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Regionalizing the State: Japanese Administrative and Financial Guidance for Asia[1]

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In the face of mounting pressure to reduce state intervention in the marketplace, Japanese bureaucrats have managed to preserve threatened government institutions such as administrative and financial 'guidance'. They have done so by promoting the regionalization, or Asianization, of Japanese industry, dispensing advice and capital both to domestic manufacturers investing in the region and to host states in Asia that regulate such investment. Japan's experience suggests that, under certain conditions, regionalization may exert a force that runs counter to globalization.

1. Introduction

The nation-state, according to conventional wisdom, is critically injured, if not altogether dead. It has allegedly been savaged by the forces of globalization, the increasingly volatile, cross-border movement of capital and technology that obeys no one and no thing but the almighty market. Business pundit Ohmae Ken'ichi (1990: x–xi) writes that globalization 'has swallowed most consumers and corporations, made traditional national borders almost disappear, and pushed bureaucrats, politicians, and the military toward the status of declining industries'. Ohmae is the most effusive exponent of this view, but he enjoys quite respectable company. Serious scholars such as Strange (1996), Kurzer (1991) and Cerny (1995) have argued, sometimes quite convincingly, that the state is a doomed creature, a dinosaur in a brave new world of borderless strategic alliances, footloose corporations and lightning-fast hedge funds. For example, they have noted (quite correctly) that globalization can dramatically undermine a state's ability to carry out macroeconomic policies effectively.

Although some dissenting voices can be heard, they remain rather muted.[2] Garrett and Lange (1991) argue that the state can claim some measure of political-economic space for itself in this globalized market environment, and thereby pursue relatively autonomous (and often corporatist) policies. And Reich (1992) asserts that the state continues to serve an important—albeit different and more limited—role. Even if it can no longer function as a 'welfare state', it can still be a 'competition state' that attempts to capture more of the externalities associated with the global movement of technology and capital resources.

This paper offers a more sanguine perspective on the viability of the nation-state. I argue that political élites can, under admittedly restricted conditions, harness regionalization as a counter-force

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2. Weiss (1998) and Hirst and Thompson (1996) are two notable exceptions.

that may halt or slow down the erosion of governing authority and jurisdiction associated with globalization. Depending upon the structure of social relationships at home and in the region, they may be able, for example, to promote and guide the overseas expansion of domestic business activities, and advise neighbouring states on policies to cultivate and regulate investment in their economies. In this way, then, regionalization may actually serve to protect the state against global market and political forces.

I test this argument with a case study of Japanese administrative and financial guidance for Asia.[3] If I am correct (and the prophets of globalization are wrong), then we should expect to find that Japan's embattled ministries (especially the Ministry of Economy, Trade and Industry or METI, formerly known as the Ministry of International Trade and Industry or MITI)[4] have reclaimed an activist role for themselves by promoting the regionalization—or Asianization—of Japan's home-grown production networks. If, on the other hand, the prophets of globalization are correct (and I am wrong), we should expect to find that Japanese capital exports in the 1990s led to a significant diminution of state authority and jurisdiction.

Although it does not *prove* anything, the case study certainly supports my perspective.[5] It suggests that political élites may be able to use regionalization to maintain their authority when (a) they enjoy relatively close ties of co-operation with domestic business élites; and (b) they occupy central positions in the exchange networks that make up a particular region.

The paper proceeds in the following sequence. In Section 2, I spell out the assumptions and define the concepts that make up the analytical model used here, and I apply them to Japan. Section 3 presents my study of how the Japanese state has promoted and sustained the process of regionalization in Asia. Section 4 concludes by returning to the analytical model and asking whether it adequately explains the empirical findings.

2. Analytical Framework

Social structure matters. For one thing, it matters because it serves as the crucible in which economic and political exchange, as well as communication, occurs. In other words, a transaction—defined broadly to mean any exchange of resources or information—is embedded in, and thus to some degree constrained by, a structure of relationships. Granovetter (1985), an economic sociologist, notes that the least embedded transactions are those envisioned in the 'undersocialized' world of neo-classical economic theory—spot market deals in which buyer and seller meet only at the point of sale and communicate merely on the basis of price. At the opposite end of the spectrum, the most embedded transactions take place within a single institution, such as the vertically integrated firm, and thus bypass the market altogether. This, according to Granovetter, is the 'oversocialized' world envisioned by Williamson (1975) and other neo-institutional economists. It seems clear that

3. Unless otherwise noted, 'Asia' here means China, the four Asian NIEs (South Korea, Taiwan, Hong Kong and Singapore), and the four core members of ASEAN (Thailand, Indonesia, Malaysia and the Philippines). I concentrate especially on the latter sub-region.

4. MITI became METI in January 2001 as part of a reorganization of the central government. In this paper I refer to it as MITI except in obviously post-reorganization contexts.

5. I am hedging here because an *N*=1 case study cannot demonstrate the validity of such a sweeping hypothesis unless it illuminates what Eckstein (1975) might call a 'critical case'. While Japan, perhaps more than any other industrialized state, has been subjected to intense pressure to abandon its activist ways, I am not convinced that it qualifies as a 'least likely' and thus 'critical' case.

most transactions take place somewhere between these two extremes; in fact, they often take place in some kind of network structure. This is as true for political deals as it is for purely economic transactions.

Social structure also matters because it creates opportunities for influence (in the case of information exchange) and domination (in the case of resource exchange). In any network structure, certain actors will occupy central positions or nodes through which other actors must 'pass' in order to acquire information or secure resources nested in that network. They enjoy relative autonomy or what I call 'positional power' because other network members rely on them more than these well-positioned actors rely on others.[6] Therefore, they are able to exert influence over others, or dominate them, simply by virtue of the fact that they occupy a pivotal position in the network (and are thus more 'in the know' or more capable of mobilizing resources).

2.1 Government–Business Co-operation

Capitalism assumes different forms in different settings: neo-liberalism in the USA and post-Thatcher Britain; corporatism in continental Europe; Gerschenkronian developmentalism in Japan, South Korea and Taiwan. Much of the 'varieties of capitalism' literature focuses on the extent to which firms contract with one another through spot markets, on the one hand, or through trade associations, research consortia and other forms of supra-market co-ordination, on the other.[7] Here, though, I focus on the structure of relationships between public- and private-sector élites.

In the USA and the UK, the state is expected to follow the principle of *laissez faire*; that is, it is supposed to keep its hands off the market, allowing private industry to operate as freely as possible on the basis of price signals. This expectation has not been shared in places such as Germany, where the government manages a *soziale marktwirtschaft* (social market economy) designed to protect labour, or in places such as Japan, where bureaucratic élites in what Okimoto (1989) calls 'the network state' and Okuno-Fujiwara (1997) calls a 'relation-based government' cooperate closely with industrial élites to sustain high levels of investment.

To an unusual degree, government–business co-operation in Japan has been carried out via extra-legal, often highly personalized networks in which both sides swap 'hostages' (*amakudari* and *shukkō* transfers) to maintain credible commitments to the ongoing relationship. In the 1950s and 1960s, Japan's leading economic ministries took the lead in setting up these networks, encouraging firms to organize themselves into horizontal groups, such as trade associations and bank-centred keiretsu, and into vertical groups, such as supply and distribution keiretsu. The Ministry of Finance (MOF) and MITI, in particular, used this institutional framework to transmit policy signals that would diffuse rapidly through the economy, without having to resort to fixed rules and regulations. This flexible voice of state policy came to be known as 'guidance' (*shidō*).

MOF, for example, engaged in financial guidance by establishing a below-market ceiling on interest rates, which created excess demand for cheap credit and thus an opportunity for rationing. It then directed city banks to lend this scarce and coveted capital to strategic industries. At the same time, it pulled funds from the postal savings system into the Fiscal Investment Loan Program (FILP), which government-affiliated financial institutions such as the Japan Development Bank and the Export–Import Bank then tapped to provide low-cost financing to these same industries. MITI, meanwhile, practised 'administrative guidance' (*gyōsei shidō*) by, for example, sanctioning cartels in

6. In developing this concept, I have been influenced by Burt (1992) and Cook *et al.* (1983).

7. See, for example, Soskice (1999).

high-growth industries and thereby allowing firms to remain in business despite frequent episodes of overcapacity that would inevitably follow the adoption of new technology and massive investment in new plant and equipment.

In the 1970s, industry seemed to gain the upper hand in its relationship with the Japanese state. As innovating, export-oriented firms accumulated substantial capital resources of their own, and as they forged technology tie-ups with other (often foreign) firms, they became less and less dependent on government resources. At the same time, as the economy matured, moving into an era of slower growth, the government found itself with fewer resources to utilize.

State authority was challenged further in the 1980s and early 1990s, as globalization imposed new pressures on Japan. Large, export-oriented firms, faced with production costs that threatened to undermine competitiveness, complained about the heavy burden of regulation, while key trading partners—led by the USA—accused the Japanese government of meddling too much in the market. As if these twin pressures were not enough, the media began reporting numerous cases of corruption on the part of high-level bureaucrats. Even Japanese Diet members pushed for legislation to require bureaucrats to put administrative guidance in writing.[8] They also circulated proposals to privatize or consolidate some of Japan's government-controlled financial institutions.

Did the Japanese bureaucracy buckle beneath these pressures? Many foreign observers believe it did: Schaede (2000), for example, proclaims that the developmental state and its industrial policies have been rendered obsolete by globalization; Pempel (1998) finds evidence of a massive 'regime shift' away from what he calls 'embedded neo-mercantilism' and toward a more *laissez-faire* approach, a shift driven in large part by global market forces; Hirsch and Henry (1997) view Japan's multinational corporations as agents of radical change that have tamed the state by exercising, or threatening to exercise, capital flight from an overprotected domestic economy.

The evidence, however, suggests that the Japanese state has managed to resist, at least temporarily, some of these pressures for change. To cite just one example, retiring government bureaucrats continue to land *amakudari* posts in private firms—often the same ones they had previously overseen as public officials. In the four-year period from 1995 to 1998, an average of 1,000 central government bureaucrats 'descended from heaven' at the mandatory retirement age each year; that represents a small increase over the equivalent period a decade earlier (1985–88), when an average of 937 did so.[9]

In the 1990s, then, the Japanese state apparently halted or at least slowed a long-term trend of diminishing bureaucratic authority. How? The argument here is that it did so in part by pursuing a project of regionalization ('Asianization') that Japan—and, by extension, Japanese élites—would heavily influence and even dominate.

2.2 Regionalization and Positional Power

Regionalization today is often seen as a subset of, or a stepping-stone toward, globalization: a geographically limited version of a market-driven process that, on balance, tends to reduce existing barriers to trade and investment and thus leads to convergence in state policies and industry practices. Lawrence (1991: 35) advances this perspective. He argues that, if they continue to encourage the

8. Under the Administrative Procedure Law adopted in 1994, administrative guidance is not binding unless put in writing. But many believe this legislation has had little effect on bureaucratic behaviour since administrative guidance was never *legally* binding anyway.

9. Tōyō Keizai Shinpōsha, *Kigyō Keiretsu Sōran*, various years.

liberalization of markets, regional trading schemes such as the EU, NAFTA etc., 'will inevitably become building rather than stumbling blocks in the move towards a more integrated global economy'. In reality, however, regionalization has not led to convergence among member states—not even in Europe, where the integration process has gone further than anywhere else in the world. Hurrell (1995: 356) notes this fact:

> Integration was not pursued as part of a grand project of moving 'beyond the nation-state', but rather as the best means of sheltering or protecting a particular domestic project built around Keynesian economics, social welfare and corporatist social arrangements. Integration therefore emerged from the pursuit of quite narrowly focused national policies and parochial rather than internationalist visions, and could result in strengthening, not weakening, the role of the state.

The effects of regionalization and globalization are different because the two phenomena are different. Regionalization, unlike globalization, occurs in a fixed space, a particular context. It has to do with the consolidation of political and business ties in a specific area, not just the flow of faceless factors (capital, labour, technology) in that area. Regionalization, then, is a social phenomenon that reflects the integration of cross-border exchange relationships forged over time but within a finite space. Deutsch (1981: 54) argues that a region is historically constructed through social interaction. 'It is the multiplicity of common cultural elements and links of horizontal and vertical communication and personal understanding that makes a region, somewhat as—on a small but intensive scale—such links, including language, religion, or way of life, often can make a people.'

Although this sociological perspective represents an improvement over a purely economistic view of regionalization, it, too, is inadequate in that it ignores the fact that these cross-national linkages do not emerge spontaneously but rather are forged and maintained by well-positioned actors. Occupying pivotal nodes in cross-border exchange networks, these élite actors can manipulate the flow of information and resources. In other words, they enjoy positional power, and have exercised this power to shape the evolution of ideas and institutions that define a region. For example, German and French élites dominate the administrative and business networks that bind together Europe. As a result, European regionalization is—much like 'Rhine' capitalism[10]—a highly institutionalized, even bureaucratic phenomenon. Although the European Union promotes open markets (except in agriculture), it also pursues a structural policy designed to distribute income from wealthier to poorer areas in Europe and a social policy designed to protect the rights of workers. Likewise, US élites dominate cross-border networks in North America—a fact that helps explain why NAFTA looks so much like US-style capitalism. It uses formal-legal rules to promote free trade, but eschews a supranational bureaucracy. And finally, Japanese élites dominate regional networks in Asia. For this reason, regionalization in Asia resembles the political economy of Japan; economic integration in this part of the world occurs through informal, even personal ties rather than through formal-legal institutions or unfettered markets (cf. Katzenstein 1997).

It is rather easy to demonstrate that Japan enjoys tremendous clout in Asia. Indeed, host countries throughout the region depend heavily on resources provided by the Japanese government and Japanese multinational corporations. Consider that:

- Japan is the number one source of bilateral aid for most countries in Asia. Indeed, in the mid-1990s, China received 50–60%, Thailand 70–80% and Indonesia 55–90% of its bilateral aid from Japan (Table 1).

10. This term is borrowed from Albert (1991).

Table 1. Japan's Bilateral ODA to Asian Countries

	China	Indonesia	Thailand	Philippines	Malaysia
1989	832.2 (55.7)	1,145.3 (67.2)	488.9 (74.4)	403.8 (53.3)	79.6 (60.3)
1990	723.0 (51.0)	867.8 (57.2)	418.6 (57.2)	647.5 (58.8)	372.6 (81.3)
1991	585.3 (46.3)	1,065.5 (60.9)	406.2 (63.5)	458.9 (53.2)	199.9 (73.2)
1992	1,050.8 (50.6)	1,356.7 (68.8)	414.0 (59.5)	1,030.7 (67.0)	157.1 (80.6)
1993	1,350.7 (60.2)	1,148.9 (60.1)	350.2 (62.2)	758.4 (56.8)	none (n/a)
1994	1,479.4 (61.8)	886.2 (56.9)	382.6 (70.4)	591.6 (62.8)	none (n/a)
1995	1,380.2 (54.5)	892.4 (68.5)	667.4 (80.7)	416.1 (55.6)	64.8 (60.7)
1996	861.7 (51.6)	965.6 (90.9)	664.0 (82.7)	414.5 (55.4)	none (n/a)
1997	576.9 (47.0)	496.9 (62.9)	468.3 (77.9)	319.0 (56.2)	none (n/a)
1998	1,158.2 (66.9)	828.5 (66.6)	558.4 (62.6)	297.6 (56.4)	179.1 (90.4)
1999	1,226.0 (n/a)	1,605.8 (n/a)	880.3 (n/a)	413.0 (n/a)	122.61 (n/a)

1st number: Japan's aid contribution to each country in $US million. Number in brackets: Share of recipient's total bilateral aid given by Japan.
Source: MOFA, Wagakuni no Seifu Kaihatsu Enjo no Jisshi Jōkyō (State of Implementation of Japan's Overseas Development Aid), various years.

Table 2. Flow of Experts to Asia from Japan International Co-operation Agency (JICA)

Year	Number of Experts Dispatched to Asia	Asia's Share of All Dispatched Experts
1991	1,292	50.3
1992	1,354	49.7
1993	1,513	51.9
1994	1,583	52.9
1995	1,565	51.4
1996	1,804	59.0
1997	1,915	59.0
1998	2,385	59.6
1999	3,351	57.6

Source: Ministry of Foreign Affairs, Wagakuni no Seifu Kaihatsu Enjo no Jisshi Jōkyō (State of Implementation of Japan's Overseas Development Aid), various years.

- Japanese government experts serve as insiders in capitals throughout the region, providing valuable advice to Asian governments on industrial and macroeconomic policies (Table 2). For example, since the early 1980s, Japanese officials have helped draft all of Thailand's five-year national development plans.[11]

11. Interviews with Thai and Japanese officials, July 1992, April 1993, July 1995 and September 1997. For more on personal networks between Japanese government officials and their counterparts in Southeast Asia, see Hatch and Yamamura (1996: 130–145).

- Japan is the leading source of foreign direct investment (FDI) in manufacturing in Asia, especially the ASEAN-4, where it accounted for more than a quarter of all such flows in the decade from 1987 to 1996.[12]
- Japanese multinationals dominate important markets in host countries, from machine tools to bearings, from household appliances to automobiles. Indeed, in the ASEAN-4, they manufacture and sell an estimated 80–90% of the locally produced passenger and commercial vehicles.[13] Japanese subcontractors in Southeast Asia have become the chief source of car parts for those assemblers. In Indonesia, 46 of the 53 major (international) joint ventures in the car parts industry have a Japanese partner.[14]
- Japanese manufacturing affiliates are major employers—with more than 1.1 million Asian workers on their payrolls in 1995. In Thailand, Japanese firms employ 7% of all production (shop floor) workers, according to the Japanese Chamber of Commerce and Industry (Bangkok) (1997). In Malaysia and Singapore, they employ 45% and 25%, respectively, of all workers in the electrical machinery industry (Okamoto 1996: 20).

Japan, then, has gained relative power in bilateral relations with Asian states. But more important for this study, Japanese business and political élites also have acquired positional power by occupying central nodes in an integrated structure of production and administrative networks linking different economies in the region. As Takenaka (1996: 133) asserts, they are 'the glue holding together a complex web of relationships'. With production plants scattered throughout Asia, Japanese multinationals contribute heavily to the growing volume of intra-regional trade and investment. And as we shall see, Japanese bureaucrats are the central actors in regional policy networks.

3. The Japanese State and Asian Regionalization

The regional integration of Asian economies was not conceived in Kasumigaseki, the headquarters of Japan's central bureaucracy. Rather, the process was set in motion by private firms, particularly Japanese machine manufacturers, hoping to capitalize on the region's growing economies and relatively cheap labour. It began in the late 1980s, after the Plaza Accord boosted the value of the yen and increased production costs for export-oriented firms in Japan. Then, as profits plunged after the collapse of the bubble in 1991, the process accelerated. Japanese manufacturers raced to expand production in Asia. As Figure 1 shows, by 1995 they were pumping as much as $7.7 billion in new FDI into the region, which then attracted 40% of all Japan's external manufacturing investment. Relative to the home economy and other overseas locations, Asia became, for Japanese manufacturers, a major profit centre.

Japan's economic ministries recognized the significance of this trend—both for Japan as a whole and for themselves. They quickly jumped on the bandwagon.

12. Legewie (1998: 10) notes that country-level data on FDI flows probably understate the magnitude of Japanese capital in the region. For example, an intra-regional investment by a Japanese affiliate in Singapore is counted as Singaporean FDI.
13. This estimate comes from Automotive Resources Asia, a Bangkok-based consulting company. The *Nikkei Weekly* (9 March 1998) put the figure at 76% of total production in ASEAN.
14. Association directory, Gabungan Industri Alat Mobil & Motor (GIAMM/Indonesia Auto parts and Components Industries Association), 1997.

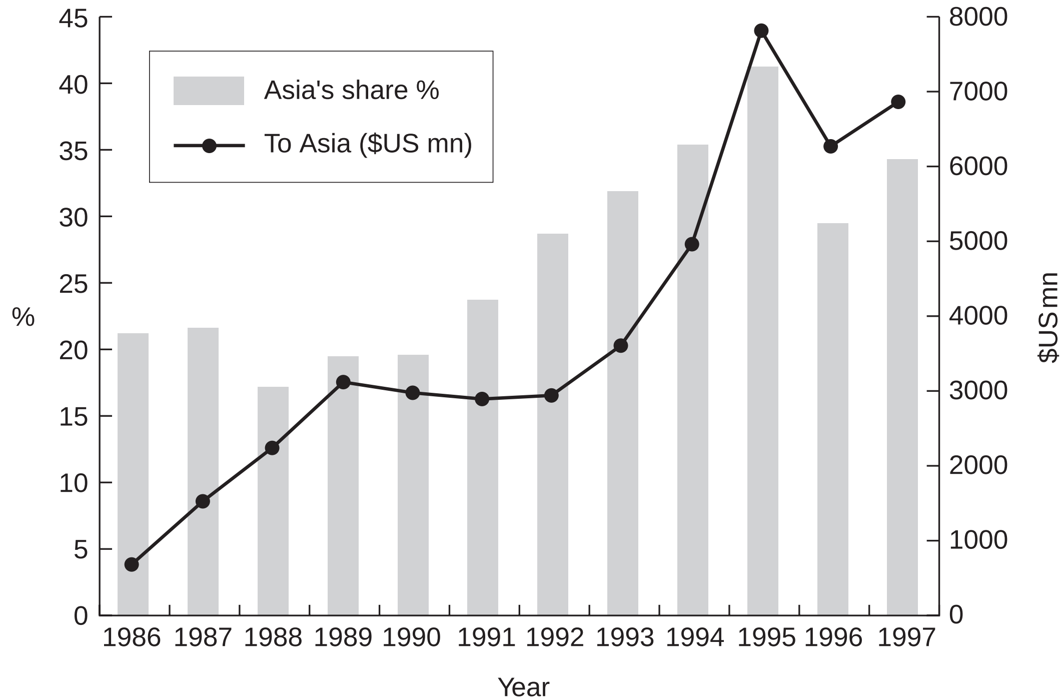

Figure 1. Japanese Manufacturing FDI to Asia ($USmn, % of total).

Source: Calculated by the author from Ministry of Finance, *Kokusai Kinyūkyoku Nenpō* (Annual Report of the Internationl Finance Bureau), various years.

3.1 Bureaucratic Visions for a Region

By the mid-1990s, both MITI and MOF had convened high-level deliberative councils (*shingikai*) to advise them on economic policies the Japanese government should pursue in Asia. At MITI, the theme was industrial policy: how to build a stronger regional division of labour by meshing Japan's industrial structure even more tightly with the industrial structures of newly developed and still developing economies in the region (Kokusai Bōeki 1998). Over at MOF, the theme was monetary policy: how to regionalize the use of the yen, especially for the benefit of Japanese firms operating in Asia. But according to Sakurai Makoto, a member of both *shingikai*, a more fundamental question initially propelled the two ministries into action: Could they revitalize themselves (that is, expand their authority or extend their jurisdictional reach) by pursuing regional, rather than purely national, economic policies?

'Asia is the new end zone,' says Sakurai, director of the Mitsui Marine Research Institute, 'and MOF and MITI are competing fiercely over who will get there first.'[15]

On the broad field of ideas, both ministries have been playing this game for a long time. In the 1980s, MOF created its own think tank, the Foundation for Advanced Information and Research (FAIR), to stimulate interest throughout Asia in greater regional economic co-operation. MITI,

15. Interview, 23 June 1999, Tokyo.

meanwhile, tapped its established brain trust, Ajiken (*Ajia Keizai Kenkyūjo*, officially the 'Institute on Developing Economies'). The studies that emerged from these and other Japanese research teams invariably invoked the concept of 'flying geese',[16] in which Japan led a flock of regional economies, transferring its outdated technologies to second-tier neighbours such as South Korea and Taiwan, who in turn transferred *their* outdated technologies to third-tier neighbours such as Thailand and Malaysia, etc.

To sustain this virtuous cycle of development, technology transfer and further development, the Japanese government viewed its role as one of providing administrative and financial guidance to host states in Asia and to Japanese investors expanding into the region.

3.2 Administrative Guidance for Asian States

In the mid-1990s, MITI began exporting industrial policies to Asia through a new organization, the Cambodia–Laos–Myanmar Working Group (CLM-WG), which aimed to promote the industrialization of those transitional economies.[17] MITI proudly noted that this new policy group was based in Bangkok, not Tokyo, and insisted that it reflected an equal partnership between ASEAN (represented by the ASEAN Economic Ministers, or AEM) and Japan (represented by MITI). In fact, however, CLM-WG was financed and staffed exclusively by MITI.[18] The organization soon evolved into the AEM-MITI Economic and Industrial Cooperation Committee (AMEICC), and broadened its coverage to include all of Southeast Asia. It also expanded its mission by, for example, pushing for stronger industrial linkages or what Ōtsuji (2001: 335) calls 'industrial harmonization' throughout the region.

AMEICC is the umbrella organization for Japan's administrative guidance to host governments and local firms in Asia. But other Japanese organizations also dispense advice on everything from broad macroeconomic policies to sector-specific microeconomic policies. The Japan International Co-operation Agency (JICA), one of the government's two leading aid-implementing agencies, has hundreds of advisers scattered throughout Southeast Asia at any particular time. In the fiscal year ending in March 1999, it dispatched 645 to Indonesia, 357 to Thailand, 336 to the Philippines and 188 to Malaysia.[19]

Since the mid-1990s, when Japanese assemblers actively began to replicate their domestic keiretsu networks in Asia, policy advice has centred on how to develop supporting industries—particularly in the consumer electronics and automobile industries. For example, a JICA team in Thailand produced a detailed study that led, in 1995, to the Thai Ministry of Industry's 'Master Plan for Supporting Industries' (Suehiro 1998: 160). A year later, following MITI's guidance, the Thai government established the Bureau of Supporting Industry Development (BSID) to carry out the plan.[20] In addition, MITI played a pivotal, behind-the-scenes role in Thai efforts to promote

16. The 'flying geese' concept was first used by Akamatsu (1962) to describe the process of technological assimilation that allowed a single industry (textiles) in a developing economy to 'graduate' from dependence on imports and eventually become a producer of internationally competitive exports. Japanese economists such as Kojima Kiyoshi and diplomats such as Okita Saburo later applied the concept to Asia as a whole, arguing that intra-regional investment patterns carried technology from mature to maturing economies.

17. CLM-WG actually inherited its mandate from the highly controversial New AID plan, discussed below.

18. Interview, Koike Osamu, deputy representative, Japan Overseas Development Corporation, Bangkok, 8 September 1997.

19. Internal memo, produced by JICA planning department and released to the author on 23 July 1999.

20. Suehiro (2000: 54) notes that, in 1988, MITI also helped launch the bureau's precursor, the Machine Industries Development Institute (MIDI). The Thai government transformed MIDI into BSID in 1996, significantly raising its profile in the bureaucracy.

supporting industries by building institutions such as the Small Industry Finance Corporation to provide low-interest loans to small and medium-sized enterprises (SMEs).[21] More generally, MITI has created a regional council, including government and industry officials from ASEAN countries, as well as government and industry officials from Japan, to propose policies designed to foster the growth of SMEs in Southeast Asia (*Yomiuri Shinbun*, 2 March 1997).

Japanese government officials often work hand-in-hand with Japanese business officials to provide guidance to host states in Asia. For example, MITI collaborated with the Japan Automobile Manufacturers Association (JAMA) on an ambitious scheme to help Thailand upgrade the quality and competitiveness of its car parts industry, and thereby help Japanese vehicle assemblers in that country achieve their goal of increasing the local content of their products (*The Nation* [Bangkok], 14 September 2000).

MITI/METI has also mobilized Japanese business groups to help their Asian counterparts build up nationally based trade associations and even region-wide industrial associations that directly reflect Japanese business interests. Thus, JAMA encouraged car makers in Southeast Asia to reorganize and revitalize their flagging ASEAN Automobile Federation (AAF); the Japan Electrical Manufacturers Association (JEMA) and Electric Industries Association of Japan (EIAJ) joined forces with Asian manufacturers to establish a new regional grouping, 'Business Dialogue'; and the Communications Industry Association of Japan (CIAJ) launched the Asian Telecommunications Industry Exchange.[22] A major purpose of the new regional organizations is to harmonize product and safety standards as well as certification procedures among members. MITI noticed that, although US standards often become *de facto* global standards, the European Union has moved to establish its own regional standards. 'There is an urgent need to create standards based on the particular requirements of the Asia–Pacific region', the ministry asserted (*Nikkan Kōgyō,* 20 September 1996).

3.3 Administrative Guidance for Japanese Investors

Japanese government officials advise not only host governments and industries in Asia, but also Japanese firms that invest in Asia. When conducted in Japan, much of this guidance is directed at SMEs looking for tips on suitable industrial sites and possible joint venture partners. Indeed, the government now publishes a lengthy manual describing all the programmes available to smaller firms contemplating a move overseas.[23] Sometimes, however, the guidance is directed at large firms and—much like the *gyōsei shidō* of an earlier era—appears to encourage collusive or cartel-like behaviour. That was the case in 1992, when MITI called together representatives of the consumer electronics industry and tried to reach a loose agreement on which companies would invest how much money to manufacture what products in which countries.[24]

Outside Japan, METI uses another one of its arms, JETRO (the Japan External Trade Organization), which operates ten 'support centres' throughout Asia, to guide Japanese firms that have already built factories. JETRO now has an additional support centre in Bangkok that is specifically designed to 'eliminate investment risk' for Japanese small and medium-sized companies hoping to expand into Thailand (*The Nation* [Bangkok], 25 February 2000). In 1990, the Japanese government

21. Suehiro (2000: 55–60) carefully documents these efforts, as well as MITI's guiding influence.

22. Interviews with MITI officials, 1997–99.

23. The manual (*Chūshō Kigyō Kokusaika Shien Manyuaru*) was only 63 pages in 1996, when it was first published by MITI's SME Agency. Two years later, it was 116 pages.

24. 'MITI Urges Electronics Firms to Produce Abroad'. *Nikkei Weekly*, 13 June 1992, p. 1.

announced a plan to create public–private councils in major cities throughout Asia to provide what it called 'local guidance' to Japanese affiliates (*Nihon Keizai Shinbun*, 20 September 1990). Then in 1996, it set up the Asian Industrial Network Program to pool information on suppliers and joint venture partners (*Nikkan Kōgyō,* 12 October 1996). JETRO has played an important co-ordinating role for Japanese affiliates in Asia: for example, in 1991 it helped broker an informal agreement that led to a wage cartel curbing competition for the scarce supply of electrical engineers in Malaysia.[25]

3.4 Financial Guidance for Asian States

Tokyo has used foreign aid (Official Development Assistance, or ODA) to help host states undertake projects designed to stimulate private investment, including FDI from Japan. In fact, this is the government's stated policy: aid should 'prime the pump to ensure a smooth flow of private financing' to the developing world,[26] and especially to developing Asia, which typically receives at least 90% of all concessionary loans from the Japanese government. In 1998, Japan extended $3.36 billion in low-cost credit to different countries in the region. Most of this financing came via the FILP programme; and most of it went for infrastructure development projects such as ports, roads and electrical transmission facilities.

The Japanese state's most ambitious effort to use ODA as a vehicle for financial guidance was the New Asian Industries Development (or New AID) plan.[27] Launched in 1987 by MITI, the plan was designed to stimulate export-oriented manufacturing throughout Asia and to help Japanese firms upgrade their domestic operations by transferring labour-intensive production to new offshore facilities in the region. MITI implemented the programme in three phases: (1) collaboration with its counterparts in host countries to identify specific industries that, with some nurturing, might attract export-oriented investment from Japan; (2) the drafting of proposals to promote those targeted industries, usually relying on a mixture of 'hard infrastructure' (such as roads and electrical transmission lines) and 'soft infrastructure' (such as new Japanese-style organizations reflecting co-operation between government and business); and (3) offering, as a carrot, yen loans and technical support to implement these programmes.

What made the New AID plan new was the Japanese government's effort to draft and implement industrial policies to lure private capital to specific locations in Asia, rather than simply funding ODA requests from an individual host country. This is also what made it controversial. Western critics viewed it as a presumptuous, intrusive, top-down approach to development, while Japanese critics outside MITI called it a power grab by the ministry.

MITI bowed to critics and shelved the plan, but never abandoned the vision behind it. That vision, spelled out in its annual statement of policy priorities, continued to be 'the creation of open industrial networks' and 'the support of Japanese business activities in Asia'.[28] MITI today is taking smaller, more deliberate steps in its effort to accomplish these goals. For example, it is offering to finance information technology development projects in Asia as part of Japan's $15 billion

25. JETRO intervened on behalf of Japanese producers in Malaysia who complained when Sony lured skilled technicians to its new factory there by offering wages 30% higher than its competitors. See 'Gathering of the Clan', *Far Eastern Economic Review*, 28 March 1991, p. 52. Through interviews conducted in the mid-1990s, I learned of similar wage cartels among Japanese manufacturers in industrial parks across Asia.

26. *Nihon Keizai Shinbun*, 'Keizai Kyōryoku Hakusho: Kunibetsu Enjo Shikin o Teian' (ODA White Paper: 'Proposals on Guiding Country-by-Country Assistance'), 14 June 1991, p. 5.

27. The New AID Plan is discussed in detail in Hatch and Yamamura (1996: 120–121, 138–140).

28. Ministry of International Trade and Industry (1995: 25).

commitment to help reduce the 'digital divide' in the developing world.[29] Indonesia already has asked for $2 billion from that fund to build a 'cyber city' at the site of a former airport in Jakarta. The Jakarta International Trade Fair, which owns the site, includes local and Japanese business interests (*Jakarta Post*, 10 January 2001).

3.5 Financial Guidance for Japanese investors

Unlike its Western counterparts, the Japanese government actively subsidizes private overseas investment, particularly FDI to Asia. The Export–Import Bank (1983: 40) has proudly trumpeted this distinction: 'The use of public funds to finance private overseas investment is relatively unique to Japan, with almost no parallel in other countries.' While the government's share of FDI financing has diminished since the 1980s as firms have drawn more heavily on their own resources and on commercial banks (particularly Japanese banks that have set up branches in Asia), its absolute contributions have actually grown quite substantially. In addition, the relative weight of FDI financing in total government lending activity has also increased. Beginning in the mid-1980s, the Export–Import Bank began to shift its focus from export credits to overseas investment loans—especially to Japanese firms setting up shop in Asia. As Table 3 shows, such loans for regionalization came to nearly a quarter of the bank's total business by the mid-1990s.

Besides the Export–Import Bank, which is accountable to MOF, three government-affiliated financial institutions that fall under both MOF's and METI's supervision have used public funds from the FILP to guide small and medium-sized enterprises into Asia.[30] Those banks—Chūshō Kigyō Kinyū Kōko (Japan Finance Corporation for Small Business), Kokumin Kinyū Kōko (People's Finance Corporation) and Shōkō Kumiai Chūō Kinko (better known as Shōkō Chūkin)—have been given new or expanded responsibilities, largely due to the credit squeeze facing SMEs during the long economic recession in Japan, but also due to the new emphasis on encouraging regionalization. This represents a Lazarus-like turnaround for these banks, which only a few years earlier were being mentioned as candidates for consolidation or privatization.[31]

Under a law passed in 1987 and revised in 1995, these government banks are now specifically authorized to subsidize efforts by small firms to enter new fields—including overseas ventures. This programme was intended to help SMEs cope with the ongoing problem of 'hollowing out', which for them means the loss of domestic markets as their Japanese customers (often assemblers of automobiles or electronic goods) move overseas. Ironically, though, by helping subcontractors engage in FDI, the programme risks exacerbating the larger problem. The Japan Finance Corporation for Small Business (JFS) has been the most aggressive lender, using nearly 70 billion yen to finance 844 overseas investment projects (90% in Asia) between 1987 and 1996.

The JFS recognizes the irony. 'If we help too much, we may contribute to the loss of production facilities and jobs in Japan,' concedes a bank official. 'But our primary mission is to assist small and

29. The government made this pledge in July 2000 at the G-8 summit in Okinawa.

30. The FILP, which was tapped by government banks in the 1950s and 1960s to finance loans to strategic industries, used to be known as Japan's 'second budget' (because it included so much money from postal savings) and Japan's 'hidden budget' (because it was beyond the deliberative reach of the Diet). The programme, which now pays for special appropriations such as public works projects and ODA loans, is still well-endowed—a function of the public's growing concern over the solvency of private banks. In 1998, it was funded to the tune of 50 trillion yen. The programme remains firmly under the control of the Ministry of the Finance.

31. More recently, Prime Minister Koizumi Jun'ichiro—a long-time critic of Japan's network of public financial institutions—renewed the call for privatization or consolidation. He was rebuffed, however, by his own cabinet, which called for further study of this issue. See *Asahi Shinbun*, 20 December 2001.

Table 3. Export–Import Bank Loans for JFDI to Asia

Year of Commitment	Overseas Investment Loans to Asia (billion yen)	Share of Total Commitments (%)
1980	79.1	8.5
1981	90.2	5.6
1982	n/a	n/a
1983	77.0	8.0
1984	52.4	6.7
1985	41.3	4.7
1986	11.9	1.1
1987	198.7	14.1
1988	42.0	2.9
1989	135.7	8.0
1990	199.7	12.6
1991	188.7	12.7
1992	319.3	16.7
1993	163.7	13.1
1994	188.5	10.9
1995	251.2	15.3
1996	330.6	22.3
1997	939.3	24.5
1998	201.4	12.2
1999	203.7	18.8

Source: Export–Import Bank of Japan, Annual Report, various years.

medium-sized firms so they can compete in an increasingly global marketplace. If firms believe they must expand overseas to remain competitive, we must do our best to help them.'[32]

3.6 Evaluating Guidance

It is not necessary to demonstrate here that Japan's regionalized guidance has actually generated economic growth in Asia or at home.[33] One should, however, ask whether the targets of these policies and programmes are actually 'buying' what the Japanese state is 'selling'. In other words, do they really welcome Japanese guidance? If they do, such guidance can continue into the future; if they do not, it is, at least in the long run, unsustainable.

The Asian economic crisis of 1997–98 presents a good opportunity to explore this question. Indeed, many observers have suggested that the crisis raised new and grave doubts about Japanese economic policy and, ultimately, about Japan's leadership in East and Southeast Asia. Sakaiya Taichi

32. Interview with Ishikawa Kokuo, senior assistant manager, international section, JFS, 5 July 1999.

33. One anonymous reviewer criticized my failure to consider the 'actual impact' of guidance policies on 'outcomes' (presumably economic outcomes). This omission was intended. I am interested in whether a policy profile is maintained or terminated, not in whether specific policies achieve projected results. In every political economy, policies are maintained in the face of evidence that they have not produced the intended outcome.

(1998: 95), head of Economic Planning in the Obuchi and Mori cabinets, argued that the region's financial meltdown put additional pressure on Japan to change its entire system of political economy, to become 'a nation in which politicians, not bureaucrats, lead the policy-making process'. A Singaporean economist told the *New York Times* (7 September 2000, p. C4) that Southeast Asia 'is caught in a difficult transition between an older model of Japanese-style, state-guided economic growth and a new and unproven model based on free movements of capital and labor'.

While these comments seem to indicate that the Asian economic crisis undermined the authority and prestige of Japan's economic bureaucrats, evidence actually points to the opposite conclusion. That is, the crisis actually advanced their cause. 'It has, of course, been a very bad thing for Asia and for Japan, but it has also been a very good thing for our agency,' said a high-ranking JICA official. 'Our status in the region has increased, and so has our budget at home.'[34]

The Japanese government clearly capitalized on the economic crisis, expanding virtually all of the promotional activities described above, and creating a few more on behalf of domestic industry. Indeed, when he announced his $30 billion rescue plan for Asia, Finance Minister Miyazawa Ki'ichi made no attempt to hide the fact that a substantial sum would go to Japanese SMEs that have contributed to the region by investing there, providing jobs and building an all-important supply base for machinery assemblers, particularly Japanese assemblers (*Nihon Keizai Shinbun*, 15 August 1998).

Much of this money was channelled through government-affiliated banks. For example, as of July 1999, the Export–Import Bank had agreed to provide 90.5 billion yen in additional assistance to Japanese affiliates in Indonesia through 'investment financing'.[35] Furthermore, the METI-MOF banks were authorized not only to subsidize new overseas investment in plant and equipment, but also to provide operating funds for Japanese SMEs in jeopardy of having to close down existing facilities in Asia. Government money is loaned to the parent company in Japan, which is then expected to inject capital into its affiliate in Asia. In just the first three months of 1999, the JFS loaned 1 billion yen to keep 14 affiliates afloat.[36]

In addition, METI tried to maintain investment in Asia by expanding its already generous programme insuring offshore bank loans for the overseas activities of Japanese affiliates. In March 1998, the government announced it would begin to cover ordinary credit risks, such as the bankruptcy of an overseas affiliate borrowing money (*Nikkei Weekly*, 9 March 1998). A few months later, it announced it would relax the insurance programme further by eliminating the requirement that Japanese parent firms participate in providing up-front guarantees for overseas loans made to their affiliates (*Yomiuri Shinbun*, 11 July 1998).

In response to the economic crisis, the Japanese government dramatically boosted its aid to Asia, both directly and indirectly. As Table 1 shows, Japan's ODA to Indonesia doubled from 1998 to 1999, while its assistance to Thailand jumped 63%. At the same time, the Japanese state pledged to back private loans to governments in Asia. For example, it insured 70 billion yen in bonds issued by Nomura Securities and Sumitomo Bank to the government of Malaysia for infrastructure projects (*Nihon Keizai Shinbun*, 23 November 1998).

Not only did the Japanese state renew its traditional aid bias toward Asia (which received 63.2% of Japan's bilateral ODA in 1999), it also resurrected the controversial practice of providing tied

34. Interview, 23 July 1999.

35. JICA handout, 'JICA and Japan's Support to Cope with Asian Financial Crisis', 22 July 1999.

36. Interview with Ishikawa Kokuo, senior assistant manager, international section, JFS, 5 July 1999.

loans. In 1999, for example, Thailand received 60 billion yen and Malaysia 16 billion yen in 'two-step' loans intended primarily for local Japanese affiliates suffering from the credit crunch. Asian countries hit by the crisis were also promised a total of 600 billion yen in 'special loans' for public works projects to be completed only by Japanese contractors (*OECF Newsletter*, No. 73, April/May 1999).

Increasingly frustrated with the developmental policies of the World Bank and the OECD's Donor Assistance Committee (DAC), the Japanese government is considering a plan to radically transform its foreign aid programme. The plan would divide Japan's aid programme into two categories—one that would follow the World Bank and DAC approach by providing grants for humanitarian aid to truly poor countries; and another that would follow Japan's long-standing approach of giving concessionary loans for commercial assistance to neighbouring countries in Asia. The programme for Asia would be guided by a 'regional industrial policy' to promote economic integration in Asia.[37]

At the same time, Japan is dispatching a larger number of experts to the region, including dozens of financial analysts from its public and private sectors, as well as advisers on 'industrial structure reform' and trade finance.[38] METI, meanwhile, is consolidating its position as a central node in the industrial networks of Asia. It has established a database containing information about technologies used by host firms in Thailand, Indonesia and Malaysia, and is distributing that information to Japanese firms looking to invest in those countries (*Nihon Keizai Shinbun*, 23 August 1998). It has also continued to work closely with the Japan Automobile Manufacturers Association and the Japan Autoparts Industry Association, this time on a 'roving experts' programme to send Japanese technicians to Southeast Asia to help local assemblers and parts suppliers hoping to upgrade their technical skills.[39]

Finally, the Japanese government is greatly expanding its Japan-based programme to train Asian workers employed by Japanese affiliates. This programme benefits large Japanese manufacturers that hope to retain skilled personnel despite massive reductions in output at their plants in the region. With the help of METI's Association for Overseas Technical Scholarships, Toyota, for example, managed to double the number of workers it trained in Japan from 250 to 500 in 1998, extending their stay from three months to six months (Fourin 1998: 6).

Japanese manufacturers do not publicly express gratitude to the Japanese government for its help. They have come to expect such assistance, especially in difficult circumstances such as those faced during the Asian economic crisis. A Japanese automobile executive who helps oversee the firm's Asian operations from his office in Tokyo said most of those operations managed to boost exports and smoothly ride out the crisis—a fact he attributed primarily to 'good management and good luck'. He added, however, that the Japanese government was 'very supportive'.[40]

Host governments throughout Asia, which do not want to give opposition forces a chance to tap into lingering anti-colonialism, are equally reticent openly to acknowledge foreign—including Japanese—efforts to help them cope with hard economic times. This was painfully obvious in July 2001, when Indonesian President Megawati Sukarnoputri visited the island of Sulawesi to dedicate seven major infrastructure projects but failed to thank the Japanese government for contributing the

37. This quote is from an unpublished paper ('Global Development Strategy and Japan's ODA Policy') written 3 September 2001 by Ōno Ken'ichi, a member of the METI advisory committee exploring this issue.

38. JICA handout, 'Activities for ASEAN Financial Crisis in Fiscal 1998', undated.

39. The programme is discussed by Ōtsuji (2001: 337–338), *Japan Digest*, 20 October 2000, and by the Japan Autombile Manufacturers Association at: http://www.jama.or.jp/e_press/voice/20001017.html

40. Interview, 10 July 2001.

lion's share of the funding. This showed, according to Kornelius Purba, a columnist for the *Jakarta Post* (6 August 2001), that 'the Indonesian government tends to take its friendship with Japan for granted'. Japan, he reminded his readers, is Indonesia's chief benefactor, and provides help without constantly trying to impose its will. 'Indonesian officials … will say that it is Japan, not the International Monetary Fund (IMF), that is the key to Indonesia's recovery.'

In the aftermath of the economic crisis, this positive assessment of Japan's leadership role in the region is now widely shared by Asian élites. They say the IMF, acting at the behest of the USA and its European allies, used the crisis to push a neo-liberal agenda designed primarily to benefit Western investors in the region. A headline in one of Bangkok's English-language daily newspapers captured this resentment toward the IMF, which imposed stiff and ill-fitting conditions on its assistance: 'West rides on Asian money crisis.'[41] By contrast, they say, Japan responded with a scheme, The New Miyazawa Initiative, to provide needed cash and advice without requiring wholesale policy changes and massive socio-economic dislocation. In Thailand, the ruling party 'eagerly responded to the initiative', according to Phongpaichit and Baker (2001: 65). 'The IMF's role was eclipsed. The Miyazawa initiative led not only to a more concerted fiscal stimulus, but also to a new set of policies aimed to work on the real sector through Japanese-style government guidance.'

Asian élites are eager for Japan to regain economic health and political confidence, and assert a stronger leadership role in the region. Singapore's Ambassador-at-Large Tommy Koh expressed this sentiment in September 1998, when he greeted visiting MITI minister Yosano Kaoru by invoking the ministry's favourite metaphor: 'We need the Japanese goose to grow strong so that it can lead the other geese in the region to fly again.'[42] This sentiment led to the ASEAN + 3 (Japan, China and South Korea) regional grouping that excludes the USA. It was this sentiment, too, that led in May 2000 to the Chiang Mai initiative on bilateral currency swaps, a regional scheme that operates outside the IMF framework. For Hughes (2000: 250), these developments are overwhelming evidence that Japan 'has recovered much of the diplomatic ground it had lost and is beginning to set once again the economic agenda in the region'.

4. Conclusion

The case study suggests that Japanese bureaucrats have been able to maintain and, in some instances, even expand their authority and jurisdictional reach by regionalizing the use of administrative and financial guidance. This was possible for two reasons. First, Japanese political élites had close and long-standing ties with domestic business élites who consequently did not distrust Japanese government initiatives. Indeed, Japanese multinationals welcomed state support as they struggled to operate in an uncertain business environment. Secondly, Japanese élites already enjoyed positional power in the region's structure of exchange relationships.

The evidence, then, suggests that regionalization may under certain conditions allow states to withstand the crushing forces of globalization that otherwise would weaken them significantly. Still,

41. *The Nation*, 1 September 1997, p. B1. The article, written by Thanong Khathong and Vatchara Charoonsantikul, begins with these words: 'The United States is reaping the economic and geopolitical benefits of the foreign exchange crises in Thailand and the rest of East Asia, although its ultimate objective is to slow growth in China and pre-empt Japan from becoming its global economic rival …'

42. *Straits Times* (Singapore), 24 September 1998. Chinese officials, of course, do not share this sentiment. In fact, Ding Xinghao of the Shanghai Institute of International Studies (quoted in Johnson 1989: 19) once wrote: 'Japan's view is always a flying geese formation with Japan as the head goose. Our memories are long, so we aren't about to fly in Japan's formation.'

in trying to defend an argument that contradicts conventional wisdom, one inevitably inspires new questions. I try to anticipate and address some of these in the remainder of this section.

4.1 How Long Can the Japanese State Use Regionalization to Prop Itself Up?

The status quo can hold only as long as Japan maintains positional power in Asia—a condition that becomes increasingly tenuous as the Japanese economy continues to stagnate. METI (2001: 23) notes grimly that Japanese multinationals, which provided 26% of all FDI flows to Asia in 1990, only provided 8% of such flows in 1999.[43] Western firms have dramatically expanded their presence in the region, particularly over the past three years. In some industries, such as hard disk drives (McKendrick, Donor, and Haggard 2000), US multinationals have established complex production networks of their own.

Japan's pivotal position in the region's political economy is now challenged by other powers in Asia, including the USA, which has tried to isolate its erstwhile ally in APEC on the issue of trade liberalization, and especially China, which has proposed a free trade area that would encompass ASEAN but not Japan. Japanese bureaucrats are acutely aware that China is rapidly upgrading its industrial structure, and no longer sits quietly at the bottom of a Japanese-dominated production hierarchy in Asia. Predictably, METI (2001: 32) has called for the construction of a new regional industrial framework that would more firmly incorporate China.

Without a dramatic improvement in economic health, however, Japan will not be able to continue dominating regional production and policy networks.

4.2 Is There Not a Simpler Explanation of the Observed Outcome?

One might argue that the decade-long economic slowdown at home—not regionalization—was the critical factor allowing Japanese bureaucrats to preserve unfashionable policies and practices such as financial guidance of small business investment. Although this argument contradicts the new orthodoxy suggesting that hard times are forcing Japanese bureaucrats to 'reform' outdated policies and practices, it has some merit. The credit crunch, in particular, has allowed government-affiliated banks for small business to justify a continuing, and even an expanded, role in the country's financial services sector.

But the 'hard times' argument and the 'regionalization' argument are not mutually exclusive. Indeed, Japanese bureaucrats routinely have paired hard times and regionalization in their policy discourse, invoking the latter as a partial solution to the former. For example, in 1992, as the post-bubble economy began to reveal its structural flaws, Hosoya Yūji, then deputy director of MITI's Industrial Policy Bureau, declared, 'Japan's main target must be Asia' (*Financial Times* (UK), 21 December 1992). He meant that Japan could regain its economic vitality if the Japanese state helped Japanese manufacturers build stronger production networks in the region.

4.3 What Would Motivate Japanese Political Élites to Behave This Way?

A rationalist approach would tell us that self-interested bureaucrats are merely seeking to maximize their utility—in this case, perhaps, control of 'turf' or policy jurisdiction, which in turn implies status and prestige. A culturalist approach, meanwhile, would emphasize the historically constructed

43. For our purposes here, these figures overstate the trend because (a) they represent FDI flow rather than the stock of accumulated investment over time; (b) they do not include reinvestments and local financing, which Japanese multinationals in Asia have used heavily; and (c) they are not disaggregated to show manufacturing investment, which Japanese firms continue to dominate.

identity by which actors in different contexts define themselves. For them, attempts by bureaucrats to regionalize practices such as financial and administrative guidance stem from constitutive norms rather than strategy.

I am sympathetic to both the rationalist and the culturalist perspective. In interviews, Japanese government officials candidly acknowledged they were concerned about declining *nawabari* or 'turf', and expressed a quite rational hope that recent efforts to finance and advise Japanese investors and host governments in Asia would become institutionalized, thereby maintaining or even expanding their ministry or agency's official range of activities. At the same time, one can detect a 'taken-for-granted' (or cultural) quality to many of the policies adopted by Japanese government officials. Additional research may be necessary to resolve this question about underlying motivations.

Neither of these perspectives, however, tells us much about the conditions under which political élites might successfully hang onto bureaucratic authority by promoting regionalization. For this reason, I have presented an alternative approach that rejects neither rationalism nor culturalism, but focuses instead on the manner in which social structure influences, even if it does not determine, actor preferences.

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