Final Exam POL 2018, Fall 2017

Model Answers

Question 1: Identifications

Answer two only (each is worth 25 %). Based upon class readings and lectures, explain the significance of two of the following.

1. Fukushima Nuclear Accident

This accident was triggered by a 9.0 magnitude earthquake that struck off the Northeast coast of Japan on 11 March 2011 and created a tsunami wave. The tsunami killed nearly 20 000 people and led to the displacement of almost 600 000. "The earthquake and tsunami also damaged the nuclear reactors and backup systems at the Fukushima Daiichi Plant, causing a meltdown equal to the 1986 Chernobyl disaster. (Tipton, *Modern Japan*, 258)" Tokyo Electric Power Corporation (TEPCO), which ran the power plant, argued that they had been unable to be prepared for a catastrophe of such an unprecedented scale. A Diet-appointed committee set down to investigate the meltdown, however, blamed the disaster on collusion between business and government and called for institutional reform of regulators, operators and the crisis management system.

The immediate effect of the 3.11 disaster was for all of Fukushima's 12 GW of generating capacity – more than 20 percent of Japan's nuclear capacity (roughly 49 GW) – to be shut down. Since then, for prolonged periods of time, all of Japan's nuclear reactors have been down for repairs or maintenance, or for sheer safety reasons (Moe, "Japan: Vested Interests").

Prior to Fukushima, the Ministry of Economy, Trade and Industry (METI)'s target was to supply 50% of energy by nuclear power by 2030. Naoto KAN from the Democratic Party of Japan (DPJ), who was prime minister at the time of the accident, announced his resignation by June 2011, "but not until a bill to promote renewable energy had been passed, stress tests had been required to gain approval for plant restarts from a new regulator and he had introduced a new energy policy to phase out reliance on nuclear power (Tipton, *Modern Japan*, 260)." Before resigning, he also had a high feed-in-tariff (FIT) for photovoltaics (solar energy) passed. He was followed as prime minister by Yoshihiko NODA, also from the DPJ, who aimed for nuclear phase out by the 2030s. Since the end of 2012, Shinzo ABE from the Liberal Democratic Party has been prime minister. He has set a target that 22-24 % of energy generation should come from nuclear power by 2030 and has restarted (very few) nuclear reactors.

The Fukushima Nuclear Accident led to a change in the sources of energy generation. Nuclear power, which supplied 27 % of energy in 2010, dropped to 1 % by 2013. The change in composition of other sources were, for 2010 and 2013, respectively, coal (24 % to 30 %), natural gas (30 % to 43 %), petroleum and other liquids (7 % to 14 %), hydroelectricity (8 % to 8 %) and other renewables (3 % to 5 %). Due to the increase in fossil fuel consumption, Japan has imported large amounts of LNG, has withdrawn from the Kyoto Protocol and has shelved the 25 percent GHG emissions reduction pledge

made in 2010. The high FIT for photovoltaics is one reason that solar power has increased more than other renewable energy sources such as wind power (Moe, "Japan: Vested Interests").

There have been changes to the "iron triangle" between the bureaucracy, businesses and politicians in the energy sector. TEPCO, the largest and most powerful of the utilities (a business) received a ¥1 trillion (approximately $ 8 billion) injection of government-backed money to prevent its collapse in 2012 and was effectively nationalized. Furthermore, steps have been taken to unbundle the utilities by separating generation and transmission of power. Prime minister Kan stripped METI of some of its responsibilities. For instance, the Diet, rather than METI, now appoints the members of the committee that sets the FIT. He also set up an independent Nuclear Regulatory Agency.

2. Upper House of Paliament

Under the Constitution promulgated in 1946, which went into effect the following year, Japan has a parliament (Diet) made up of an elected upper house and an elected lower house. According to Paul Midford, (*Rethinking Japanese Public Opinion and Security: From Pacifism to Realism?* (Stanford, CA: Stanford University Press, 2011), 202n),

"Without majority support in the upper house, the lower house can enact a budget, ratify treaties, and select a prime minister and cabinet. However, for all other legislation, the majority support of the upper house is required, barring a two-thirds majority vote in the lower house (Japanese Constitution, Articles 59, 60, 61, and 67). The LDP never controlled such a majority in the lower house, after it lost control of the upper house in the election of 1989 forcing it to enter into coalitions with other political parties, initially informally but, by the late 1990s, formally. Since 2005, however, the LDP and its coalition partner Komei have enjoyed a two-thirds majority in the lower house, thereby limiting the impact of the opposition DPJ's seizure of control of the upper house (together with other opposition parties between July 2007 and August 2009, when the DPJ won control of the lower house and became the main ruling party)."

Since 2004, the upper house has had 242 members, half (121) of whom are elected every 3 years. 146 are elected in 43 prefecture-wide and 2 two-prefecture electoral districts. 96 are elected in a single national proportional representation district in a partially open PR list system. Under this system, which Japan adopted in 2001 for the upper house, a voter can vote for the party as a whole, or for an individual candidate. Under a complicated formula, a popular candidate receiving many votes can move up the list. Once she is elected, her excess votes are counted toward the party overall.

The LDP has been forced to adapt its tactics following upper house election defeats. In the 1989 election, the LDP lost control of this half of legislature for the first time since the party's founding in 1955. The Liberal Democrats still held a 50 % majority in the more important lower chamber and thus the reins of government, however. In 1998, the party suffered a defeat at the hands of voters angry with its inability to fix the country's economy. In 2007, the LDP again did poorly in the upper house election, largely because it ignored the voters' concern with pension reforms and instead emphasized constitutional reform that would allow Japan to play a larger regional military role. In 2016, the party increased its number of seats in the upper house to 121, exactly half of the seats.

Under the 1889 Constitution, the Diet or parliament was given a legislative role in that its approval was necessary for all new laws made by the Emperor or the bureaucracy. The Diet consisted of two houses: the lower house of Representatives and the upper house of Peers. The House of Peers, comprising the imperial family, the new nobility and imperial appointees, was intended to serve as a conservative check on the lower elected house. In 1918, Hara Kei became the first member of the House of Representatives rather than the House of Peers, to become prime minister (Tipton, *Modern Japan*). It was a Diet acting under the 1889 Constitution that adopted the new Constitution in 1946.

3. San Francisco Peace Treaty

"The peace treaty was signed by forty-nine nations in San Francisco on 8 September 1951, and at the same time the United States and Japan signed a security treaty that put Japan under the American nuclear umbrella in a close relationship known as the San Francisco system. With the treaties, Japan regained its sovereignty except over Okinawa, and the United States obtained the right to maintain bases in Japan and to use its forces to put down internal disturbances if requested by the Japanese government. … The Soviet Union refused to sign the peace treaty, leaving the Kuril Islands north of Hokkaido under its occupation and a source of diplomatic friction up to the present. But after the signing ceremony Yoshida Shigeru told his advisers that as a loser Japan had done better at San Francisco than as a victor at Versailles" (Tipton, *Modern Japan*, 181). The San Francisco Peace Treaty allowed the US to administer Okinawa, but recognized Japan's residual sovereignty over the Ryukyu Islands. The US and Japan agreed that full Japanese sovereignty over the islands should be restored in 1972, while the US should be allowed to maintain military bases there. (Tipton, *Modern Japan*, 208).

The peace treaty was generous to Japan, in the sense that Japan was not punished severely for actions it had done during the Second World War. However, Japanese progressives and leftists had wanted an "overall peace" with countries on both sides of the Cold War divide that would have allowed Japan to follow a policy of disarmed neutrality. Reaching agreement on such a peace treaty was, however, not realistic given the nature of the Cold War conflict, and the treaty that was signed tied Japan closely to US containment policy. As John Dower writes in *Embracing Defeat* (p. 552),

"the Yoshida gvernment learned how high the cost of independence would actually be. As it turned out, the US Senate refused to ratify the peace treaty unless Japan agreed to sign a parallel treaty with the Nationalist Chinese regime in Taiwan – and beyond this, to adhere to the rigorous American policy of isolating and economically containing the People's Republic of China."

4. Yasukuni Shrine

In the Yasukuni shrine, which was built early in the Meiji Period, the souls of soldiers who have died for the Emperor in war since 1868 have undergone rites of apotheosis. During Meiji, the national enshrinement of war dead at this shrine also aimed to bind would-be wandering spirits to the nation. Such enshrinement sought to promote the ideology of the state as a family, which was taught in ethics textbooks at the time. Emperor Hirohito visited the Yasukuni shrine at the Great Rites of Spring and Autumn during World War 2 and eight times thereafter, but never since 1975. There are

indications that he chose not to visit the shrine again after this because several Class A war criminals, including Tojo Hideki, were enshrined at Yasukuni in 1978. An imperial emissary has, however, participated in the Great Rites of Spring and Autumn at the shrine after this year. (John Breen, ed. *Yasukuni, the War Dead and the Struggle for Japan's Past*, 2008; Tipton, *Modern Japan*)

From 1951-1985, Japanese Prime Ministers frequently visited Yasukuni without provoking controversy. Prime Minister Miki Takeo paid an official visit to Yasukuni on August 15, 1975. However, when Prime Minister Nakasone Yasuhiro paid an official visit to Yasukuni on August 15, 1985, he provoked a firestorm of criticism from Asian countries, especially China and Korea. In 1986, for the sake of relations with Asian nations, Nakasone decided to cease further visits to Yasukuni. Three features that became apparent in the 1970s were the focus of criticism: Whether visits by the Prime Minister were official or not, whether they took place on August 15, the day when the war ended, and the enshrinement of Class A war criminals in 1978.

Subsequent to Nakasone's visit, Prime Minister Hashimoto Ryutaro paid an unofficial visit to Yasukuni in 1996. Koizumi Junichiro made several official visits to Yasukuni shrine while he was Prime Minister 2001-2006, with the last visit in 2006 taking place on the sensitive date of August 15. These visits made him a persona non grata in China and Korea. After Koizumi, no prime minister visited Yasukuni until Abe Shinzo made an unofficial visit in 2013. During the years 2001-2006, various politicians within the LDP and other parties proposed establishing a non-religious war memorial, perhaps by converting the Tomb of the Unknown Soldier at Chidorigafuchi into such a site.

Question 2: Essay

Answer only 1 question based upon class readings and lectures. This answer is worth 50%.

1. Describe the most important reforms and policies that Japan implemented from the arrival of Commodore Perry's ships in 1853 to approximately the end of the Meiji Period in 1912. Three of the most important areas are the form of government, industrial policy and foreign policy. You may, however, also mention other reforms and policies that were selected. Did any of these reforms and policies have effects that can be seen today? Explain why there are or are no such effects.

Forms of government: Following the Meiji restoration of 1868, Japan introduced new forms of government. In 1868, a group of young samurai from Satsuma and Choshu domains in the south had the boy emperor declare the restoration of "direct rule" by the emperor. He was assisted by an informal oligarchy (i.e., a government by the few) of leaders from these two domains, as well as a few supporting domains. This was a collective leadership that maintained power during the Meiji period. A group of nine Genro (elders), most of whom were from the above two domains, were counsellors to the emperor and could nominate prime ministers to the emperor for approval. A Council of Elders, which was a nascent legislative assembly, was established in 1875. One of its tasks was to review proposals for a constitution. The Meiji Constitution, promulgated n 1889, created a National Diet (Parliament), but gave the Emperor unchecked power. As Tipton (*Modern Japan*, 65-66) writes,

“The promulgation of a constitution in 1889 and the establishment of parliamentary institutions were intended not only to hasten elimination of the unequal treaties, but also to make the imperial institution a symbol of national identity and the Diet a means for achieving national unity. … The Constitution was presented as a ‘gift’ from [the emperor] to his people. … Civil liberties … were considered to be privileges granted by the emperor. … In theory, the emperor possessed all the powers of governance, including executive authority as well as supreme command over the armed forces. … a legislative role was partially given to the Diet … lower house of Representatives and the upper house of Peers. The House of Representatives was to be elected by all males paying taxes of 15 yen or more, meaning only about 5 percent of males at the time became eligible to vote. The House of Peers, comprising members who were not elected, was intended to serve as a conservative check on the lower elected house. If the Diet did not approve the budget, the previous year’s budget would continue. In addition, the emperor had the right to suspend the Diet temporarily, to dissolve the lower house and to issue ordinances when the Diet was not in session. Only he had the power to initiate amendments to the [Constitution].”

Drawing on course lectures and readings, candidates can point out many examples of effects as well as a lack of effects today of these reforms. For example, building on John Dower’s *Embracing Defeat*, one could write that under the new Constitution of 1947 the emperor is only to be a symbol of the state and the unity of the people, and that the legislative assembly, although maintaining a bicameral form, is elected by a population with universal adult suffrage.

Industrial policy: To be able to stand against all countries, the Meiji leaders aimed to build *fukoku kyouhei*, in other words, a “rich nation, strong army.” Building an advanced industry was seen as necessary in order for the nation to become rich and to acquire the foundation for a strong army. An important means to achieving *fukoku kyouhei* was *shokusan kougyou*, which can be translated as nurturing and protection of domestic industry. The policy of *shokusan kougyou* was formally inaugurated with the establishment of the Ministry of Engineering in 1870.

In the beginning of the Meiji period, the government pursued this policy by means of mining and railway development for the military and establishing model factories for spinning and weaving. After 1875, subsidies were provided to aid companies in establishing modern industry. After 1880, model factories that the government had established were sold to private companies. Political merchants, *seisho*, representing the leading *zaibatsu* of the time, Mitsubishi, Mitsui, Furukawa, Kawasaki and Ogura, were among those who purchased such factories. *Shokusan kougyou* also included means such as protection of industries and leasing and transfer of technology.

The government set up model silk-reeling and cotton spinning factories. An early example of such a factory was the Tomioka silk-reeling mill, which was opened in 1873 and provided a model for workforce management as well as the most up-to-date equipment and the best foreign technical advisers. It was sold to a private company in the 1890s. Cotton, along with silk, became Japan’s dominant export by the end of the Meiji period, and Japan became the world’s largest producer of cotton and silk in the 1910s and 1920s (Tipton, *Modern Japan*, 57-58).

Drawing on course lectures and readings, candidates can point out many examples of effects as well as a lack of effects today of these policies. The policy of *shokusan kougyou* during the Meiji period

was a state-guided capitalist development strategy, and in later times, Japan sometimes followed policies at odds with such a strategy. For example, after World War I, Finance Minister Inoue Junnosuke represented an anti-*shokusan kougyou* policy that cut defense budgets, lowered tariffs, and disposed of overseas gold holding in keeping with neoclassical monetarist orthodoxy.

Shokusan kougyou was an element of a broader technology policy consisting of indigenization, diffusion and nurturance, three elements which Samuels in *Rich Nation, Strong Army* argues characterize Japanese technology policy in more recent times as well. One can point out that Japan has aimed to indigenize technology by licensing it and through cooperation in the US-Japan alliance. One can also point out that Japan puts less emphasis on the military component of technology today than it did during the Meiji period. One can mention that industry associations, with roots going back to the trade associations established from 1884 on, contribute to the diffusion of generic (nonproprietary) knowledge among firms.One can also mention that the Japanese government often induces domestic firms, even as they compete, to negotiate with their competitors and the bureaucracy so as to share market jurisdiction and control. This is to avoid excessive competition and to nurture the capacity to innovate and manufacture.

Foreign policy: After Commodore Perry returned in 1854, Japan was forced to accept the Treaty of Kanagawa which opened the ports of Shimoda and Hakodate to American ships for fuel and supplies, though not trade, and allowed consular representation at Shimoda. The new American consul, Towsend Harris negotiated the Harris Treaty of 1858, which imposed low import duties fixed by treaty, opening of ports such as Yokohama to foreign residence and trade, and extraterritoriality, whereby foreigners accused of committing crimes were tried in consular courts. Treaties with Britain, France, Russia and the Netherlands followed quickly. These 'unequal treaties' included provisions similar to those in the Harris Treaty, with the addition of a most-favored nation clause that automatically gave the Western powers any privileges that might be conferred on any one of them in the future (Tipton, *Modern Japan*, 32). Subsequently, revising the unequal treaties dominated Japanese relations with the West. In treaties with a series of countries in 1911, remnants of extraterritoriality were abolished and Japan achieved tariff autonomy.

Settling the status of Korea stood at the center of Japanese military strategy. Japan wanted to avoid other powers getting a foothold on Korea and wanted to utilize Korea as a market for Japanese industrial goods and as a producer of food for Japan. Some people were motivated by the ideological demand that Japan had to civilize the Koreans. In 1876, Japan had 'opened' Korea by means of gunboat diplomacy and imposed an unequal treaty system on Korea through the Treaty of Kangwha. An outbreak of fighting between modernizing and traditional forces in Korea in 1894 led to a military conflict between, respectively, their Japanese and Chinese supporters. As a result of this war, Japan in 1895 was rewarded with territories (Formosa/Taiwan), the Pescadores Islands, Chinese recognition of Korean independence, a big indemnity, opening of more ports, and the promise of a new commercial treaty. However, the Russian, German and French governments forced Japan to abandon its claim to the Liaodong Peninsula. In 1902, Japan entered into an alliance with Britain, largely because it wanted to counter any further advances by Russia in East Asia. When Russia failed to keep an agreement to withdraw from Manchuria in 1904, Japan attacked the Russian fleet at Port Arthur on the Liadong Peninsula. Japan fought the Russian army in Manchuria and the Russian fleet in the

Japan Sea. By mid-year 1905, both sides welcomed American President Theodore Roosevelt's offer to mediate an end to the war. Japan emerged from the negotiations with Russian recognition of Japan's pre-eminence in Korea, cession of the southern half of Sakhalin Island (Karafuto), and railway rights and concessions in southern Manchuria. There was no indemnity to pay for the expense of war. (Tipton, *Modern Japan*, 85, 90)

Candidates can point out many examples of effects as well as a lack of effects today of these policies. When the unequal treaties were abolished, Japan regained sovereignty in matters such as setting tariffs and could use tariffs to protect its industries. It is difficult to see any current effects of Japan's alliance with Britain during the Meiji period, given the rupture that World War II led to in relations between the countries. Two effects of Japan's imperialist policy in Korea, which continued until 1945, are that Japan in recent years has tried to reassure other Asian states by having a defensive military posture and that it has offered apologies, not least during the 1990s, for past imperialism.

2. Describe characteristics of Japanese enterprises during the period of high economic growth until 1973. Three of the most important areas are labor, financial and supplier relations. You may, however, also mention other features that you think are important. Describe how the Japanese economy developed after this time. Discuss what features of Japanese enterprises came under pressure as a result of this development.

Vogel describes a model of the Japanese enterprise from the period of high economic growth:[1]

"The **labor relations** system combined a grand bargain of wage moderation and few strikes in exchange for employment security with firm-level pacts that promoted labor-management cooperation. Labor unions were organized primarily at the enterprise level, rather than at the sectoral level, facilitating cooperative agreements between management and labor. … [Firms] cultivated the loyalty of their core workers by offering long-term employment, by tying wage increases primarily to seniority, and by offering firm-specific benefit programs such as nonportable pension plans. … At the same time, they retained considerable flexibility with a starkly tiered system of permanent employees, who enjoyed job security and full benefits, and nonregular workers, who might work full time but did not enjoy the same level of wages, benefits, or security." (Vogel, *Japan Remodeled*, 8-9)

"The **financial system** centered on bank lending rather than capital market finance. The government actively directed the allocation of credit through public financial institutions and private banks. The government insulated the market from international capital flows, segmented financial institutions into distinct niches (security houses, insurance firms, and various types of banks), and heavily regulated the financial sector to prevent both market entry and exit. Meanwhile, firms maintained long-term relationships with their "main" banks. The main banks would provide their clients with a stable line of credit at favorable rates, monitor the clients' performance, and aid the clients in the case of financial distress. The firms, in turn, would conduct a large and consistent share of their borrowing and transaction business with the main bank. Firms and their main banks often shared ties to a common industrial group – also known as a horizontal keiretsu – such as Mitsubishi, Mitsui, Sumitomo, Daiichi Kangyo, Sanwa, and Fuyo groups." (Vogel, *Japan Remodeled*, 9)

[1] The contents of the quoted sections from pp. 8-9 in Vogel's book are also included in later parts of the book that are on the reading list, and they are included in a course PPT-presentation as well.

“Japanese manufacturers cultivated extensive **supply networks**, also known as vertical keiretsu. Assemblers remained loyal to their suppliers in exchange for supplier efforts to control costs, maintain quality, develop products to specification, deliver supplies in a timely fashion, and provide superior after-delivery service. Assemblers collaborated closely with their core suppliers on research and design, and they often cemented these relationships with cross-shareholdings.” (Vogel*, Japan Remodeled*, 9)

The period of high economic growth in Japan ended with the oil embargo of 1973-4. Nevertheless, Japan maintained a growth rate of 4.1 % in the years 1975-91, which is good for a developed economy. To some extent, this was stimulated by protectionism and heavy public and private investment. In the first half of the 1980s, Japan maintained its economy through massive growth in exports. However, in the 1985 Plaza Accord, Japan agreed to allow the Yen to appreciate in value, curtailing exports. 1985-92, the Yen appreciated from \220 to \120 /$. The Bank of Japan compensated by lowering interest rates and pumping up stimulus, contributing to the creation of a financial and real estate bubble. Stocks and land prices fell in 1990, leading to many bankruptcies, which again led to a large amount of nonperforming loans. Over the years 1992-2002, the growth average was 1.0 %, which is low, even for an advanced economy.

Economic conditions improved over the next years, and economic growth averaged 1.8 % in the years 2003-2007. In April 2001, when Koizumi took office as Prime Minister, the percentage of bad loans to total assets at Japan’s banks stood at more than 8 %, but this had shrunk to less than 2 % by the time he left office in 2006. Inspection by the Financial Services Agency had put pressure on banks to get rid of such loans, and the government had bought a portion of the loans from the banks. Japan was, however, hard hit by the global financial crisis following the Lehman shock in 2008, with unemployment rising to 5.9 % in 2009. The government was constrained by the high public debt of 180 % of GDP, although most of the money had been borrowed from domestic lenders (Tipton, *Modern Japan* 257). Prime Minister Abe Shinzo, who took office in December 2012, followed an economic program he called Abenomics, which employed three arrows to try to revive the Japanese economy. The first was quantitative easing, whereby the Bank of Japan would buy government bonds to promote increased lending. The second was spending more money over government budgets, although the increase was not large by 2014. The third was promoting growth by measures such as corporate tax reductions, improving career opportunities for women and increasing competition in the electricity sector (Katz, “Voodoo Abenomics”).

The economic stagnation during the 1990s put pressure on several features of the Japanese enterprises. Although the long-term employment system came under pressure, companies have maintained it for permanent employees. The government has allowed firms to adjust working hours, to hire agency temps, and to lower labor costs via reorganization by spinning off divisions or forming pure holding companies. Firms have shifted the employment guarantee from the company to the wider corporate group (Vogel *Japan Remodeled*, 218).

The financial crisis of the 1990s also reduced the financial sector’s resistance to change. In 1996, Prime Minster Hashimoto proposed “Big Bang” reforms for the financial sector: Lifting the ban on holding companies; allowing banks, securities houses, and insurance companies to enter one another’s lines of business, and strengthening accounting standards. These reforms had, for the most part, been implemented by 2001. The major banks responded to these reforms by reorganizing

themselves into mega-banks that would be too big to fail and reducing capacity via mergers. The relatively uniform main bank system was broken down into a much wider range of relationships (Vogel *Japan Remodeled*, 84, 219).

Large manufacturers have been reluctant to drop loyal suppliers despite the severity of Japan's economic crisis. However, they have pressed the suppliers to lower costs and have reduced the total numbers of suppliers while strengthening relations with the most important ones. Suppliers have had to cut wages. In the case of Toyota, it increased its ownership stake in affiliates Daihatsu and Hino to fend off foreign suitors and placed top executives in core suppliers (Vogel *Japan Remodeled*, 140-141).