SAORI KATADA MANUSCRIPT REVIEW WORKSHOP:
"JAPAN'S REGIONAL ECONOMIC STRATEGY AND ASIA'S REGIONAL GOVERNANCE"

Friday, April 22, 2016
2:00 PM - 5:00 PM
Social Sciences Building (SOS), Room B40

***Open to faculty and graduate students. Please rsvp to cis@dornsife.usc.edu. Manuscript will get distributed to RSVP list on Thurs, March 31. All participants are expected to have read the manuscript and actively participate in the discussion. Refreshments will be provided***

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Discussants:
William Grimes (Boston University)
Miles Kahler (American University)

Book Summary:

This study examines changes in Japan's regional economic strategy from what is labeled as “embedded mercantilism” (Pempel 1998) towards one that pursues “global standard” and institutional building particularly in East Asia. I ask how and why Japan’s regional economic strategy has shifted in the last quarter century. In the 1980s and early 1990s when Japanese economic power was at its height, the Japanese government was severely criticized for its neomercantilist behavior promoting its industries and exports through subsidies and protection, having opaque foreign policies and defying global economic norms. A good example of Japan's unique behavior was what Hatch and Yamamura (1996; 115-129) called the “visible handshake” where the government supported the expansion of Japan's regional production network for its business in Southeast Asia.

The transformation of the Japanese economic policies towards Asia since then is quite puzzling. Given the “lost two and a half decades” in Japan, one would expect the Japanese government to intensify the visible hand-shake in the region to protect the interests of Japanese industries. Instead, the Japanese government began to foster new institutions and policies such
as the Chiang Mai Initiative to provide emergency loans to East Asian countries under financial crisis, began negotiating free trade agreements, and implemented human-security centered and value-oriented foreign aid. These policies would provide a broader framework for economic activities, but they house some possibility of undermining Japanese vested business interests. It is also naïve to think that the Japanese government’s intention is only to provide public goods in the region, so what political imperatives and national interests are behind these new regional economic strategy?

By analyzing the shifts in the Japanese government’s policies in three economic policy areas of trade/investment, monetary/finance and foreign aid/development, I argue that, during the last twenty years, the changing nature of government-business relations in Japan was the defining element that has tipped the scale towards adopting new strategy utilizing policy diffusion. Japan’s domestic political economy, which had undergone considerable liberalization since the mid-1980s, particularly in manufacturing sector, has redefined the government’s role in foreign economic relations and pushed it to respond and adapt more readily to the diffusion pressure of liberal economic approach. Moreover, strategic adaptation of the “global standard” began also to serve Japanese government’s foreign policy interests as it faces changing regional dynamics corresponding to the rise of China.

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References:


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