonomy of the state. There were times the Japanese state pursued state-led development more rigorously, actively trying to govern the market and catch up with the Western industrialised economies, or less so, focusing more on the role of coordinating the state's functions and businesses. Depending on the level of the state's involvement in managing the process of development, the developmental state could be simultaneously both 'strong' and 'weak'.

Externally, Japan, keenly conscious of its position in the global order and regional political economy, has practiced economic diplomacy with tools such as development assistance to achieve its economic security and to promote the developmental state model abroad. Japan today tries to promote science and technology as a main catalyst for creating industries and supporting its domestic, export-oriented economy. This concept is based on Japan's own interpretation of its historical path and economic success and is also used to justify its engagement in the Arctic, a region where Japan does not have any sovereign territories. Japan's Arctic policy is as an extension of Japan's economic diplomacy to achieve economic security, as well as an attempt to export the Japanese developmental state model to the Arctic Region using science and technology as a vehicle. This also functions as an attempt for Japan to self-justify its history of political and economic development and to create a feedback mechanism to adjust domestic institutions.

This analysis will take place in four parts. First, by reviewing the existing literature, I will trace the intellectual history of Japan as a developmental state, with the long economic stagnation starting in the 1990s as a dividing line. Second, Japan's foreign policy as a modern developmental state—particularly the segment that shows strong characteristics of the foreign policy of a developmental state—will be outlined. Third, I will refer to Japan's engagement towards the Arctic Region as an empirical case and address characteristics of Japan's developmental foreign policy

today. Finally, implications and recommendations based on Japan's experience to the Global South will be discussed.

## **2. Japan as a developmental state in full bloom**

In an attempt to explain Japan's modern economic and political history, Chalmers Johnson introduced the concept of a 'developmental state' to outline the role of the Ministry of International Trade and Industry (MITI) in facilitating collaboration and solving coordination problems between the state and big businesses, thereby, achieving Japan's miraculous post-war economic growth.<sup>5</sup> A developmental state is characterized as a state that sets overall targets, for instance redesigning industrial structures or setting standards to enhance the international competitiveness of its domestic firms. By comparison, a regulatory state such as the United States, which according to Johnson lies at the opposite end of a spectrum of the level of a state's involvement in its national economy, a state may define the form and procedures to facilitate market competition but does not necessarily aspire to lead in order to control the results of competition in any particular direction. In a developmental state, the decision-making power lies in the hands of elite economic bureaucrats (in the case of Japan, MITI) while in a regulatory state, it lies in a democratically elected legislative assembly.

The core of Johnson's argument is that the Japanese developmental state had a highly competent bureaucracy devoted to formulate and execute a planned *process* of economic development.<sup>6</sup> In managing this developmental process, one of the key elements as well as a prerequisite is the existence of a 'pilot agency', such as MITI. Johnson pointed out that a developmental state is a system designed for latecomers in international economy, is most effective in handling conventional issues rather than a crisis situation and requires a broad societal consensus in favour of various economic targets. Johnson emphasised the role of MITI, in particular the manner it selected, prioritized, assisted and supervised particular industries to accelerate economic growth. The concept of a developmental state became widely accepted both in the West as it

managed to propose an alternative model to the communist-type command economies and the Western (Anglo-Saxon) mixed market economies.

The 1980s, when Johnson's idea was introduced to Japan, was a period when political economy as a scholarly discipline was only emerging in Japan. Japan was experiencing the first period of long-term stable economic growth since the Oil Shock in 1973 and Japanese society began to widely acknowledge that there were negative consequences of rapid economic development, such as acute environmental pollution. In this context, Japanese political scientists read Johnson's book with an interest in understanding Japan's political model rather than political *economic* model.<sup>7</sup> It is rather interesting, therefore, that *MITI and the Japanese Miracle* was first found and translated from English to Japanese by MITI officials themselves. MITI then used the book to promote, defend and protect the ministry, its role as well as its industrial policy both inside and outside Japan.<sup>8</sup>

Nonetheless, Johnson's concept of a developmental state, especially his emphasis on the role of MITI as the sole pilot agency of Japan's miraculous economic growth after its defeat in WWII, was considered rather constrictive. In reality MITI had not always had supremacy over political parties and big business; even inside the government, MITI was certainly one of the most powerful ministries but its activities had been restricted in its relations to the Ministry of Finance, the Bank of Japan (BOJ), as well as other numerous ministries on economic affairs.<sup>9</sup> Scholars such as Daniel I. Okimoto asserted that what MITI managed to achieve was to set common targets with the private sector through various networks, such as *keiretsu*, a form of corporate structure in which a number of organizations link together, big business that plays a leadership role in a given industry, trade associations or other human networks.<sup>10</sup> Japan was not a strong state, but rather, its consensus building process depended on the private sector's active participation in the policy-making process. While industrial policies in other parts of the world were often considered as political interventions leading to inefficiencies, in Japan, thanks to MITI's networking and coordination, industrial policies succeeded in advancing market functionalities.

Similarly, Kent E. Calder shed more light on the role the private sector played in Japan's economic growth.<sup>11</sup> Calder argued that it was private actors, such as the Japanese long-term credit banks that bore risks and provided capital to new businesses or business groups formed around *sogo shosha* (trading houses) as entrepreneurs, that took the initiative in the consensus-building process and coordination of industrial policies. Takeo Kikkawa revisited discussions on Japan's post-war development policy and its relation to businesses and pointed out: a) that in Japan, the role of the government depends on whether an industry has the capacity to create an order or coordinate amongst themselves; b) that Japanese corporations are extremely willing to make investments if deemed necessary to survive competition; if industrial policy can match this behavior, it becomes successful.<sup>12</sup>

Meanwhile, a parallel literature on 'regulatory capitalism' on Japan emerged, also helped by Japanese scholars' keen interest to identify Japan's political system or its model of capitalism rather than political economic model as Johnson's work had done. Steven K Vogel focused on the process of regulatory reforms in Japan from the 1970s to the 1990s and concluded that because reforms were carried out by economic-related ministries, they did not inhibit the bureaucracy in realizing their inherent desire to maintain and extend authority. Examples could be found in the implementation of a regulation to manage the market competition process while simultaneously loosening regulations in some other sphere, or the maintenance of regulatory authority that those ministries deemed necessary. This promotion of regulatory reforms under a unified, consistent strategy allowed the Japanese state to execute reforms relatively smoothly, avoiding unnecessary politicisation or lawsuits.

Overall, a common and general position of these analyses is that the main factor in the remarkable economic growth of Japan after WWII can be found in close collaboration between the Japanese state and the private sector. Japan as a developmental state is most characterized by the state's role in shaping, directing and promoting the process of development, but the level of the state's interference could vary. There were times the Japanese state pursued state-led development

more rigorously, actively trying to govern the market and catch up with the Western industrialised economies, or less so, focusing more on the role of coordinating the state's functions and businesses. In other words, depending on the level of the state's involvement in managing the process of development, the developmental state could be simultaneously both 'strong' and 'weak'.

### **3. Japan as a developmental state after the 1990s: Failure of the developmental state**

If the birth of the concept of Japan as a developmental state was based on its economic success after WWII, discussions on the Japanese political economic system after the 1990s turned to the analysis of reasons for its failure. The Japanese economy experienced the collapse of the so-called bubble economy in the beginning of the 1990s. Scholars contended that Japan's institutional structure or industrial policies that had been considered as the major factor in the success could also have constituted the principal cause of the failure.<sup>13</sup> Richard Katz argued that Japan had overlooked the appropriate timing to change its developmental policies. As a result, its economy turned into a deformed 'dual economy', a hybrid of extremely strong exporting industries and extremely weak domestic industries.<sup>14</sup> When Japan achieved industrialization and graduated from the state of catching-up, Japan should have loosened its 'developmentalist' policies, which were to promote as many infant industries as possible. Instead Japan reinforced them and basically maintained the same industrial policies to protect and promote infant industries well into the 1970s and beyond, thereby exempting inefficient but politically connected industries from domestic and international competition.

While a statist paradigm prevailed in social science theory during this period, for Japanese scholars, it was a time of introspection and soul searching.<sup>15</sup> Having witnessed the bursting of the bubble-economy and the price the Japanese people had to pay for economic development, such as severe environmental problems, political scientists and economists alike asserted Japan's "first-class economic success" was premised on "third-class politics" and "economic superpower" was under the given conditions of the US-Japan alliance.<sup>16</sup> They saw the Japanese system, which was still led by highly-skilled technocrats, as a bad example of a society that single-mindedly pursued

economic development but could not handle its negative consequences. Tadashi Yamaguchi argued that “from a view point of political studies, in order for a success of industrial policies to lead to people’s happiness, it is necessary for ‘politics’ (i.e. political parties, a government and a parliament) to coordinate incomes policy, social policy and ecological policy at a much higher level so that we can correspond to numerous positive and negative consequences of economic development”.<sup>17</sup>

Meanwhile, the Japanese government was laboring at an attempt to increase Japan’s international influence by advancing the idea of developmental state outside of Japan. It is a well-known fact among policymakers that the Japanese government provided generous financial assistance to the World Bank in order to write a report, *The East Asian Miracle: Economic Growth and Public Policy*, published in 1993.<sup>18</sup> The report became a reference for the Japanese government to advocate its development aid strategy, emphasizing the role of a recipient government in resource mobilization and investment to export-oriented industries, versus European-style aid that focused on social infrastructure and humanitarian aid.

After a long economic stagnation, the so-called ‘lost decade’ from 1991 to 2002, the Japanese economy managed to recover from 2002 to the end of 2007 albeit at a low level of 2 percent annual GDP growth.<sup>19</sup> This recovery highlighted the limits of theories whose point of departure were binary assumptions that the Japanese political economic model was bound to either succeed or fail.<sup>20</sup> This was also influenced by the ‘institutional turn’ that studies of economics and sociology took in the early 2000s.<sup>21</sup> The institutional approach, particularly known via works related to a book edited by political economists Peter A. Hall and David Soskice, titled *Varieties of Capitalism*, which tried to categorise types of capitalist economies.<sup>22</sup>

Marie Anghodoguy introduced a constructivist view on cooperative behaviour in the Japanese socio-economy and called the Japanese political economy a ‘communitarian capitalism’.<sup>23</sup> Under communitarian capitalism an interventionist state and the private sector collaborate and manage the market economy in order to achieve economic development and autonomy of the state.

Building on Johnson's theory, particularly the state's role in Japan's industrial development, Anchordoguy attempted to fill the gap that the original concept lacked: *how* such policies were developed and pursued. From this viewpoint, the existence of communitarian norms compelled successive Japanese leaders to pursue policies that represented a wider consensus about what was important, rather than "the self-interested policies of bureaucratic-authoritarian states such as those in Latin America, India, and Indonesia, which were bogged down with demands from wealthy landholders and burdened with the legacies of exploitative colonizers".<sup>24</sup> The goal of Japan as a developmental state was to raise the nation's level of prosperity but only so long as it did not reduce social stability, autonomy and security.<sup>25</sup> If one follows the logic of communitarian capitalism, however, not only gains but losses are broadly distributed across society. For instance, during the economic downturn, the Japanese workers accepted lower wages in order to maintain the number of people employed. In this regard, the communitarian capitalism of Japan can be a system in which rooting out inefficiency is difficult.<sup>26</sup>

What can be concluded from the discussion on Japan's developmental state after the 1990s is that constant adjustments were required as it faced challenges over time and within the changing global system. Japan as a strong developmental state as in Johnson's model was effective in handling conventional issues such as industrialisation and economic growth, but was ill-equipped to manoeuvre within a crisis situation such as the bursting of the bubble economy. Indeed, numerous Japanese scholars regard institutions that formed the basis of Japan as a developmental state as having burgeoned already in the 19<sup>th</sup> century, much earlier than the post WWII period Johnson captured.<sup>27</sup>

#### **4. Japan's foreign policy as a developmental state**

As mentioned earlier a developmental state is a system designed for latecomers in international economy.<sup>28</sup> Indeed, Japan had been a latecomer to the international system set in place by the early-starters of the West.<sup>29</sup> This status of Japan at the international level as well as the constraints and opportunities created by the norms and structures of the international system made Japan appear a

‘reactive state’.<sup>30</sup> This relation between the state’s international status as a latecomer and reactivity in its international behaviour corresponds to a lack of studies on developmental states and their implications for foreign policy. However, as Japan eventually caught up with the other major industrialised powers through economic development, it became more proactive in its foreign policy as well, in an attempt to seek a new international role.

Okano-Heijmans studied Japan's foreign policy and found that Japan, a country that engages in state-led development as one of the latecomers in an international system, has practiced what can be called economic diplomacy.<sup>31</sup> Put simply, economic diplomacy is "the pursuit of economic security within an anarchic system." Economic security consists of the economic prosperity and political stability of a nation. To promote and protect these two types of national interest, a government pursues economic diplomacy using a variety of instruments that are relatively more economic or political in character. In particular, Japan used official development assistance (ODA) as a tool of economic diplomacy and as a tool for restructuring Japanese industry after the 1985 Plaza Accord.<sup>32</sup> For Japan, not only a latecomer but a defeated nation allowed to have only a military force for national territorial defence, ODA has been the most important foreign policy tool from the post WWII through the post-Cold War era and up to today.<sup>33</sup>

Japan began to provide ODA in 1954 after signing the Colombo Plan, which was originally an effort to battle communist movements in (South) East Asia after the end of WWII by providing physical capital, technology and skills development assistance to countries that needed them.<sup>34</sup> During the economic boom of the 1980s, Japan became one of the world’s largest donors of ODA and remains so since. However, Japan’s ODA has long been described as too focused on economy with mercantilist motives and on Asia geographically.<sup>35</sup> This regional focus is linked to the origin of Japan's aid as reparations to its neighbouring countries after WWII.<sup>36</sup> ODA given to Asian countries was generally combined with trade and investment from the private sector.<sup>37</sup> Japan’s implied economic interests in its provision of aid prevented it from following international norms and the agendas of the Organisation of Economic Cooperation and Development (OECD)

Development Assistance Committee (DAC), which has been the predominant player in the field of foreign aid since it was established in 1961.<sup>38</sup>

For Japan, ODA has served a variety of purposes that are not limited to ‘development’ per se but also for diplomatic and economic policy purposes towards other developing and developed countries. Nonetheless, throughout the last sixty years, there have been major changes in the objectives and implementation instruments of Japan’s ODA. For instance, the overall goals of ODA changed from economic development and the ‘economic take-off’ of developing countries to poverty reduction.<sup>39</sup> Foreign aid activities are administered under a much more centralized system.<sup>40</sup> While at the same time, there is a common thread in Japan’s ODA policy and practices: an emphasis on economic growth through private sector activities, supported by infrastructure and human resource development.<sup>41</sup>

Curiously enough, these elements of Japan’s ODA – a strong belief in economic development through industrialization and the state’s role in mobilizing private sector resources in order to achieve it – closely resemble the path by which Japan achieved its economic success as a developmental state. Indeed, Japan’s aid policy is *autobiographic*; it reflects its interpretation of its own development history and position in global politics.<sup>42</sup> The country’s past as an industrial latecomer is used as a principal reason for its particular approach, despite criticism from Western donors. Japan considers itself as having a role to lead other developing countries because it can understand what it means to make self-help efforts. Thus, I argue that Japan’s foreign policy reflects its political economic system under communitarian capitalism, where an interventionist state and the private sector collaborate and manage the market economy in order to achieve economic development and autonomy of the state. Japan’s foreign policy, particularly tools of economic diplomacy such as ODA is most indicative of Japan’s own, normative interpretation of its developmental path. Japan’s economic diplomacy therefore is the foreign policy of a developmental state, which serves to fulfil Japan’s interest to secure its economic prosperity and political stability

as well as to establish Japan's role in the international system by exporting and promoting the 'Japan Model'—the developmental state model.<sup>43</sup>

## **5. Japan's Foreign Policy towards the Arctic Region**

I have set out the way that Japan considers ODA as an important tool of its diplomacy, and that promotion of its domestic technologies and expertise abroad is considered an important mission, backed by its narrative of domestic development success as a developmental state. Japan's foreign policy towards the Arctic provides a picture of its latest venture to increase its international profile by intervening in regions beyond the developing world, where Japan has long exercised its economic diplomacy and endeavoured to export the developmental state model.

The Arctic is the region above the Arctic Circle, which is an imaginary line circling the globe at approximately 66° 34' N, with the North Pole at its centre.<sup>44</sup> Since the first explorers reached the North Pole in the beginning of the twentieth century, the Arctic Region has remained a peripheral region of the coastal states. During the Cold War, the Arctic became a strategically crucial region where the two major protagonists of the Cold War, the USA and the Soviet Union, bordered one another and where strategic weapons systems were installed. As the Cold War ended, however, attention to the Arctic Region shifted from the strategic, security-focused role to the growing body of evidence pointing to the effects of global warming and climate change. The Arctic, once a region locked by thick ice, is becoming ice-free for longer periods and over a greater area for each passing year. All of the eight Arctic states (Canada, the Kingdom of Denmark, Norway, Iceland, Finland, Sweden, Russia and the USA) indicate increased traffic and regional activities due to melting ice as a positive economic opportunity but also as a potential security and governance challenge.

Japan, along with other non-Arctic, Asian states, took note of these changes in the Arctic and expressed its interest to be more involved through various means. The most recent and significant effort was its successful application to gain observer status at the Arctic Council, a

leading intergovernmental forum for cooperation in and about the Arctic Region, in 2013. Japan's interest in the Arctic goes back to the pre-WWII period with a particular interest in exploring the Northern Sea Route (NSR), a shipping route running along the Russian Arctic coast from the Kara Sea, along Siberia, to the Bering Strait, connecting Asia and Europe with a much shorter distance than a traditional South-bound route. Following WWII, Japan's general interest in the Arctic faded and did not re-emerge until the beginning of the 1990s. With the end of the Cold War, the Murmansk Initiative was introduced in 1987 to establish the Arctic as a 'zone of peace'. Japan joined the effort by setting up domestic institutions for scientific research such as the Centre for Arctic Research at the National Institute of Polar Research and a research station in Svalbard, Norway.

After Japan submitted its application to the Arctic Council in 2009, Japan as a non-Arctic state sought to convince the Arctic coastal states of its legitimacy with a variety of initiatives. The Ministry of Foreign Affairs (MoFA) established an Arctic Task Force and eventually assigned an Arctic ambassador. The Ministry of Education, Culture, Sports, Science and Technology (MEXT) introduced nationwide, large-scale research programs. The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) began special committee meetings with related ministries, private businesses and advisors to investigate the current status and future policy on the NSR.<sup>45</sup> The Cabinet Office included the Arctic in the government's Basic Plan on Ocean Policy. In 2015, Japan announced its first official Arctic Policy, which lists seven areas that Japan believes must be addressed: global environmental issues, indigenous peoples of the Arctic, science and technology, ensuring the rule of law and promoting international cooperation, Arctic sea routes, natural resource development, and national security. As specific measures, the Policy lists three initiatives: research and development, international cooperation and sustainable use of Arctic resources.

The majority of Japan's diplomatic efforts towards the Arctic are made by the members of the epistemic community using their scientific knowledge gained from nationally-funded research projects. Japan uses the Arctic Challenge for Sustainability (ArCS) project as the main vehicle as

well as a showcase for Japanese policymakers towards the Arctic region. The ArCS is funded by MEXT and was announced in 2015 as a 5-year project with 500-650 million Japanese Yen (approximately 4-5.3 million USD). Of numerous meetings and conferences on the Arctic, the Arctic Council is regarded as the most relevant forum – in particular Ministerial Meetings where Japan participates as an observer and Working Groups where Japanese experts can be more actively involved.

In Japan's approach towards the Arctic Region, undoubtedly the Japanese state plays the largest role. The Japanese government recognizes the sovereignty of the Arctic states in the Arctic Region therefore any issues related to the Region, including economic, should be taken up in an existing institutional framework such as the Arctic Council. MoFA is mainly responsible for representing Japan at various international meetings, respecting the rule of law. MLIT bears Japan's interest in the development of the new shipping routes such as the NSR. It is worth pointing out that it is MEXT that has the longest history of involvement in the Arctic and has allocated the largest budget among other ministries to the Arctic so far, mostly concentrated around scientific research and building a polar scientists network. This is due to a strong influence from the segment of the ministry that absorbed the Science and Technology Agency in 2001. The Agency's duty was to plan, and promote policies related to Japan's science and technology as well as to conduct large-scale projects that Japan "should uniformly promote as a nation, such as nuclear power, outer space development and maritime development".<sup>46</sup> The mission of the Agency, which was established in 1956, was to catch up with the technological competitors during the Cold War but this later shifted to supporting basic research.<sup>47</sup> The shift was a reaction to criticisms from other developed countries that Japan achieved economic development in the 1980s partly by "free-riding on basic science and technological research".<sup>48</sup> This narrative of legitimizing the state's involvement in science and technology in order to achieve economic growth is identical to what we have seen in Japan's industrial policies as well as foreign development assistance after WWII.

To complement and enhance the Japanese state's Arctic policy, Japanese business groups have played an informal yet substantial role. The Japanese bureaucracy and business groups are interdependent, particularly in foreign policy; the bureaucracy relies on business groups to gather political information of interest and on their intelligence capacities, while business groups depend on the government for support and guidance on trade-related issues. In the case of the Arctic, various organizations under the umbrella of the Nippon Foundation, most significantly the OPRI under the Sasakawa Peace Foundation, has been instrumental in shaping Japan's engagement in the Arctic Region as well as preparing, planning and implementing the formal Arctic Policy. The Nippon Foundation is Japan's largest philanthropic foundation but based on profits from public speedboat racing with an annual revenue of 46 billion JPY (approximately 417 million USD) in 2016 and provides financial assistance for maritime shipping activities, welfare projects, as well as international development.<sup>49</sup> The OPRI is a private think-tank and a lobbying organization for the Japanese shipping industry and related manufacturing industries. Already in 1993, just a few years after the Murmansk Initiative but long before the issue of melting ice captured international attention, the Ship & Ocean Foundation (the precursor to OPRI) in cooperation with two research institutes from Russia and Norway initiated a six-year research project on the technical feasibility of the NSR as an international commercial sea route. Today the Nippon Foundation reliably supports the Japanese government, research community and business groups by providing financial assistance to their extensive activities. This is a salient example of new strategic sectors for the Japanese economy being still managed under a coordinated market system.

A narrative shared among the bureaucracy, politicians and business groups of Japan is that science and technology is essential in the economic development of Japan.<sup>50</sup> Indeed, in November 1995, the Science and Technology Basic Law was enacted and this became the basis of Japan's science and technology policy. The Law states that its objective is "to achieve a higher standard of science and technology, to contribute to the development of the economy and society of Japan".<sup>51</sup> There was a shared understanding that, in order to shake off the long recession and the end of the

era of Japan as a “catching-up nation” to the Western developed economies, it was essential to create new industries by developing high-tech scientific technologies.<sup>52</sup> In other words, in order to maintain the status in the world that Japan achieved after WWII with a developmental state approach, science and technology was deemed a key. The logic behind this was that, first, science and technology enabled Japan to achieve economic growth and address environmental problems that arose with it; second, this mere science and technology is now "one of the few internationally viable trump cards held by resource- and energy-poor Japan.”<sup>53</sup>

Japan’s Arctic policy, therefore, can be understood as an extension of Japan’s economic diplomacy to achieve economic security, as well as an attempt to export the Japanese developmental state model to the Arctic Region using science and technology as a vehicle. Indeed, Japan regards the Arctic as a "diplomatic challenge that requires scientific and technological knowledge to produce effective solutions.”<sup>54</sup> I have argued that Japan's foreign policy reflects its political economic system, in which an interventionist state and the private sector collaborate and manage the market economy to achieve economic development and autonomy of the state. In addition, Japan's foreign policy, particularly as it pertains to the economy such as ODA, exhibits its normative interpretation of the nation’s developmental path. Similarly, Japan attempts to engage in the Arctic Region using its scientific and technological knowledge. This is not simply because science and technology are one of the few diplomatic tools available under the existing framework with the Arctic Council at the core, but because it will eventually bring about economic development for the Arctic region and for Japan (and it may even prevent or solve potential environmental problems), in the way that Japan achieved economic development after the WWII.

Indeed, because Japan is by nature an outsider in the Arctic Region as a non-coastal state and in fact has "little say in decision making at high-level meetings”, Japan’s Arctic policy is compelled to be less practical and more normative and value-oriented.<sup>55</sup> For Japan the developmental state approach has worked effectively, or at least there is a broad consensus that the path taken by Japan during the seven decades after the end of WWII has been a success. In

constructing its narrative to legitimize its participation in Arctic politics, Japan took up on one of the most significant elements of Japan as a modern developmental state: science and technology. In terms of institutions of political economic system, Japan may no longer strictly qualify as a strong developmental state as Johnson described, but belief in developmentalism and communitarian capitalism remain strong. Japan's foreign policy towards the Arctic encompasses norms and values derived from these beliefs.

## **7. Implications and Lessons learned for the Global South**

In light of questions this special issue attempts to address, such as the role of the state in economic development as well as its evolution and the possibility of referring to the concept of 'developmental states' in understanding the reorganization of power and capital in the world economy, there are a few implications this paper can provide. The most important precept is that one must be aware of an unconscious bias of looking at a nation's political economic system from the view point of success or failure. The lesson Japan's experience provides is that it is crucial that a developmental state remains innovative and assesses the appropriate timing to switch from a strong developmental state to a weaker developmental state. In the case of Japan, it failed to determine that it had already passed the state of 'catching-up' by the 1980s and to make necessary adjustments. In addition, without institutions to enhance the cooperative behaviour of the bureaucracy, businesses and politicians as well as norms that exist in the wider society about what is important, it is extremely difficult for an interventionist state to implement policies to achieve economic development and the autonomy of the state.

The process of making foreign policy contextualised and reinforced these norms both for Japan's domestic and international audiences. Norm-oriented foreign policy creates a broad framework that communicates a narrative about the vision of a particular circumstance; in the case of development assistance, a normative framework of aid provides the vision of development as progress and how best to achieve it.<sup>56</sup> We saw earlier one of Japan's norms of development assistance (as well as a programmatic focus) was investing in human and economic infrastructure

based on a development model that draws on Japan's own experience with industrialization and reconstruction. Similarly, Japan applies its own understanding of development based on its past towards the Arctic region. The most suitable way to achieve sustainable development—a state where there is sufficient amount of economic growth but potential environmental problems caused by climatic changes are kept at minimum—in the Arctic is through the full utilization of science and technology.

For Japan, the institutional structure or industrial policies associated with a developmental state were not necessarily a matter of choice; rather, it was a survival strategy as a war-torn, late-comer country in the international economic system. As it entered the system rather forcefully, however, Japanese policies were contested. Japan's foreign assistance has been contested at home and abroad. Through these contests, Japan became a more rounded aid donor, blending Western principles with concepts of 'self-help', advocating large infrastructure projects that serve both Japan's and recipient countries' interests.<sup>57</sup> These debates around Japan's attempt to export the Japan Model abroad have been particularly important in making Japan's political economic system as a modern developmental state appealing to international audiences—what might be characterised as the exercising of Japan's soft power. Japan's example of utilising external policies in order to adjust to the changing global system over time, and creating an institutional feedback mechanism by exporting institutions and exposing them to criticism and contest from the outside world, is a particularly useful lesson for a later-comer state in the Global South.

Japan's experience as a developmental state—and empirical cases from other papers from this special issue—inform us that in a globalized economy today, state intervention in a country's economic direction is a necessity, even if one is an adherent of neoliberalism. Japan's political economic system may no longer fit the classic model of a developmental state, where there is a strong state leadership guiding the country's rapid industrialization. However, state-business relations are still strong and a professional bureaucracy remains the basis of institutionalized expertise in modern Japan. Therefore, an assessment of a developmental state should be extended to

a long-term performance of institutions. Indeed, as Richard Stubbs pointed out, the idea of the developmental state itself has been resilient or has had a certain “stickiness” to it.<sup>58</sup> In the case of Japan, this ‘stickiness’ is guaranteed and enhanced by strong, shared societal norms to raise the national level of prosperity.

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<sup>1</sup> Johnson, *MITI and the Japanese Miracle: the Growth of Industrial Policy, 1925-1975*.

<sup>2</sup> See, for example, articles by Ovadia and Gezmis in this special issue.

<sup>3</sup> Stubbs, “What Ever Happened to the East Asian Developmental State? the Unfolding Debate;” Routley, “Developmental States: a Review of the Literature.”

<sup>4</sup> Okano-Heijmans, “Japan's “Green” Economic Diplomacy: Environmental and Energy Technology and Foreign Relations.”

<sup>5</sup> Johnson, *MITI and the Japanese Miracle: the Growth of Industrial Policy, 1925-1975*.

<sup>6</sup> Beeson, “The Rise and Fall (?) of the Developmental State: the Vicissitudes and Implications of East Asian Interventionism.”

<sup>7</sup> Yamaguchi, “Sengo Nippon no Sangyō Seisaku to Ch. Johnson.”

<sup>8</sup> Johnson, “The Developmental State: Odyssey of a Concept.”

<sup>9</sup> Wada, “Nihongata Shihon Shugiron No Aratana Shiza (a New Perspective on the Japanese Capitalism).”

<sup>10</sup> Okimoto, *Between MITI and the Market: Japanese Industrial Policy for High Technology*.

<sup>11</sup> Calder, *Strategic Capitalism: Private Business and Public Purpose in Japanese Industrial Finance*.

<sup>12</sup> Kikkawa, “9 Shō Keizai Kaihatsu Seisaku to Kigyō: Sengo Nippon no Keiken.”

<sup>13</sup> Wada, “Nihongata Shihon Shugiron No Aratana Shiza (a New Perspective on the Japanese Capitalism).”

<sup>14</sup> Katz, *Japan the System That Soured: the Rise and Fall of the Japanese Economic Miracle*.

<sup>15</sup> Wong, “The Adaptive Developmental State in East Asia.”

<sup>16</sup> Hiwatari, *Sengo Nippon no Shijō to Seiji*.

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- <sup>17</sup> Yamaguchi, “Sengo Nippon no Sangyō Seisaku to Ch. Johnson.”
- <sup>18</sup> See for example, Johnson, “The Developmental State: Odyssey of a Concept.”
- <sup>19</sup> Patrick, “The Japanese Economy's Recovery.”
- <sup>20</sup> Wada, “Nihongata Shihon Shugiron No Aratana Shiza (a New Perspective on the Japanese Capitalism).”
- <sup>21</sup> Evans, “The Developmental State: Divergent Responses to Modern Economic Theory and the Twenty-First-Century Economy.”
- <sup>22</sup> Hall and Soskice, *Varieties of Capitalism: the Institutional Foundations of Comparative Advantage*.
- <sup>23</sup> Anghodoguy, *Reprogramming Japan: the High Tech Crisis and Communitarian Capitalism*.
- <sup>24</sup> Ibid, 208.
- <sup>25</sup> ibid, 208.
- <sup>26</sup> ibid, 218.
- <sup>27</sup> See for example, Kimura, “WIDER Research Paper 2009-22 Japan's Model of Economic Development: Relevant and Nonrelevant Elements for Developing Economies” and Sasada, *The Evolution of the Japanese Developmental State System: Institutions Locked-in by Ideas*; Kimura, “WIDER Research Paper 2009-22 Japan's Model of Economic Development: Relevant and Nonrelevant Elements for Developing Economies.”
- <sup>28</sup> Johnson, *MITI and the Japanese Miracle: the Growth of Industrial Policy, 1925-1975*.
- <sup>29</sup> Hook et al., *Japan's International Relations: Politics, Economics and Security*., 68.
- <sup>30</sup> Calder, *Crisis and Compensation: Public Policy and Political Stability in Japan, 1949-1986*.
- <sup>31</sup> Okano-Heijmans, “Japan's “Green” Economic Diplomacy: Environmental and Energy Technology and Foreign Relations.”
- <sup>32</sup> Söderberg, *The Business of Japanese Aid: Five Cases in Asia*.
- <sup>33</sup> Kato, “Japan’s ODA 1954-2014: Changes and Continuities in a Central Instrument in Japan’s Foreign Policy.”, 1.
- <sup>34</sup> For the influence the US aid to Japan as well as Japan’s experience as a aid recipient after WWII exerted on Japan’s attitude as a donor, refer to Higuchi (2013).
- <sup>35</sup> White, *Japanese Aid*; Koppel and Orr, *Japan's Foreign Aid: Power and Policy in a New Era*.
- <sup>36</sup> Hook, *National Interest and Foreign Aid*.
- <sup>37</sup> Söderberg, *The Business of Japanese Aid: Five Cases in Asia*.

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- <sup>38</sup> Arase, “Introduction.”
- <sup>39</sup> Kato, “Japan’s ODA 1954-2014: Changes and Continuities in a Central Instrument in Japan’s Foreign Policy.”, 10.
- <sup>40</sup> Sato, “The Benefits of Unification Failure: Re-Examining the Evolution of Economic Cooperation in Japan.”, 88.
- <sup>41</sup> Kato, “Japan’s ODA 1954-2014: Changes and Continuities in a Central Instrument in Japan’s Foreign Policy.”, 30.
- <sup>42</sup> Tonami and Müller, “Trajectories of Japanese and South Korean Environmental Aid: a Comparative Historical Analysis.”
- <sup>43</sup> Japan’s approach to synthesize aid, direct investment and trade is often called as Trinity Development Cooperation.
- <sup>44</sup> National Snow Ice Data Center, “What Is the Arctic?.”
- <sup>45</sup> The Northern Sea Route, also called as the Northeast Passage, is a shipping lane between the Atlantic Ocean and the Pacific Ocean along the Russian coast. The distance from Northern Europe to Asia via NSR is approximately 40% shorter than via the Suez Canal.
- <sup>46</sup> Kiba, “Kagaku Gijutsu Chō No Seisaku Kettei Katei [the Decision-Making Process of the Science and Technology Agency].”, 26.
- <sup>47</sup> *ibid.*, 31.
- <sup>48</sup> *ibid.*, 32.
- <sup>49</sup> Nippon Foundation, “2016 Nendo Shūshi Yosansho [FY2016 Income and Expenditure].”
- <sup>50</sup> Christopher Dent’s paper in this special issue points out that there exists a wider phenomenon in East Asia that development agenda is changing and it can be understood as sustainable development agenda and climate interventionism.
- <sup>51</sup> Cabinet Office of Japan, *The Science and Technology Basic Law (Unofficial Translation)*.
- <sup>52</sup> Akashi, “Notes on the Science-Technology Basic Law Regime [in Japanese].”
- <sup>53</sup> Councils for Science and Technology Policy and undefined author, “Toward the Reinforcement of Science and Technology Diplomacy (Provisional Translation).”
- <sup>54</sup> Kamikawa and Hamachi, “Japan’s Evolving Efforts Toward Sustainable Development of the Arctic.”
- <sup>55</sup> *ibid.*

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<sup>56</sup> Fukuda-Parr and Shiga, *Normative Framing of Development Cooperation: Japanese Bilateral Aid Between the DAC and Southern Donors*.

<sup>57</sup> Jain, "Japan's Foreign Aid: Old and New Contests."

<sup>58</sup> Stubbs, "What Ever Happened to the East Asian Developmental State? the Unfolding Debate."

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