

JAPAN'S RESOURCE DEPENDENCY  
AND ITS IMPLICATIONS

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by

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## Introduction

I first developed the idea for further study on Japan while a member of an area study group at the Command and General Staff College, Fort Leavenworth, Kansas. During a four month period, this group studied the possibility of a confrontation between Japan and the People's Republic of China (PRC) prior to 1980. It was the conclusion of the group that these two countries appeared too concerned with domestic problems to become significantly entangled with each other. While studying Japan, I became intrigued with the economic dependency of that country. This dependency is serious in mineral fuels and significant in raw materials and agricultural products. At the same time, we identified Japan's lack of political activity on the international scene; it seemed a contradiction that its economic survival should be heavily dependent on foreign economic activity without support from political activity. My purpose for conducting the research reported in the following pages was to investigate this economic dependency and its derived implications. As a result, this report will examine the manner in which Japan approaches this economic dependency. It will consider the economic insufficiencies which constitute Japan's dependency and the significant economic and political activity which Japan utilizes to counter this dependency.

The first chapter will establish the direction of this report and provide the rationale for this approach. In



Chapter II, I discuss three aspects -- social forces, domestic politics and national security -- which significantly influence Japanese reaction to economic dependency. The following three chapters will consider the economic insufficiencies which constitute Japan's dependency and the outcomes which result. With these considerations concluded, this paper should provide insight for further analysis of Japanese foreign policy formulation and the future of Japan's international posture.

I extend my gratitude to all those Kansas State University professors who have patiently assisted my work in Political Science during the past year and one half. I would like to thank Dr. William Richter for his patience during my many interruptions. Finally, I most gratefully acknowledge the cooperation and patience of my family during the past three years of unattended nights and many long days.

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## CHAPTER I

### An Overview

In spite of its rapid economic growth following World War II, Japan is a country struggling to find a compatible role in the world today. Although the benefits of modernization have brought relative comfort to the people, their future international posture remains unclear. Although economic growth has enhanced Japan's prestige, the country has not sought an international political role equivalent to its economic position. It is unusual for a nation which is so actively engaged economically on the international scene to remain so politically dormant. One possible explanation is that economic circumstances contribute to Japan's lack of political activity. This report explores the mineral fuel, raw material and agricultural dependency of Japan and discusses the implications which this dependency has for economic and political activity. Dependency, in this respect, is used to explain a situation of resource insufficiency in Japan. This deviates from its normal usage, as it usually refers to the dependence of a developing nation on more developed states.

Robert C. North in his paper, "Population and the Future International System," presents us with a basic explanation for further discussion of economic dependency.

With respect to international systems  
(including states and empires), population

and technology combine multiplicatively to produce human demands for resources. Such demands may be generated among the ruling or other specialized elite or among the rank and file of populace or among both. Such demands may be satisfied in whole or in part by acquisition of resources either directly from original sources or through trade. The scarcer the resources relative to population and level of knowledge and skills, the greater will be the level of (unsatisfied) demands.

In Japan's case, scarcity of resources is a problem which the government must overcome continually to satisfy the demands of the people. In the past, under the pressure of an aggressive and militaristic regime, the country sought to satisfy these demands through territorial expansion. Today Japan, as a highly industrialized and democratic nation, remains dependent on the import of resources, but rejects any possibility of territorial expansion as a solution to this problem.

### Economic Activity

It is not difficult to relate the present case of Japanese foreign economic activity to Marxist-Leninist theory which conceives of imperialism as an economic relationship under private capitalism, motivated by the need for expanding markets and raw materials. An article by Johan Galtung, "A Structural Theory of Imperialism", provides a model pertinent to our discussion and understanding of Japan's economic activity. He describes a world consisting of "Center" and "Periphery" nations, each, in turn, consisting of a center

and periphery. Mr. Galtung's definition of imperialism is an enlightening statement for understanding Japan's economic position in the world.

Imperialism is a relation between a Center and a Periphery nation so that (1) there is harmony of interest between the center in the Center nation and the center in the Periphery nation, (2) there is more disharmony of interest within the Periphery nation than within the Center nations, (3) there is disharmony of interest between the periphery in the Center nation and the periphery in the Periphery nation.<sup>2</sup>

The difference between harmony and disharmony of interest is, for Mr. Galtung, the general measurement of living conditions of the nations. Generally, living conditions are measures of income, standard of living "in the usual materialistic sense - but notions of quality of life would certainly also enter, not to mention notions of autonomy."<sup>3</sup> This model has the two centers tied together with the Center periphery tied strongly to its center. The discussion of economic activity by Japan, in this report, will illustrate the strength of the center in Japan and the support of the periphery in the performance of this economic activity. In this case, the center is the Japanese government-business interaction and the periphery is the people of the country. The gap in living conditions between the Center nation, Japan, and the periphery nations, East and Southeast Asia, generates the need for the initiation of Japanese economic and diplomatic actions, designed to close this gap. Mr. Galtung emphasizes that the international system changes and

the Center nation is forced to offer more substantial contributions for the import of these products.<sup>4</sup> These contributions come in the form of payment for products, investment in Periphery nations and economic assistance. The model becomes complex when Galtung discusses the presence of other Center nations in a "multi-empire world".<sup>5</sup> Japan, as a Center nation, is significantly involved with other Center nations, such as the United States. Japan's resource dependency forces it to seek primary imports from both Periphery and Center nations and identifies it as a Center nation in a "multi-empire world." We will see that Japan acts to promote development and access to resources in Periphery nations, while depending on the resources from stable developed nations.

The maintenance of Japan's economic strength is directly related to its ability to overcome resource insufficiencies successfully. Foreign policy is influenced by the need to have unimpeded access to raw materials and sources of fuel for the operation of national industries. Once economic momentum has been achieved, it is necessary for a nation to ensure the continuation of this growth. The Japanese government seeks the cooperation of business in satisfying the demands created by the insufficiency of resources. We would agree with Marshall Singer in Weak States in a World of Powers that even political implications in extensive trade relationships do not lessen the fact that the primary motivation for most trade relationships is economic profit.<sup>6</sup> We therefore

consider corporation and government ties in Japan and the importance of the economic sector in the determination of Japanese policy. We shall find that as a result of Japan's economic dependency on the import of resources, a relationship between business and government exists which confronts this dependency. Foreign trade and investment accounts will indicate Japanese concentration on the continual supply of these vital materials.

### Diplomacy

If it is important for a country such as Japan to acquire and retain access to resources, what problems must it expect and how is it to overcome them? The question is one which faces the government and one which calls for some degree of diplomatic action. It requires at the minimum that a nation foster the friendship and stability of those nations with which it deals. One of the most politically profitable diplomatic methods of fostering friendship and stability has been through economic assistance.

For a variety of reasons the drive for development in emerging countries is enormously complex and expensive. This, of course, causes them to turn to the more developed nations of the world for support. At times this support will be given for purely humanitarian reasons, but the "usual pattern is to provide it for reasons of concrete political advantage, in the same way which states for long periods of time furnished loans and subventions to other states."<sup>7</sup>

As will be pointed out in the case of Japan, economic aid is not necessarily a profitable transaction, but is frequently a political operation designed to continue the process of modernization, prevent that process from culminating in a nation hostile to Japan and ensure favorable reception for Japanese economic intentions. Generally, aid can be channeled in three ways; bilaterally, regionally, or multilaterally. Bilateral aid gives the donor country direct contact and can therefore be used in bargaining with the recipient state on other subjects. It can also be a form of international blackmail. Regional aid is useful, since it gets the recipient nations cooperating on a regional basis and working to solve their own problems. Multilateral economic assistance attempts to avoid power confrontation in the aid business, and is therefore unattractive to those nations who desire to use aid for primarily political reasons.<sup>8</sup> No matter how it is conducted, as David Baldwin realistically writes, "...aid donors are motivated by self-interest, which in turn is usually equated with a desire to acquire power."<sup>9</sup> It is in this manner that Japan attempts to influence those nations which it views as economically profitable or politically unstable. Japan uses aid for purposes which quite consistently relate to its needs for sustained economic growth: securing dependable markets and sources of supply and furthering political stability in the immediate region.

Before beginning our discussion of Japan's economic dependency, we discuss in the following chapter three topics which relate both to the contemporary social condition of

Japan and to factors influencing Japan's approach to resolving economic problems through international activity.



## CHAPTER II

### Japan Perspective

Japan has been called the most rapidly changing society in the world. When viewed from within, we see that it is unlike neighboring states in which the operation of modern government has been imposed upon the societies and those societies are still predominantly agricultural. The complexity of Japanese society is highlighted by the blurring of class lines, ideological diversity, greater release from restraints of tradition, wider ranges of individual choice, and the vigor of a modern society. All these factors have combined to form a very active dynamic society which comes under intense scrutiny as the 1980's approach. The following sections consider some social, political, and national security factors relevant to our later discussion of dependency and diplomatic response.

#### Social Aspects

The Japanese are a Mongoloid people closely related to other East Asian peoples. The nation has few significant minority groups, with the Koreans being the largest single minority. The population has grown at a fairly steady pace since the early 1900's, but recently government programs to encourage birth control have lowered the birth rate from about 1.6 per cent in 1950-51 to around 1 per cent in 1970-71. The Bureau of Statistics estimates that as of December

1971 the population totaled 105,216,000.<sup>10</sup> The concentration of people within this tiny country continues to be a problem which the government is trying to alleviate. About 70 per cent of the total population lives in big cities. Of this 70 per cent, 58 per cent is concentrated within the three largest cities, Tokyo, Osaka and Nagoya. The Japanese continue to migrate from the rural areas to the large cities. Equally important is Japan's present-day population structure. The death rate had declined rapidly, to the point where in 1969 the life expectancy had reached 69.2 years for males and 74.7 for females. This increase in life expectancy and the decline in birth rate has since 1965 brought a downward trend in the relative proportion of productive age workers and an increase in requirements of care for the aging.<sup>11</sup>

What about the pressures of culture on contemporary Japan? A glance at the map shows that the four main islands -- Hokkaido, Honshu, Shikoku and Kyushu -- form a 1500 mile crest off the coast of Northeast Asia. North and South Korea, the People's Republic of China, and the Soviet Union are its closest neighbors. Racially, the population is closest to the Chinese and the Koreans. This would seem to place it in the Asian family. Yet, economically and politically Japan is closer to the West:

It is striking how often the Japanese will emphasize their Asianness, either when speaking of their affinity for the Chinese or when recalling American discrimination against that yellow race, yet just as often

the Japanese will boast that they are really the only Western-type society in a sea of Asian backwardness (and Japanese contempt for most other Asians, save Chinese, is almost unmasked).<sup>12</sup>

Herman Kahn is concerned with Japanese attitudes and their effects on Japanese society. He offers insight into some important Japanese characteristics in The Emerging Japanese Superstate. The Japanese are political pluralists; power and authority are divided among factions, as in the past they were divided. There is a deep seated feeling that the people have little influence on the leaders or government and that the system is authoritarian. The Japanese conduct nearly all activities and issues in groups; satisfaction comes through reaching group goals and objectives. An individualistic approach toward group mores, attitudes, and taboos is an extreme violation of this communal attitude. There is very little concept of equality in Japan. Traditionally there has always been class structure which starts with the family and is then applied universally.<sup>13</sup>

The traditional ideal of the Japanese family affords the model for human relations and social organization. The more tradition-minded an organization, the more completely analogies to kinship behavior determine procedure and status. Hereditary heads are preferred to elected chairmen.<sup>14</sup>

This emphasis on group harmony within a patriarchal order is not without its effects on the decision-making process. The style of decision-making is one of gradual consensus

formation and the avoidance of individual preferences. It has its origins in Japanese tradition and springs from the term "ringsei", which literally means a system of reverential inquiry about a superior's intentions.<sup>15</sup> Although this term is hardly recognized by today's Japanese, its effects are still felt in public and private service. Consensus decision-making may provide for definite and effective decisions, as proven by the success of the economy, but the requirement for consensus slows the process. We shall see that the government becomes concerned with obtaining approval for its actions from all sectors. In the dynamics of government-business interaction, this greatly increases the influence of the economic sector on policy formulation. Consensus decision-making produces a preoccupation on internal debate and impedes the scope of external activity.

The rise of the economy has not occurred without creating changes felt by the society. Whereas in 1960 the simple kerosene stove was a luxury, color television, washing machines, and refrigerators were common household appliances by 1969.<sup>16</sup> Like other industrialized nations, Japan is experiencing the problems which accompany economic boom. These problems are, however, magnified by the natural boundaries of the country and the population density. It is confusing to the Japanese to hear about the economic gains of the country and at the same time to experience low wages, rising prices and pollution. The social dilemma of the people, who are caught between the eroding environment and the con-

sumer boom, has increased confusion and focuses government attention on internal conditions.

It should be noted, however, that the Japanese are also concerned with their national prestige and their government has endeavored to improve the country's image abroad with such ventures as EXPO '70 and the 1972 Sapporo Winter Olympics. This kind of drive is primarily a result of the Japanese desire to compete culturally with the West and improve their national prestige. Their "profound hatred for war"<sup>17</sup> also motivates and conditions present-day policy. By endeavoring to improve their image, the government has attempted to overcome the stereotype created by World War II. Exclusion of the military in government, civil liberties and the hatred for war are demands which are often voiced by such idealistic elements of Japanese society as the students.

The student riots in Japan during the 1961-1968 years, caused the Japanese people to consider the causes and reflect on their society. Asahi Shimbun, a publishing company in Japan, conducted a survey in October of 1968 to learn the students' views on the disputes. Of interest here is one question: "Are you satisfied with present day Japan?" Responses indicated a distrust of the political leaders and a concern for the eroding environment. At the same time, most students questioned voiced approval of the economic successes of the country.<sup>18</sup>

With regard to student unrest, Fukashiro Junro wrote in "Student Thought and Feeling" concerning the 1970 review

of the U.S.-Japan Security Pact and the riots which resulted: "it is thus safe to say that the present student movement is not concerned with the 1970 Security Treaty issue alone. Rather, it represents efforts by students to find their own identity by opposing that world trend toward human alienation which results from mounting political, scientific, technical, and social pressures."<sup>19</sup> Similarly, a poll conducted in December 1971, by Asahi Shimbun, revealed the support which the populace offered for social and inward looking activities by the government. More importantly, it registered the split and indecision of the people concerning the future of Japan in the world.<sup>20</sup>

Japan can't seem to determine if it is oriented toward Asia or the West. The country and the economy move at a rapid pace, but the decision-making process is slowed by group orientation. Economic comfort is embraced as an accomplished goal, but the environmental problems which the economic boom has created have dulled economic successes. The people are happy with internationally prestigious accomplishments, but indecisive about their role in the world. These societal tensions influence the Japanese approach to resource dependency by focusing attention inward and restricting the range of national activity abroad.

### Domestic Politics

Turning now from our discussion of the society, we briefly look at Japan from the political perspective. As with our preceding discussion, we shall recognize certain

aspects of the political system which influence the Japanese approach to dependency and diplomacy. Specifically, this approach has been guided by the primary political party, the Liberal Democratic party (LDP). It was formed in 1955, when two conservative parties of Japan, the Liberal party and the Democratic party, were forced to unite when faced by the united front of the Socialists. Since that time, politics in Japan have been dominated by two parties -- the Liberal Democratic party, and the Socialist party. Leadership has been in the hands of the LDP continuously. In the 1960's, three smaller parties developed in some strength -- the Democratic Socialist party (a faction of the Socialist party), the Japanese Communist party, and a Buddhist party, Komeito.

In many respects the LDP is not a very representative party, due in part to its traditional strength in the rural areas of Japan. Despite the demographic changes which have occurred, the number of members elected to the Diet from rural areas, remains as high as it was 25 years ago. In addition to its rural support, the LDP receives significant backing from business and financial interests. The high cost of elections forces the party to seek such assistance and the financial and commercial groups eagerly cooperate in order to promote their own interests. One result of this influence has been a low taxation of industry and a disregard, until recently, for the ecological harm caused by industrialization.<sup>21</sup>



Decision-making, in the LDP government, is complicated and lengthy. The LDP is not a monolithic party, but a loose grouping of factions. This results in a technique of compromise and adjustment, rather than the triumph of one view over another. This factionalization and the need of the governing LDP to make adjustments, sometimes in the interest of backers or influential voters, requires effort toward internal harmonization. This organizational corollary to the cultural predilection for consensus limits the ability of the government to deal decisively with external conditions. In this regard, Japan's dealings with its economic dependency and the outside world often appear inconsistent and hesitant.

#### National Security

Japan's national security posture through the 1970's has also affected the low international profile it has assumed in the past. It appears the government will continue to increase defense expenditures in line with the LDP policy. However, the increase in military forces and weapons will remain moderate, since the government recognizes the fears of its Asian neighbors and the world. As already stated, the people are very concerned and do not support major advances in military force. At present, the Japanese leadership is torn between their fears of the American pull-out from Asia and their desire to act more independently. Yet the question of increasing the Japanese defense budget beyond one per cent, currently envisaged in the country's Four-Year Defense Plan,



is beset with political difficulties. Major rearmament and the acquisition of nuclear weapons is still one of the most emotional issues in Japanese politics. So emotional are the Japanese people about this issue that in one poll the people were reluctant to even discuss openly the possibility of Japan becoming the sixth nuclear power in the world.<sup>22</sup> While the potential exists, there is no evidence that Japan is developing nuclear weapons, and there are "Political, constitutional, technical, economic and strategic arguments against it doing so..." in the near future.<sup>23</sup>

There is already a degree of automatic growth in the Japanese defense policy; the armed forces are swelling modestly and the nuclear potential exists. In absolute terms the annual defense expenditures have increased four-fold over the past ten years. The Fourth Defense Build-up Plan (1972-76) will represent a planned 0.9 per cent of the GNP.<sup>24</sup> The national mood is likely to support a genuine effort to try to become the first nation to develop international power without the support of nuclear weapons. With the continued support of the U.S. nuclear umbrella and U.S. presence in the Pacific, it appears unlikely that Japan will find it necessary to develop the nuclear arm of security. Even so, Japan could play an even larger role in the region, much larger than the one it has been playing and even more than it may want. As Herman Kahn states, "It could be that political influence can accrue even if it is not desired -- for example, simply because the Japanese will be important. People will be interested in Japanese views and attitudes and in getting

more expectations about future Japanese behavior."<sup>25</sup>

The restriction of military growth, as a result the experiences of World War II, is important to our later discussion of Japan's economic diplomacy. While Japan remains concerned with territorial security, social and world considerations considerably impede the possibilities of any large military expansion. In relation to economic diplomacy, a limited capability causes Japan to focus its attention on other means for protection of economic routes and sources. Our discussion will show that Japan's reliance on import resources and limited military strength has generated membership in regional organizations and economic assistance. Consensual political culture, traditional political pressures, the social tensions of rapid economic growth, and the historical experience of a militaristic past all condition Japan's political response to its economic needs. In the fourth Chapter we shall look more specifically at business involvement in governmental policy-making, but first we must turn to an assessment of Japan's resource dependency.

## CHAPTER III

## Japan's Economic Needs

Japan had ruled Taiwan for 50 years and Korea for 35 years at the conclusion of the Second World War. The importance of the two states for Japan, during the period of the War, was first, as a source of supply of food and needed industrial materials, and second, as bases for expansion on the Asian continent and toward the South Seas. In the 1930's, Korea and Taiwan provided almost two thirds of Japan's food imports, including the rice required to supplement homeland production. Their economies were organized to benefit Japan -- rice production was not related to local consumption, but to the Japanese demands at home. In Korea, industrialization progressed rapidly and successfully. This advance was motivated by the extended war with China, which ravenously consumed materials. The value of industrial production increased fifteen times from 1932 to 1945, and the number of corporations in Korea jumped from 484 in 1929 to 1,812 in 1939. The Japanese, of course, reaped most of the benefits. In 1938, they owned 90 per cent of the paid-up capital of all corporations and, according to one estimate, the share of capital by the Koreans was not more than 6 per cent in 1940.<sup>26</sup>

This historical example illustrates distinctly the first stage of Johan Galtung's types of exploitation. The imperial nation "simply engages in looting and takes away the raw

materials without offering anything in return."<sup>27</sup> In the second and third stages, the exploited nation is presented ridiculous payments for the materials and then, as the international system changes, substantial payments are required by the exploited nation. The needs of Japan for mineral fuels, raw materials and agricultural products exists today, as in the past. The needs not only still exist, they are much greater than in the past and Japan must look for different methods to satisfy them. The following discussion considers present Japanese needs. Specifically, changes in Japan's labor force and energy requirements are examined before presenting an account of resource insufficiencies.

Among the far-reaching economic changes which have taken place in Japan, one of the largest changes has occurred in the work force. With effective population control measures, the average age of the workers has increased and reduced the amount of cheap labor. The practice of "life-time" hiring and personal care of workers by industry has resulted in an excess of skilled manpower. In 1971, 18 per cent of all Japanese firms felt they were over supplied with managerial and general office workers.<sup>28</sup> The increasing cost of labor and the increased skill level of the available labor pool will cut into the competitive advantage that Japan has enjoyed in the world market and increase the cost of goods on the domestic market. To alleviate this problem Japan can do one of three basic things; one, allow the population to increase,

two, import unskilled labor from the less developed countries of Asia; or three, export labor-intensive industries to the less developed countries. The first option is unacceptable because of the high population density of the island. To import labor, the second option, would increase the population density and threaten the relative ethnic purity of the society.<sup>29</sup> The third alternative seems to be the most acceptable because it does not increase the population or threaten the ethnic purity. As an added benefit, the export of labor-intensive industry would reduce the amount of industrial pollution, presently a very sensitive public issue.

In addition to the strains created by the labor problem are other major economic strains which have been generated by the rapid and successful growth of the economy. The position of Japan, as a result of this growth, is at the top with the world's other economic leaders and the predictions show an even greater increase by 1985 (Table 1). The power needed to continue this growth and to maintain the stability of the economy presents Japan with the most significant international economic problem in its future. While the needs of industry and the population continue to increase, the natural resources available to Japan, which meet these needs, are few. In 1969, Japan produced 304,170 of 348,820 million kilowatt hours (KWH), or 87% of all non-communist East and Southeast Asia. In 1971, the total for Japan went to 379,100 million KWH and it is estimated that in 1985 the total will be one trillion KWH. In 1969, 68 per cent of the total energy output was generated through the use of oil.

Table 1  
GNP Estimates by 1985

<u>Country</u>	<u>GNP \$ (100 mill)</u>	<u>GNP \$ per capita</u>
Japan	16,502	13,574
United States	27,757	10,750
Europe (total)	23,807	5,748
W. Germany	4,744	7,677
France	4,929	8,733
England	2,466	4,165
Soviet Union	10,980	3,746
PRC	1,701	188
Southeast Asia	3,670	258

Source: Japan Economic Research Center

Coal and water resources accounted for 23 per cent and 7 per cent respectively. Since then five nuclear power plants have been put into service and account for less than one per cent of present production. The Japan Energy Survey Council estimates that in 1980, oil will account for 75 per cent of the power production, coal 9.5 per cent, water 4.4 per cent, and nuclear energy 10 per cent.<sup>30</sup>

Oil, which is the greatest source of energy, is the most serious problem. Japan has no national source of oil and is dependent on the Persian Gulf and Indonesia for virtually all of its oil imports. Oil consumption per day was 3.3 million barrels in 1969, is expected to rise to 5.1 million by 1975 and to between 12 and 13.7 million barrels

by 1980. In value, Japan's crude oil imports by 1969 amounted to \$1.9 billion, an increase of 13.2 per cent over the 1968 imports of \$1.68 billion.<sup>31</sup> The Persian Gulf supplies more than 85 per cent of Japan's oil and about half of this comes from Arab countries and half from Iran. Small amounts are derived from Libya and Venezuela. The other supplier of some magnitude is Indonesia, which supplies a very low sulphur content oil.<sup>32</sup>

The second ranking source of energy, nuclear power, will be considerably less problematical. Currently, Japan must import all of the enriched uranium for its power generator reactors. This uranium comes mainly from the United States, but Japan is discussing or has concluded agreements with other nations for the import of uranium. It is also constructing two "fast-breeder" reactors to produce enriched uranium from basic uranium, but this will have no effect on its supply prior to 1980.<sup>33</sup> Japan's sources of enriched uranium should pose no problem unless it attempts to construct nuclear weapons. In this case, the uranium would probably be withheld by the source country.

The third ranking source of energy, coal, should not be a major problem in the immediate future. Although Japan's coal reserves are dwindling and Japan is becoming almost completely dependent on imports, these come from relatively stable countries outside of Asia and should continue to be available during this decade.<sup>34</sup> The only problems that logically could develop are export limitations and/or resource conservation actions, neither one of which seems likely in

the near future. It should be noted that the coal is shipped by sea and its import is therefore dependent on Japan's free access to sea routes.

Since our emphasis in this chapter is on Japan's economic dependence, it is helpful to include figures for commodity imports over a period of time (Table 2). More than half of the total imports (51.1%) in 1955 were raw materials. Foodstuffs accounted for 25.3 per cent and mineral

Table 2  
Commodity Composition of Japan's Imports  
(in per cent)

	<u>1955</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>
Foodstuffs	25.3	12.2	18.0	13.6
Raw Materials	51.1	49.2	39.4	35.4
Mineral Fuels	11.7	16.5	19.9	20.7
Processed Manufactures	11.9	22.1	22.7	30.3
Chemicals	4.5	5.9	5.0	5.3
Machinery	5.7	9.7	9.3	12.2
Other Manufactures*	1.7	6.5	8.4	12.8

\* Other manufactures are iron, steel, textiles and non-ferrous metal

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Source: Japan Economic Research Center

fuels were 11.7 per cent. During this time, raw materials, foodstuffs and mineral fuels were essential imports for Japan's development of trade. From 1955 to 1970, mineral fuel imports increased 9 percentage points to 20.7 per cent



of the total, while raw materials declined to 35.4 per cent in 1970. Industrialization of heavy and chemical goods reduced the import of raw materials, but this reduction is almost compensated for by the increase in mineral fuels, resulting from industrial growth. Foodstuff requirements were relatively high (25.3%) in 1955, but have declined to 13.6 per cent in 1970. This decline can be attributed to modernization of agricultural methods. Emphasis on knowledge intensive industry has increased the amount of imported processed manufactures by 8.4 percentage points over the fifteen year period.<sup>35</sup>

Japan's dependence on import of raw materials and mineral fuels is illustrated in Table 3. It is evident that Japanese

Table 3

Japan's Estimated Import Dependence  
Raw Materials and Mineral Fuels 1975  
(per cent)

Copper	82.0
Lead	46.0
Zinc	57.0
Aluminium	100.0
Nickel	100.0
Iron Ore	91.0
Coking Coal	92.0
Petroleum	99.9
Natural Gas	73.6
Uranium	100.0

Source: Strategic Survey 1971, IISS, London, 1972, p. 60.

raw material and mineral fuel insufficiencies extent to many items. Chapter Four will document the concentration of Japan on the import of raw materials from developed countries. The growing energy needs of Japan and the unstable Middle East situation portend the greatest problem in the area of mineral fuels. The Energy Survey Council estimates that oil will account for 75 per cent of power production by 1980. This surely emphasizes the significance of the 99.9 per cent dependency of Japan on petroleum imports by 1975.

Despite the specific agricultural insufficiencies noted in Table 4, it should be mentioned that the skillful Japanese produce about 73 per cent of the domestic food requirement.

Table 4

Japan's Import Dependence  
Agricultural Key Commodities 1972  
(per cent)

Cotton	100.0
Soybeans	96.0
Feed Grains	95.0
Wheat	95.0
Sugar	81.0
Beef Tallow	97.0

Source: Tokyo, U.S. Agricultural Attache Staff.

The increasing population, shifting food patterns and limited land suitable for cultivation indicate that import require-

ments will continue and probably increase in the future. While product substitution -- manmade fibers for cotton, detergents for tallow-based soaps -- may provide some easing of requirements, it does not appear likely that Japan can significantly reduce this agricultural dependence.<sup>36</sup>

The problem of resource dependency, as shown, is not a simple problem for the Japanese to face. The most obvious solution to this problem is foreign trade: the freedom and ability to conduct economic transactions with other nations of the world. Japan, with its 100 million people in a territory the size of California, is highly dependent on foreign trade for the survival of its economy. The high growth rate of the economy and estimates of energy requirements by 1980, emphasize the importance of mineral fuels, especially oil. In addition to energy requirements, the maintenance of economic stability and growth in Japan is dependent on the import of many raw materials. The ingenuity of the Japanese people allows them to maintain crop yields among the highest in the world.<sup>37</sup> Still, the agricultural insufficiencies noted in Table 4, further emphasize Japan's resource dependency. It is this dependency on mineral fuels, raw materials and agricultural products which, to a great degree, ties Japan to the world.

## CHAPTER IV

### Economic Activity

Now that we have examined the reality of Japan's dependence on the import of mineral fuels, raw materials and agricultural commodities, this chapter explores some of the dominant features of Japan's resource dependency. Two such features are the high interaction of government and business, which facilitates business influence on governmental policy, and the expansion of trade and foreign investment. External pressures for economic liberalization have also acted to expand Japan's foreign trade and investment. Our major concern, however, is with the policies which result from these factors and with the extent to which they relate to Japan's resource needs.

#### Government and Business

Historically, in Japan, business has relied on government for guidance and sundry forms of assistance. Conversely, government has itself been dependent on business for certain guidance and support, especially after the occupation following World War II. One of General MacArthur's first steps, following the defeat of Japan, was the breaking up of the "zaibatsu". The zaibatsu (literally meaning "financial clique") originated as a monopolistic organization during the Meiji era. The Economic Deconcentration Law issued by the Occupation Authorities designated companies to be illegal

if they enjoyed a monopoly under the terms of the Law. Japan was forced to include a clause in the Constitution further limiting the growth of such economic powers, with the hope that this action would restrict any growth similar to that which occurred before the War. Following the San Francisco Treaty in 1952, the new Japanese government relaxed the earlier imposed restrictions and the fragmented corporations began to drift back together, although this regrouping was and is not always identifiable. What emerged is called a "keiretsu", or linked group. The links are based on a mutual interest in business affairs formalized through exchange of shares and swapping of directorates.<sup>38</sup> With the exception of power generation and some transportation industries, the productive elements of the economy are privately owned. Large firms employing over 300 people account for roughly one third of the manufacturing firms. Most firms, both large and small, are bound together under the "keiretsu". Functionally, government and business are interdependent. Organized business initiates and proposes policies and supports and sponsors the party in power. The party, in turn, forms the government and selects candidates for the Diet, who will legitimize the government policy. The bureaucracy proposes, drafts, modifies, interprets, and implements policy under the guidance of the party and the government. However, the most important function of the bureaucracy is to protect and promote the policies initiated and favored by business and industry. Most of the time big business gets into policy making before the formal process

begins. The greatest links come between the leaders of the business community and government officials, usually in the Ministry of International Trade and Industry (MITI).<sup>39</sup> Trade associations and economic organizations submit plans, which are studied by business-backed ministers. Besides the MITI, business influence in the cabinet is usually concentrated in Finance, Transportation and Construction, and the Economic Planning Agency.<sup>40</sup> This collaboration is further supported by a study conducted to determine the percentage of civil servants who are hired at retirement by business. With a mandatory retirement age at 50 years, it was found that 59.1 per cent of MITI civil servants were hired by business. Equally supporting are figures of 42.9 per cent of those in the Ministry of Transportation, 37.9 per cent Economic Stabilization Board, 25.9 per cent from the Prime Minister's office and 28.6 per cent of Ambassadors and Ministers.<sup>41</sup>

Of the many government agencies that have a hand in economic planning, the Ministry of International Trade and Industry (MITI) is by far the most important. The functions of MITI include direction of the attention of businesses to opportunities for industrial expansion, regulation of the degree of competition among Japanese firms, protection of Japanese industries against foreign competition, and determination of the need for mergers and cartels. This it does through formal and informal means. In the informal means, the primary policy determining practice is to gain a consensus of the business and government communities on desirable actions

for industry. This consensus is gained through almost daily contact with some 300 different committees of government and business, who seek to determine the community will. Of particular importance on the business side are some of the organized business interest groups. Keidanren, the Federation of Economic Organizations, includes all major trade corporations and quasi-government corporations (i.e., Japan Air Lines). Keizai Doyuki, the Japanese Committee for Economic Development, is a more progressive group than Keidanren and composed mostly of young corporate executives. Nikkeiren, the Federation of Employers Organization, and the Chamber of Commerce must also be included as effective pressure groups in the business community.<sup>42</sup>

Emphasis on the extent of influence held by these organizations is best illustrated with the growth of defense spending in Japan. Although total expenditures for defense purpose are still less than 1 per cent of the GNP, Japan's large industrial firms, now involved in producing arms and equipment for defense, urge their own business interest in the expansion of military potential. "The two most powerful organizations in Japan's world of business and industry, the Japan Federation of Employers (Nikkeiren) and the Federation of Economic Organizations (Keidanren) expressed their support of 'defense commensurate with Japan's national power'."<sup>43</sup>

Sanken, the Council for Industrial Policy, a group of key men in large organizations who meet to study major economic, industrial and foreign trade policy, also strongly supported the defense position of Nikkeiren and Keidanren. Mitsubishi



Heavy Industries and Mitsubishi Electric Manufacturing Company are the leaders in production of defense equipment. Together their contracts with the Defense Agency in fiscal year 1969, amounted to 36 per cent of all defense procurement contracts. Additionally, continued pressure for increases in defense spending is supported by the flow of personnel to these businesses from the Self Defense Force. Although law prohibits retired servicemen from assuming jobs in industry which closely relate to their former position in the military, they are co-opted by circumventing the law and filling position as advisors, part-time employees or section chiefs.<sup>44</sup> Even though these groups do exert considerable force upon the government defense spending mechanism, the overriding sentiment of the people has held this spending to a moderate level.

In a nation so highly dependent on trade for economic survival, the government-business interaction becomes necessary for the maintenance of economic stability. Although based in tradition, this interaction is linked to the momentum of the economy and facilitates continued growth. Because resource imports are so vital to this economic growth, business and government are sensitive to the goals of each other. However, as Japan gains through economic successes, the national goals are achieved at the expense of some trading partners and tension is created within this interaction.

#### Liberalization

The success of the Japanese economy over the past ten



years is a matter of record and need not be explained in detail. It is important though to mention a few aspects of the record. Much of the initial success is due to the Japanese tradition of high personal savings which provided much of the capital to finance needed investment. Unemployment throughout the period of growth has remained quite low. For the unemployed there exists an adequate unemployment compensation system. However, due to the "life-time" hiring practice, personnel lay-offs are not common. Most unions are company unions, rather than trade unions, and with this vertical organization, employees who become excess in one part of a firm can move to another position and stay with the company, rather than moving to another firm to find the same type of job. This labor mobility provides the economy with a flexible pool of manpower. At the basis of the economic growth is a single, nationalistic objective of Japan surpassing the other economies of the developed world. At times watching the growth rate of the economy has taken on the appearance of watching the score at a football game. This national objective is beginning to be deemphasized because of problems that Japan is experiencing on the home front and in international trade. Paramount among these is the urbanization of the population and industries, and the resultant intolerable level of pollution. In the words of Prime Minister Tanaka, Japan must "...change from a policy of production to living first."<sup>45</sup> To this end, the government is implementing fiscal policies that increase domestic spending toward social investment.

Countering this inward looking attitude assumed by the government is an articulated foreign desire for Japan to liberalize her economy. Free access to Japanese markets by foreign capital has been strongly resisted because this investment is thought to be dangerous to domestic producers. Similarly, revaluation of the yen was fought because it was felt that it would injure the strength of export industries.<sup>46</sup> The argument over liberalization illustrates an attempt by the corporate sector to influence the government. If the ministries are in favor of liberalization at all, then they usually only advocate those forms of liberalization which will not alter their own activities. For example, the Ministry of Foreign Affairs is in favor of relinquishment of MITI controls over foreign commerce. The Ministry of Finance is in favor of liberalization of commodity trade, but would continue to control monetary affairs.<sup>47</sup> Under the pressure of its OECD (Organization for Economic Cooperation and Development) partners, Japan is beginning to open its presently restrictive economy to foreign activity, but is still hesitant to allow foreign investment into the domestic economy. Business and government have combined to protect home investments, as well as to respond to foreign needs. For example, instructions and aid have been given by the government to business for increased involvement in the extraction and refining of oil.<sup>48</sup>

Japan is developing production facilities in under-developed countries in order to get import preferences to developed nations. It does this under the auspices of an

OECD agreement. By exporting these industries to under-developed countries, Japan is also solving one of its most sensitive problems, pollution.<sup>49</sup> Conversely, Japan is being pressured to reduce tariffs on goods imported from developing countries. In order to reduce snowballing foreign exchange reserves, the Japanese government in 1971, presented an "8 point policy" which included promotion of imports through reduction of trade tariffs, adjustment of non-tariff barriers and establishment of preferential tariffs to developing nations.<sup>50</sup> The Japanese government established a low ceiling limit and restricted the number of agricultural items which received the preferential treatment. As a result, limits on a number of items were reached early and criticisms were leveled at Japan by the developing countries.

The protectionist attitude of the government toward sectors of the economy continues to weaken the position of Japan in the world. Liberalization of the economic structure, although moving slowly, must progress to guarantee future Japanese foreign activity. Continued protection of domestic industry and agriculture will only create barriers which will limit future access to resources.

### Counter to Dependency

In the last chapter we examined the import dependency of Japan; estimated for 1975 in mineral fuels and raw materials, and actual 1972 figures for the agricultural sector. Now, we turn to the action which is being taken by business and government to ensure both the security and the continuence

of resource supply. One of the main elements in Japanese policy in these circumstances, has been to avoid reliance on a single source. Iron ore, for example, comes from a considerable number of countries of which Australia is the most important, followed by India, Peru and Chile. Copper is imported from the Philippines and Canada. Lead comes from Canada, Australia and Peru; and so on (Table 5). Even though the geographical spread is quite wide, the percentages from single countries are often high. About 50 per cent of its copper comes from the Philippines. And some countries appear over and over again in prominent places on the list -- above all Australia, which is one of Japan's main suppliers of lead and zinc, in addition to minerals already named. Politically "safe" countries have been the most favored sources.

The government's aim for oil is that 30 per cent should be extracted by Japanese enterprises by 1985. Methods for achieving this goal have been varied. Co-production agreements have been reached with national oil companies such as in Indonesia. Other methods include buying into already existing operations, as effected in a deal with BP in Abu Dhabi; minority holding of shares, as in the new states dominated operation in Nigeria; and direct partnerships, as recently completed with Mobil and National Iranian Oil. Japan has been content to stay away from the "hot" oil such as that thrown on the market by Libya and Iraq. These are poor locations geographically, since the pipeline of supply terminates on the Mediterranean.<sup>51</sup> They have to some extent reduced the degree of their dependence on oil from the Middle East. In

Table 5

Japan's Raw Material and Mineral Fuel  
Dependence and Import Sources

Raw Materials and Mineral Fuels	Estimated 1975 dependence (per cent)	Major Foreign Sources 1970 (per cent)
Copper	82.0	Philippines 43.3; Canada 33.1
Lead	46.0	Peru 31.2; Canada 26.9; Australia 24.0
Zinc	57.0	Peru 42.6; Australia 17.8; Canada 14.6
Aluminium	100.0	Australia 49.9; Indonesia 24.6
Nickel	100.0	New Caledonia 90.6
Iron Ore	91.0	Australia 27.9; India 16.4; Peru 10.4; Chile 9.3
Coking Coal	92.0	U.S. 47.8; Australia 39.0
Petroleum	99.9	Mostly Persian Gulf
Natural Gas	73.6	Not available
Uranium	100.0	Not available

Source: Strategic Survey 1971, International Institute of Strategic Studies, London, 1972, p. 60.

1967, 91.9 per cent was shipped from this area. This percentage declined to 90.2 in 1968, and 87.3 in 1969. This was accomplished by increasing the import of Indonesian oil from 8.1 in 1968 to 10.9 per cent in 1969.<sup>52</sup> This certainly does not completely satisfy Japanese objectives, so recently much has been heard about Japanese interest in dealing with Russia and gaining access to the Tyumen oil fields. The oil fields, the Yakutsk gas, the new port near Nakhodka and the pipelines to get the oil to port, will require long-term credit to Russia of up to \$5 billion and the partnership of the United States.<sup>53</sup>

The agricultural figures, in Table 6, reflect the same trend as the raw material and mineral fuel import table. Japan's concentration is on agricultural trade with the United States. In only one key commodity, sugar, is the U.S. not the major trading partner of Japan. Again, Australia and Canada, are very much in the picture as "politically safe" countries, along with the United States. However, the government is working to increase imports of agricultural products from developing countries. Manufactures related to agricultural production are directly linked to this program of expansion. These programs are carried out by private companies with assistance from government agencies. As an example, private companies make purchase commitments and then provide assistance for improving transportation, storage and port facilities. Japanese corporations presently have joint ventures to produce corn in Indonesia, Cambodia and the Sudan. Programs for increased agricultural

Table 6  
Japan's Agricultural Dependence  
and Import Sources

Agricultural Commodity	1972 Dependence (per cent)	1972 Sources
Cotton	100.0	U.S. 25%; Mexico, Brazil, U.S.S.R.
Soybeans	96.0	U.S. 91%, P.R.C.
Feed Grains	95.0	U.S. 48%; S. Africa, Australia, Thailand, Canada
Wheat	95.0	U.S. 60%; Canada, Australia
Sugar	81.0	Cuba 43%; Australia, South Africa
Beef Tallow	97.0	U.S. 62%; Canada, Australia

Sources: U.S. Agricultural Attache Staff, Tokyo.

imports have also been established in Brazil, Malaysia and the Philippines.<sup>54</sup>

Japan's balance of trade (Table 7), is very favorable for Japan, but in the eyes of many of its trading partners the balance is too favorable. As noted previously, activity in gaining access to resources has caused many countries to resent Japan's methods. While Japan has been quite protectionist at home, it has sought markets abroad most vigorously. The single most important trading partner is the United States; number one supplier and customer. The imbalance with



Table 7

Japan's Exports and Imports  
by Region in 1971  
(per cent)

<u>Region</u>	<u>Exports</u>	<u>Imports</u>
North America	34.9	30.3
Latin America	6.6	6.8
West Europe	14.1	10.4
Africa	8.6	5.0
Oceania	4.0	10.4
Middle East and South Asia	3.0	15.0
East and Southeast Asia	24.0	17.3
Communist nations	<u>4.8</u>	<u>4.8</u>
Total	100.0	100.0

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Source: White Paper on International Trade, 1972, pp. 21-2.

Oceania and the Middle East indicates Japan's need for raw materials and oil. In East and Southeast Asia, the imbalance is in the other direction, as a result of Japan's excessive exports. The government is encouraging private development projects to increase the imports from the developing countries in its region. The Asian Trade Development Association, established in 1970, provides some funds required to build the infrastructure for the development of export producing industries.<sup>55</sup>

Southeast Asia is becoming the most active area for development projects which Japan promotes in order to satisfy resource needs. As an example, in September 1970, an agree-



ment was reached for a cooperative copper concession in Sabah, Malaysia. The joint venture is being conducted with a Japanese concern holding 51 per cent interest and the Sabha Government holding 49 per cent.<sup>56</sup> Similar projects have been conducted in the other countries of the region, with the Japanese firm always holding the controlling interest. This situation causes many of the countries of East and Southeast Asia to complain about the dominance of Japanese enterprises in their region.

The greatest effort in development of resources has been expended in obtaining new sources of oil. Besides development projects and cooperative ventures in the Middle East, Japan is striving to diversify its sources. Japan already takes a large portion of Indonesia's total output. Ten companies formed a consortium in 1971 to conduct oil exploration in Western Australia and in 1972 Mitsubishi announced a \$119 million investment plan for oil development in Australia.<sup>57</sup> In addition to these projects, Japan is concerned with obtaining concessions on the coast of South Vietnam. Five major companies are already heavily invested in oil exploration in the Mekong Estuary of South Vietnam. The Japanese capital in these projects is closely tied with U.S. and European interests.<sup>58</sup>

While Japan's overseas private investment detailed in Table 8 indicates primary attention to North America, resource investment is highest in Asia and the Middle East. As of March 31, 1973, 43 per cent of Japan's cumulative total overseas investment was directed toward resources development.

Table 8  
Japan's Overseas Private Investment  
1951 - 1969  
(\$ million)

<u>Sector</u>	<u>N. Amer.</u>	<u>Latin Amer.</u>	<u>Asia</u>	<u>Eur.</u>	<u>Mid East</u>	<u>Af- rica</u>	<u>Oce- ania</u>	<u>% Tot.</u>
Manuf.	160.2	248.9	232.7	15.4	218.0	20.5	41.1	27.
Resource <sup>a</sup>	129.1	95.8	265.8	1.0	302.0	57.2	107.6	35.
Commerce	266.3	14.0	11.3	23.0	0.5	0.1	7.5	12.
Other <sup>b</sup>	164.8	153.8	94.2	263.6	1.0	0.8	1.9	25.
TOTAL	720.4	512.5	604.0	303.0	306.3	78.6	158.1	100.
%	26.9	19.1	22.5	11.3	11.4	2.9	5.9	

<sup>a</sup> includes Agriculture, Forestry, Fisheries and Mining; Mining constitutes over 90 per cent of this total

<sup>b</sup> includes Construction, Finance, Insurance, Foreign Branches. The large figure for Europe occurs because information on a sectoral basis is not available. It is thought to include finance, hotels and distribution outlets.

Source: Bank of Japan and M.I.T.I.

This cumulative total has risen from over \$2,682 million in 1969, to over \$6,773 million in 1973.<sup>59</sup> This reflects a softening of Japanese government restriction on foreign investment and the result of external pressures for liberalization. Japanese investment is being directed in increasing amounts toward such resource development projects as oil, natural gas, iron ore, coal, copper and other metals. Wood and timber have also been given high priority.<sup>60</sup> Most recent Japanese investment in Europe and North American has been in commerce and banking, while in developing areas concentration

is in extraction and resource development ventures. Manufacturing investments in textiles, food processing and machinery, have shown increases in East and Southeast Asia.<sup>61</sup>

The growth of trade and investment, especially in Japan's immediate vicinity, has been a basis of concern for many countries. As a result of its natural resource insufficiencies, Japan is forced to expand its economic activity. The momentum of economic growth involves not only the government and business, but also the nation as a whole. While an economic national spirit motivates further achievement, external pressures are leveled at Japanese trade and investment methods. With the Japanese economy growing at 6.5 per cent per year -- a modest figure compared to some predictions -- the need increases for mineral fuels, raw materials and agricultural products.<sup>62</sup> Import figures indicate a concentration on stable developed countries for resources. Investment and development projects are directed at increasing access to resources, diversifying sources of resources, and eliminating criticisms of Japanese economic methods.

## CHAPTER V

## Japan's Diplomacy

Whatever is said and done, the ultimate problem is one of peace and stability. The economy cannot be handled simply as an economic problem. The economy operates in the wide ocean of politics. Our problems always return to the same point - the problem of politics - whether it be domestic or international.<sup>63</sup>

These words of the present Foreign Minister of Japan, Masayoshi Ohira, emphasize the importance of political activity to Japan. He indicates the importance of the economy, but realizes that Japan must operate its economy within the international market and political mechanisms must be activated to forward the economic interests. Dependence on imports of essential resources poses a very serious problem in strictly economic terms. Concerning the political complacency of Japan toward the world economy, Donald Hellman asserts, "Even if the domestic economic house is kept in order, such a long term assumption about the global economy has a peculiarly Pollyanna quality."<sup>64</sup> Japan cannot afford to avoid activity in international politics. Economic necessities force Japan to look on the international scene and make efforts to assure stability for the future. Japan has already experimented with reliance on coercive instruments to assure its power and suffered terribly from it. The memory of this experience lives on in the minds of the people, as well as the world. Therefore,

Japan must turn its attention to economic and diplomatic tools. The preceding chapter examined aspects of Japanese economic activity and their relationship to resource dependency. Now our attention turns toward two areas of diplomatic activity related to Japan's economic dependency. Both types of activity, membership in regional organizations and economic assistance, promote peace and stability, and therefore, seek to guarantee Japanese access to resources.

In a world made militarily secure by the confrontation and stalemate of the superpowers, economic competition and conflict have become more important. Such economic objectives are pursued by both economic and political means.<sup>65</sup> This then is the proposition which Japan has accepted and begun to face. With approximately a third of its exports going to both the U.S. and the Asian areas, Japan has begun to turn immediate attention to the political and economic stability of East and Southeast Asia. If Japan is to continue to hold on to the markets in East and Southeast Asia, develop raw material, mineral fuel and agricultural sources, and stabilize the region bordering routes of supply, then Japan realizes that cooperation must be established with these countries. As U. Alexis Johnson, former U.S. Ambassador to Japan, has stated, "Japan has decided that its most effective contribution under present circumstances may well be to continue to offer increasing economic cooperation with the other nations of Asia and to take care of local and conventional defense of its territory...."<sup>66</sup> This interest in Asia is also generated by the liberalization of the economy and the relaxation of

restrictions on the export of capital from Japan. It is already leading to a greater Japanese stake in and commitment to the economies of these countries. Southeast Asia has become heavily dependent on Japan. Already some 40 per cent of all of Indonesia's trade is with Japan and a third of both Thailand's and the Philippines. The Economist projects that, within the 1970's, Japan will be providing as much as half of the imports of some countries in the area.<sup>67</sup> Diplomatically, Japan has reached an accommodation with the People's Republic of China which allows increasing trade and improving relations. On the face of it, this trade yields economic gains, and it certainly assists the maintenance of stable relations between the two nations and in the region.

While diplomatically involved on a global basis, Japan is significantly more concerned with cooperation on a regional level than on a world level. It is true that some interest has been shown over proposals for economic cooperation on an international level.<sup>68</sup> In early 1973 the Japanese were flattered by Dr. Kissinger's proposed Atlantic grouping of Japan, the U.S. and Western Europe, but quickly expressed their rejection.<sup>69</sup> Their attention appears to be turned to East and Southeast Asia and they are hesitant to develop involvements which may upset these intentions.

In the region, the most pressing problem for Japan is the stability of its neighbors and continued access to their resources. Using oil as an example, the sense of insecurity caused by such a marked dependence on a politically unstable

area like the Persian Gulf has been further accentuated by the fact that the tankers bringing the oil to Japan have to transit the Malacca and Lombok Straits. While relations with the countries bordering the Straits -- Indonesia, Malaysia, and Singapore -- have been rather traditionally diplomatic, Japan's tightrope walking in the Arab-Israeli dispute has been incomparable. Japan has always supported the doctrine of the freedom of the seas, but during the six-day war in 1967, Japan was able to divorce this principle from the problem of the Straits of Tiran and avoid unpopularity with the Arabs. Even more interesting is the event following the Lydda airport massacre, in which Japanese nationals were found to be the responsible murderers. An official of the Japanese government was sent to Israel to apologize for the part played by the gunmen, while simultaneously another is reported to have apologized to the Arabs for apologizing to the Israelis.<sup>70</sup> In the more traditional sense, Japan has sought to insure the stability of the East and Southeast Asian region. Japan does this largely through participation in regional organizations and the provision of economic aid.

### Regional Cooperation

Donald C. Hellman, writing in Japan and East Asia, about Japan's Asian policy in the 1950's, identifies the character of this policy. "Policy toward Asia concentrated on what Foreign Minister Shigemitsu called 'economic diplomacy', that is, promoting trade and economic cooperation in order to



'stabilize' the region."<sup>71</sup> In its early days, Japan's activity in the region was limited. Today, while the purpose remains the same, Japan's diplomatic activity has significantly increased. It seeks membership in regional organizations in order to stabilize and develop those countries which are economically important to Japan. As this goal is accomplished, spin-off benefits occur which further Japanese objectives. These organizations provide the vehicle for channelling funds and Japan avoids the criticism and fears associated with bilateral aid. Through membership in such organizations, Japan also gains prestige in the region. Lastly, by promoting development, Japan aids the long-term stability of East and Southeast Asian countries and its own national security.

In the words of Sir Denis Ricket, Vice-President of the World Bank, since the poor countries of Asia are important suppliers of raw materials to Japan, Japan 'has a vital interest' in political stability in them: 'While development is no guarantee to stability, there is today little chance of ensuring stability without development.'<sup>72</sup>

Two organizations which have provided the greatest thrust for Japanese efforts in regional cooperation are the Asian Development Bank (ADB) and the U.N. Economic Commission for Asia and the Far East (ECAFE). Both of these groups are concerned with the economic development of East and Southeast Asian countries. The first diplomatic initiative taken by Japan, in the field of development, was the Ministerial Conference on Southeast Asian Economic Development in 1966.<sup>73</sup>



This has become an annual meeting to promote economic development and regional cooperation. While attempting to temper the political tones of the Asian and Pacific Council (ASPAC), Japan promotes greater regional cooperation in the Asian-Pacific area. Members of ASPAC include South Korea, South Vietnam, Nationalist China, Thailand, Malaysia, the Philippines, Australia, and New Zealand. It is through these organizations and aid projects such as the Colombo Plan, Mekong River Development Project and the Asian Productivity Organization, that Japan hopes to gain cumulative effects: to ensure that "prosperity engulfs the region to dissipate domestic conflicts and create international harmony."<sup>74</sup>

#### Economic Assistance

Reparations were the first attempt at assistance by Japan. Realistically, government and business officials recognized that these reparations offered an opportunity for the Japanese to begin the climb again after the economic devastation of war. "In effect, the grants served as a 'tied' aid program, that is, one in which the recipient nation is required to use the money to purchase goods from the donor."<sup>75</sup> Recently, the rapid growth of its economy has caused Japan to increase its aid programs on a regular basis (Table 9). Japan has come under some heavy criticism about the ties which its aid creates with recipient nations. The charges also stem from the fact that most of the aid is privately based rather than being official development assistance given by the

Table 9  
Japanese Assistance  
 (\$ million)

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
TOTAL	1,263	1,824	2,140	2,725
% of GNP	.75	.92	.95	.93
Official	436	458	511	611
% of GNP	.26	.23	.23	.21
Quasi Official	376	694	651	na
Private	452	670	976	na

Note: na - not available

Source: U.S. Department of State, August 1973.

government. The aid is generally in the form of relatively hard loans for development of natural resources which Japan itself will use. In other instances, terms of bilateral loans have required that purchase of Japanese goods be made with the capital from the loans. East and Southeast Asia receive 65 per cent of Japan's total aid (Table 10). Recently, the government has been extending new commitments of bilateral loan assistance to East and Southeast Asian countries. Major recipients are as follows: Thailand, \$213 million; Indonesia, \$207 million; Korea, \$138 million; Malaysia, \$120 million; Philippines, \$65 million; and South Vietnam, \$23 million. Japan has also extended its mulilateral efforts. Japan and the U.S. are the largest contributors to the Asian Development Bank, currently \$200 million each and Japan has paid the

Table 10

Japan's Economic Assistance (by Region in 1970)  
(per cent)

Europe	6.4
Africa	1.9
Latin America	11.2
Asia	78.0
Middle East	( 6.0)
South Asia	( 7.0)
E. and SE. Asia	(65.0)
Oceania	2.4
Others	<u>0.1</u>
TOTAL	100.0

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Source: Japan Economic Yearbook, 1972, p. 90-1.

second \$20 million installment of a \$100 million pledge to  
the ADB Special Fund.<sup>76</sup>

In its true meaning, the total official aid which Japan has given is not exemplary, since it is far from the OECD objective of one per cent of the GNP and is given usually on hard terms. The Quasi-official and Private categories far outweigh the official aid and indicates the difficulty Japan is having in allowing its money to be expended without some guaranteed return for the country. However, the rationale for Japan's economic cooperation has been clearly stated by the MITI. First, its purpose is to secure access to essential resources abroad. Next, to increase exports and strengthen

the international base of Japan's economy and lastly, to fulfill an obligation as the only advanced nation in Asia.<sup>77</sup> Possibly on a humanitarian note, it serves to mention that Japan has recently expressed an interest in the reconstruction of Indochina, now that the war is officially over. There is some speculation that it may be interested in gaining access to resources in North Vietnam and developing markets in all of the countries involved.<sup>78</sup> Whatever the motive, at least any activity which might serve to stabilize the area from further unrest and lessen the possibility of escalation in the future, would benefit the Japanese.

Japan's foreign policy position in the world will avoid international involvement which might interfere with its access to all markets of the world. This is even emphasized by Mr. Tanaka's recent visit to the countries of Europe and the Soviet Union, where one of his major topics of discussion was the future of economic cooperation. Mr. Ohira, the Foreign Minister, has also emphasized this position and underlined the necessity for economic cooperation:

Japan must not practice discrimination against any country in its trade relations but must pursue a policy of equal and non-discriminatory exchange, not only with the United States and other free countries of the Pacific area, including Canada, Australia, New Zealand, and Indonesia, but also with the Soviet Union and China on the continent, India and other Asian countries and with still distant countries in Europe, South America and Africa.<sup>79</sup>

In a world often set with instabilities and pressures, Japan has chosen to avoid involvement which might endanger its

economic interests. The internal pressures, as Donald Hellman supports, continue to restrict any flexibility.

There is a general recognition within Japan of the need for a new independent foreign policy, but there is no consensus on what the content of the policy should be. Part of the confusion grows out of uncertainty regarding the future shape of the international order, but the Alice in Wonderland (author's italics) quality of the internal policy debate will continue to impede the easy formation of a new strategic posture.<sup>80</sup>

We have discussed this internal atmosphere which influences Japanese national direction. The examination of Japan's resource dependency indicates the serious position of Japan in the world. A policy of involvement would, most surely, threaten some sector of its economy. The implications of this resource dependency are an active economic sector interacting with Japanese government agencies, and concentration on access to resources in developed nations. While Japan's diplomatic activity has been limited in the past, regional cooperation and assistance are increasing in response to needs for expanded sources and regional stability. As Japan's access to resources expands and the economies of those nations of East and Southeast Asia become interdependent with Japan, it may be that Japan will formulate a more confident posture and assume a greater role in the world.

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JAPAN'S RESOURCE DEPENDENCY  
AND ITS IMPLICATIONS

by

PETER C. SWENSON

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AN ABSTRACT OF A MASTER'S REPORT

submitted in partial fulfillment of the

requirements for the degree

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In spite of its rapid economic growth following World War II, Japan is a country struggling to find a compatible role in the world today. Japan's active global economic activity is a contradiction to its international political dormancy. Still, in order to obtain the natural resources which are lacking in the country, Japan must maintain the friendship of many countries and avoid relationships which might interfere with access to these resources.

This report explores the resource dependency of Japan. It outlines this dependency in mineral fuels, raw materials and agricultural products. Japanese social, political and defense aspects are briefly examined in relation to their effect on this resource dependency. Foreign trade and investment, and diplomacy, illustrate Japanese reaction to these insufficiencies. An established government-business interaction responds to the needs of the economy. Japanese trade figures indicate a concentration on stable developed countries for the supply of raw materials and agricultural products. The unstable Middle East situation forces Japan to explore other areas for energy resources and increase Japanese responsibility for extraction and development. Trade imbalance and external economic liberalization pressure are turning Japanese attention to the nations of East and Southeast Asia. The stability of this region is also important for Japan's continued development and extraction of resources. Japan responds to the need for resources and stability in the East and Southeast Asian region through membership in

regional organizations and economic assistance.

*This resource dependency has a major implication for the future international position of Japan. In the past, Japan has combined its serious needs with the uncertain aims of its foreign policy in order to maintain the stability of its region and the growth of its economy. It may be that as economic interdependency grows between the nations of East and Southeast Asia, Japan will assume a greater international political role.*