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Japan's Transition and Development in the 21st Century:
Analysis of Japan's Trade and Economic Policy and Regional
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Japan's Transition and Development in the 21st Century: Analysis of Japan's Trade and Economic Policy and Regional Integration

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Abstract

This report investigates Japan's transition and development in the 21st century, mainly focusing on Japan's external trade and economic policy. The Abe administration's Growth Strategy is also a major focus of the research. This report adopts the qualitative approach by examining related literature, government documents, as well as conducting various interviews in Japan, in order to obtain the first-hand information.

This report also takes the developmental state model as a major theoretical framework of analysis, while attempting to investigate whether this model remains relevant in modern Japan. By examining Japan's Growth Strategy plan, this report hopes to provide some constructive and valuable policy suggestions from the Taiwan government. Hence, while this report may be driven by piecing the theoretical puzzle of the development state in Japan's experiences, it is expected to deliver useful policy recommendations for Taiwan.

Keyword: Developmental state, Growth Strategy, New Southbound Policy, Southeast Asia

Introduction

In 2010, Japan's long-standing status of the world's second largest economy has been surpassed by China, reflecting its prolonged economic stagnation since the early 1990s and rapacious political instability during this period. Japan's previous glory as an economic miracle and model in East Asia has eclipsed and overshadowed by the rise of China. Nevertheless, the

governing model of the so-called development state¹ established by Japan has remained relevant and significant from various aspects and continued to be imitated and discussed in both policy and academic circles (Woo-Cumings, Johnson, Cumings, & Kohli, 1999).

By the end of 2012, the Liberal Democratic Party (LDP), led by Shinzo Abe, had regained the power from then ruling party of the Democratic Party of Japan (DPJ). In December 2012, Mr. Abe resumed prime minister and launched a series of ambitious economic reforms, so-called “Abe’s three arrows,” aiming to revitalize Japan’s stagnant economy. Abe’s aggressive economic plan, accompanying his robust and stable political support, to some extent, had made impressive and conspicuous progress in the early stage, which makes him be ranked as the third longest-term prime minister in Japan’s history after the World War Two.

Although the outcomes of Abe’s economic reforms remain to be seen, it is undeniable that Abe’s ambition and efforts to revitalize Japan’s economy has somewhat stimulated discussion on whether the Japan government could still have any effective policy leverage to guide and coordinate national economic development in the changing global economy. As a result, Abe’s economic reforms provide an intriguing case in terms of both policy and theoretical senses, since it also indicates Japan’s attempt to reverse its economic development and to regain its economic glory in the 21st century.

Against the above backdrop, this research would like to first highlight the rationale of this research project and then to specify its research objectives.

(1) The rise and decline of Japan’s developmental state

Before the burst of the bubble economy in the early 1990s, Japan had been an economic leader in East Asia for its outstanding economic achievement and a unique approach of economic development. The well-known and frequent-quoted book, *MITI and the Japanese Miracle* (1982), written by Harvard Professor Chalmers Johnson, was a symbolic token that represents the peak of Japanese economic power in the postwar period and indicates a distinctive Japanese model, featured by the unique cooperation and coordination between

¹ The concept of developmental state was created by Harvard professor Chalmers Johnson in his earlier book, *MITI and the Japanese Miracle* (Johnson, 1982).

government and private sector, called the “developmental state.”

Despite the fact that the notion of developmental state had stimulated fervent debates in both academia and policy circle across countries in the past decades, with prolonged economic stagnation of Japan’s “lost decades,” the appeal of the developmental state model has gradually eroded in the 1990s. Furthermore, the 1997 Asian Financial Crisis hammered the final nail in the coffin and announced the death knell of this development approach, since many East Asian states that claimed to imitate Japanese model had severely devastated by the storm of this financial turmoil, revealing numerous vulnerabilities and institutional drawbacks of this economic model (Hayashi, 2010).

(2) The revitalization of the developmental state

After nearly a decade of political volatility in the 2000s, the regain of premiership by Shinzo Abe, the leader of the Liberal Democratic Party (LDP), in 2012 with the LDP’s stable majority in the parliament, has paved the way for Japan’s economic revitalization. The so-called “Abenomics,” consisted of “three arrows” of fiscal stimulus, monetary easing and structural reforms, has been initiated by the Abe administration in 2013 (任耀庭, 2015). With a grand ambition of boosting Japanese confidence, this initiative aimed to stimulate its economy, address pressing challenges, and revive Japan’s past glory. To achieve these goals, the Abe administration has proposed an encompassing plan of “Growth Strategy” to revitalize Japan’s economy (Cabinet Office, 2014).

With the blueprint of “Growth Strategy,” Japan targets to achieve the goal of nominal GDP 600 trillion yen by 2020 through various forward-looking and multifaceted policy initiatives. Although the final outcome remains uncertain, it is no doubt that the Abe administration’s economic reforms ignite the hope of Japanese economic recovery. Meanwhile, it also seems to suggest the reemergence of a lingering shadow of the developmental state.

Indisputably, the power of Japanese bureaucrats in terms of administrative guidance and oversight over private sector has been declined as time goes by. Nevertheless, as Johnson pointed out, Japan’s industrial policy has been fluid and changed over time, so is the format and concept of the developmental state (Johnson, 1995). The latest wave of Japan’s economic

initiatives launched by the Abe administration, which, so far, has been the most stable administration since Junichiro Koizumi, the former prime minister in the early 2000s, has paved the solid foundation for a possible revitalization of the developmental state and therefore deserves further research.

(3) Japan's transition in trade policy and regional integration

With the stalled progress in the WTO, the proliferation of bilateral free trade agreements (FTAs) and regional free trade agreements (RTAs) have spread around the world. The latest trend of FTA has pushed Japan to take corresponding action and change its previous policy stance from a steadfast proponent of multilateralism, prioritizing the importance of WTO, to an advocate of regional integration.

Furthermore, in response to China's proactive FTA initiatives in East Asia in the early 2000s, Japan has taken active measures to speed up its pace of FTA negotiations as well as its domestic economic reforms (関沢洋一, 2008). Meanwhile, the focus of foreign trade issues has gradually shifted from manufacturing sector to services and agricultural sectors. These transformations in Japan's trade policy reveal new challenges which Japan confronts, and corresponding policy adjustments it has taken in the swift-changing global economy of the 21st century. The uncertainty of global economic environment also provides fertile ground and justification for the need of strong leadership of the state, so as to open a window of opportunity for reviving the developmental state approach.

(4) External and domestic challenges

In 2010, Japan's status as a long-standing world's second largest economy was replaced by China, which not only symbolizes the end of Japan's economic dominance in East Asia, but also exposes the severity of Japan's economic chronic illnesses. Externally, Japanese corporations have faced intense economic competitions from South Korean and Chinese counterparts. The advantages of Japanese enterprises in high-tech technology, electronic industry, and R&D capabilities have been gradually caught up by other competitors. In overseas markets, Japanese firms are also confronted severe competitions by foreign rival firms with advantages of lower

costs and more flexible and aggressive marketing strategies. Needless to say, Japan's FTA/trade coverage has lagged behind other Asian countries, which further place Japanese firms in disadvantageous status (金ゼンマ, 2008).

On the other hand, Japan's economy also encounters various critical challenges domestically. The decline of Japan's birth rate and aging population have led to shrinking population and sluggish domestic consumption (山澤逸平, 馬田啓一, & 国際貿易投資研究会, 2012). The population issue also triggers related challenges, such as the shortage of labor force, aging farmers and low productivity in agricultural sector, heavy financial burden of health care and elderly medical expenses, and so forth. These issues not only generate widespread impacts in Japanese society, but also exacerbated Japan's economic conditions, while posing critical challenges to test Japanese political system and economic sustainability. Against this backdrop, the Japan government has to tackle these pressing issues with a comprehensive economic plan.

(5) Japan's experiences valuable to Taiwan

In the beginning of 21st century, Japan has faced several crucial challenges from both domestic and external environments, which is similar to Taiwan in various aspects. To deal with these thorny issues, the Abe administration has initiated an encompassing and sophisticated economic plan, namely, the "Growth Strategy." This latest economic initiative not only deserves much attention in terms of policy planning and its content, but is also worth of conducting research to unveil its rationale and policy implications. It is because Japan's experience may reveal how a state with the tradition and spirit of the developmental state may transform, adept, and adjust itself to meet the challenges of this global environment, while working persistently to attain its economic objectives.

Although Japan's recent economic reforms have raised broad attention in Taiwan, it is a pity that, so far, there is no in-depth academic research focusing on Japan's latest trade and economic policies, as well as its regional integration strategies. More importantly, so far, no research has examined Abe's economic reforms in terms of the developmental state perspective.

At any rate, Japan's economic reforms and external economic strategies particularly deserve Taiwan's attention at the current stage, since Taiwan's economy has faced the similar predicament as Japan does. In 2016, Taiwan's newly elected administration has initiated the so-called "New Southbound Policy," aiming to promote Taiwan's comprehensive partnerships with Southeast Asian countries, South Asian countries, as well as Australia and New Zealand, in order to seek Taiwan's new economic impetus and to increase new overseas business opportunities for Taiwan's economy.

More important, the "New Southbound Policy" also implies that Taiwan has shifted its focus away from China and turned its eye on regional counterparts with the long-term objective of "building the sense of economic community." Given that Japan has established robust and comprehensive partnerships with many developing countries in Southeast and South Asian countries since 1960s, how does Japan dexterously utilize its trade policy and economic integration strategies to support its domestic economic reforms and targeted economic growth by enhancing its economic relations with these countries, presents a valuable case and a meaningful research topic for Taiwan's policy-making circle as well as academia. In short, the research objectives are as follows:

- To explore Japan's trade and economic policy, and regional integration strategies in the Abe administration.
- To investigate the role of Japan's public sector in terms of formulating Japan's comprehensive economic blueprint, namely, the "Growth Strategy," and possible cooperation and coordination with Japan's private sector, academia, and other social organizations, including NGOs.
- By focusing on Japan's trade policy and regional integration strategies, to examine how Japan integrates overseas markets and regional integration into its economic plan, and how it assesses the significance of trade and regional integration in this encompassing plan.
- By concentrating on Southeast Asia, to investigate the role of Japan's economic engagements with Southeast Asia in terms of economic contribution to its overall economic strategies, and how Japan persuades its firms to coordinate with its trade

policy and regional integration strategies.

- By analyzing Japan's economic policy initiatives in Southeast Asia, to explore the possibilities of cooperation and collaboration between Japan and Taiwan in terms of facilitating mutually beneficial partnerships and promoting complementary business ties with Southeast Asian countries.
- By adopting the theoretical analytical framework of the developmental state, to analyze, interpret, and construct theoretical arguments to explain Japan's approach of trade and economic policy, as well as its regional integration strategy, and to identify possible collaboration models between Japan's public and private sectors.
- To provide a series of policy recommendations to both Taiwan and Japan on how to strengthen mutual cooperation and collaboration in both public and private sectors in terms of enhancing comprehensive ties with Southeast Asian countries.

Literature Review

The literature review mainly focuses on the following topics. It provides concise summary on the important research findings in the existing literature.

(1) The Background of Japan's "Growth Strategy"

The Growth Strategy was initiated by the Japanese prime minister Shinzo Abe in 2013. At that time, Japan's economy has suffered a chronic deflation and low economic growth for decades. The stagnation of Japan's economy has been lasted for more than 20 years since the burst of the Bobble Economy in the early 1990s. Japanese corporations and people have gradually lost courage to take on challenges, although Japan still enjoys cutting-edge technologies in various industrial sectors.

In order to rejuvenate Japan's economy and restore Japanese self-confidence, prime minister Abe proposed the so-called "Abenomics" in 2012, which composed of the "Three Arrows," including: 1) expansionary fiscal policy; 2) bold monetary policy; and 3) structure reform (邱奕宏, 2013).

As the implementation of the first two arrows in the Abenomics gradually proceeded and boosted Japan's economy, the Japan government started to take on the most difficult one, namely, domestic structure reform.

To initiate structure reform, the Cabinet Office under the lead of Mr. Abe proposed the "Growth Strategy," also called as "the Japan Revitalization Strategy" to stimulate private investment in the economy (Cabinet Office, 2014). This plan can be divided into three plans, including:

- the Industry Revitalization Plan,
- the Strategic Market Creation Plan, and
- the Strategy of Global Outreach

Overall, the goal of the Growth Strategy is for the Japanese economy to get rid of deflation, to expand the positive economic cycle, and to secure an average annual economic growth rate of about a nominal 3% or real 2% over the future decade. It also targets to raise Japanese GNI per capita to 1.5 million yen after ten years. For strictly supervising the implementation and progress of each plan, the Japanese government established key performance indicator (KPI) for each policy measure.

In short, various socioeconomic factors have contributed to Japan's economic stagnation. First, Japan's population has continuously declined in the past decades, which leads to reduction of private consumption, loss of labor force, and increasing financial burden of young people. Declining population has wielded negative impacts on Japan's economy, since domestic consumption is the main driving force to Japan's economy.

Secondly, growing number of aging population in Japan also deepens financial burden of the Japan government. Given that Japan is ranked as No. 1 country with the longest life expectancy in the world, the percentage of elderly citizens has continually increased. Correspondingly, huge expenses of medical and health care will impose a severe financial burden on the Japan government, so as to crowd out government public spending on other items (邱奕宏, 2015).

Thirdly, Japan also faces a more competitive external economic environment than before. On the economic front, Japanese corporations have encountered harsh competition from other

countries, such as South Korea and China. Compared with their counterparts in other countries, Japanese goods are recognized for their impeccable good quality and excellent technologies and skills, while the most of Japanese corporations have become more inflexible and lacked sufficient adaptability to adjust the fast-changing markets. As a result, in various fields, the strengths and advantages of Japanese firms have been caught up by their competitors in South Korea and other countries.

In addition, due to Japan's relatively conservative attitude toward free trade agreement (FTA), Japan has lagged behind South Korea in terms of FTA treaties, which also makes Japanese goods in disadvantageous place in terms of their competitiveness in overseas markets.

Hence, owing to above factors, chronic domestic malaise as well as external severe environment lead the Abe administration to propose an economic remedy, hoping to revitalize Japan's economy.

(2) The changes and development of Japan's trade policy and regional integration in the 21st century

Japan's trade policy and attitude toward regional integration in the 21st century has experienced dramatic changes. In fact, these two policies can be viewed as two sides of one coin, since they are highly interacted and interconnected. Hence, the following section briefly explains the development of Japan's trade policy and attitude toward regional integration.

It is well-known that Japan's economic miracle after the World War II had been built on its robust exports overseas since 1960s. While Japan's international trade-oriented strategy had obtained remarkable success, it also invoked a widespread and notorious blame for its economic nationalism and unfair trade behaviors. With increasing market shares of Japanese products in overseas markets, trade frictions between Japan and foreign countries became more and more severe. In particular, Japan's trade conflict with the United States had reached a climax in the 1980s, and bitter experiences during the US-Japan bilateral trade negotiations have led the Japan government to prefer multilateral trade negotiation rather than bilateral one.

In the 1990s, with the formation of the World Trade Organization (WTO), the Japan government had devoted its efforts to the world-wide trade liberalization and openness, since a broader scale of trade liberalization would better fit Japan's national interests. Given that most of Japanese firms were very competitive, the Japan government would be more willing to support the WTO's trade liberalization agenda. In other words, since the onset of WTO, Japan's policy preference had prioritized the WTO over other trade liberalization options.

This WTO-centered mindset had reflected Japan's hesitation in terms of joining any regional economic integration initiatives. After 2000, in aftermath of the 1997 Asian Financial Crisis, many Asian countries intended to strengthen regional economic ties in order to reduce their economic dependence on the West, since they had experienced lukewarm and demanding assistances from the West and international economic institutions. As a result, the movement for a tightened regional economic integration in Asia had gradually developed (木村福成, 2012).

One of the most noticeable milestones in Asia's economic integration is that the China-ASEAN free trade agreement (CAFTA) was signed in 2001 and it was expected to be implemented in 2011. This free trade pact indicates that China started to play a leading role in promoting regional economic integration in Asia. In contrast, Japan's attitude toward FTA or any regional trade agreement (RTA) had been relatively conservative, since related officials in foreign affairs and economic policy considered that Japan's any move toward FTA or RTA would undermine Japan's consistent and steadfast support to the WTO and put Japan's well-built reputation in jeopardy. Hence, Japan had been reserved and reluctant on FTA and RTA.

Nevertheless, in the early 2000s, Japan's attitude toward FTA and regional integration had begun to change, which had been driven by various domestic and international factors. Externally, in the 1990s, Japan had borne heavy pressures from the United States to reduce trade imbalance, since Washington had enormous trade deficit and started to call on "fair trade," asking more purchases of American goods. Against this backdrop, Japan had to consider diversifying markets and reducing dependence on the US market (関沢洋一, 2008).

In addition, in the mid of 1990s, the movement of regional integration had taken off in North America, South America, Europe and Southeast Asia. One of the implications for rising

regional integration suggest implicit protectionism, which was worrisome to Japan. Hence, in addition to support the WTO, Japan had to prepare other options. Finally, if Japan's bet on the WTO was to be successful, it would have played the best for Japan's interests. Unfortunately, the WTO progress had been slow and underperformed, which led many countries to pursue individual FTA and RTA initiatives. All of the above factors had pushed Japan to make some policy adjustments.

Domestically, the following factors also impact Japan's attitude toward FTA and regional integration. First, given that unpleasant experiences in bilateral trade negotiation with the United States in the 1980s, the Japan government would prefer multilateral negotiation to bilateral one, which makes Japan more inclined to prioritize the WTO and regional integration more than bilateral FTA. Nevertheless, in 1998, the FTA proposal from Mexico had led Japan to seriously contemplate the possible pros and cons of signing FTA with other countries.

Furthermore, in 1999, one of annual report from Japan's Ministry of International Trade and Industry (MITI), for the first time, showed a positive assessment on regional integration, suggesting that the Japan government started to recognize the importance of regional integration. Moreover, in addition to government's policy shift, Japanese industry also made a significant change in terms of its position on FTA in 1999, which provides sufficient support for the Japan government (関沢洋一, 2008).

The key of policy change eventually came to Singapore. In December 1999, Singapore proposed to sign a FTA with Japan. Since Singapore is a city-state and there would not have significant impact on Japan's economy after signing FTA, Japan concluded its first FTA with Singapore in 2002, which opened up its way toward FTA and RTA. With a successful case with Singapore, Japan began to consider appropriate countries for FTA partners and Mexico became the next FTA candidate.

Japan's FTA initiative with Mexico was driven by strategic consideration. Since Mexico is a member of NAFTA, signing FTA with Mexico would help Japanese firms and goods to export in North American markets. Meanwhile, given that Mexico has a FTA with the EU, it would be beneficial for Japanese firms to penetrate the EU market, too. Nevertheless, the downside is that Japan had to open up its domestic market to Mexican agricultural goods, which would

induce political backlash and pose impacts on Japan's agriculture (金ゼンマ, 2008).

With the pressure of China's FTA proposal with ASEAN in 2001 and deteriorated relationship between Japan and China in the early 2000s, Japan became more active and receptive to FTA, since it had to make some adjustments to meet external challenges. In 2004, the Japan-Mexico FTA had been concluded, indicating a significant milestone in terms of Japan's FTA and regional integration, since this FTA has substantial implications on Japan's economy (金ゼンマ, 2016).

Afterwards, the mental and physical impediments for Japan to move toward FTA and RTA have largely been removed, except for the protection of Japan's agricultural sector. Even so, in the 2000s and 2010s, Japan has become more willing to engage in regional integration and FTA. After the 2010s, the Japan government has placed regional integration and FTA as part of its policy priority in order to stimulate its economy. In other words, FTA and regional integration have obtained political legitimacy and domestic support in Japan's economic policy (山澤逸平 et al., 2012; 竹内孝之, 2007).

(3) The concept of the development state

If Japan's post-war economic success has been recognized as an exceptional achievement, Chalmers Johnson's concept of the development state would be the one that reveals what possible secret is behind this East Asian successful case. Most importantly, due to Johnson's introduction of the developmental state model, many policy leaders around the world started to recognize a promising alternative approach of state development, which can be significantly different from the dominant classical economic approach in the West.

Precisely speaking, Johnson's concept of the development state consists of the following four elements. "The first element of the model is the existence of a small, inexpensive, but elite state bureaucracy staffed by the best managerial talent available in the system." Here, of course, Johnson referred to highly-devoted and motivated Japanese officials in the central government, in which most of them were graduated from the top universities in Japan and had wisdom to prudently generate appropriate industrial policies and guide Japan's economy. Meanwhile, they also can identify and choose the industries to be developed as well as select the best means of

rapidly developing these industries. Furthermore, they also can supervise competition in the specific strategic sectors, while guaranteeing their economic health and effectiveness (Johnson, 1982).

“The second element...is a political system in which bureaucracy is given sufficient scope to take initiative and operate effectively.” This feature may be characterized by and categorized into the special Japanese governing pattern, which may not be found or compared in other countries. In Japan, the professionalism of bureaucracy and the clear functional separation between civil officials and election-oriented politicians have become remarkable traits in Japan’s political system. Compared with unstable political appointments in the cabinet level, high-ranked civil officials in the Japan government are the actual backbone in supporting and leading Japan’s policy output and implementation (Johnson, 1982).

In addition, “the third element of the model is the perfection of market-conforming methods of state intervention in the economy.” Here, Johnson argued that the Japan government had been capable of applying various measures to pursue effective and successful state intervention in the economy. “Perhaps, the most important market-conforming method of intervention is administrative guidance,” which implies that the Japan government could avoid overly detailed laws, but pursue a more creative and flexible administrative discretion to industries, without attributing to legally binding constraints (Johnson, 1982).

The final element of the development state is a pilot organization like MITI. “MITI’s experience suggests that the agency that controls industrial policy needs to combine at least planning, energy, domestic production, international trade, and a share of finance.” Johnson highlighted that “the key characteristics of MITI are its small size.... its indirect control of government funds, its think tank functions, its vertical bureaus for the implementation of industrial policy at the micro-level, and its internal democracy” (Johnson, 1982).

Of course, this four-part model, as many theoretical models, is not without its controversy. However, Johnson especially emphasized the unique characteristics of Japanese case and argued: “To the extent that I had a didactic purpose at all, it was to stress that Japan’s case would be hard to emulate. If nothing more, it depends to a large extent on losing a big war to the right people at the right time.” In other words, whether the developmental state model

could be duplicated by other countries or even restored in Japan during other periods of time may be questionable (Woo-Cumings et al., 1999).

In addition, Johnson also pointed out that “The Japanese case is actually one of an economy mobilized for war but never demobilized during peacetime,” which suggests that the Japanese model is not transferable (Johnson, 1999). As a result, if we view the Japanese case as a case of historical uniqueness, the value of the developmental state would be limited and narrow.

Nevertheless, the reason that the developmental state model eventually stands out as another distinct approach from the traditional western mainstream liberal thinking is that it provides the meaningful and promising alternative of state development. Even if the case of Japan may be unique, its features and the receipt of its economic success are worthy of exploration, which is also the reason that the developmental state model has been employed by many scholars to analyze other similar or dissimilar cases.

One of keywords in the development state model is the term of “industrial policy.” In Japan’s sense, it refers to “those government strategies that are put in place to supplement the market mechanism only when and where necessary.” In fact, industrial policy is a crucial instrument for the developmental state to be successful, as long as it could be used appropriately. Without doubt, industrial policy is viewed and employed as a policy tool for the state to intervene the market. But, it certainly cannot replace the market and the developmental state does not intend to build a central planning economy.

In this regard, Johnson pointed out that “Industrial policy is not an alternative to the market but what the state does when it intentionally alters incentives within markets in order to influence the behavior of civilian producers, consumers, and investors”(Johnson, 1999). In this sense, it is clear that industrial policy is deliberately designed by the state to change profits structure within the markets in order to accomplish its expected policy objectives by affecting market forces and related economic actors in the markets. This feature is critically important for examining whether the state is adopting the developmental state approach or not.

Indeed, deliberately altering market forces is not without its expense. As Johnson indicated that “The state can structure market incentives to achieve developmental goals, as the

Japanese case clearly illustrates, but it can also structure them to enrich itself and its friends at the expense of consumers, good jobs, and development” (Johnson, 1999). Certainly, it is an inevitable moral hazard that any state adopting the developmental state approach should carefully bear in mind.

Then, how to justify this market distortion in terms of more convincing and higher moral ground would be the issue that any leaders should mull over when they decide to use the developmental state model with the variety of industrial policies. In this regard, Johnson distinguished the differences between democracies and the development states in terms of legitimacy.

He argued that “The legitimacy of developmental states cannot be explained using the usual state-society categories of Anglo-American civics. The successful capitalist developmental states have been quasi-revolutionary regimes, in which whatever legitimacy their rulers possessed did not come from external sanctification or some formal rules whereby they gained office but from the overarching social projects their societies endorsed and they carried out.” In other words, the consensus on development goals in the society provides the state and its officials with substantial political support and a moral high ground to undertake any necessary policies to mobilize resources and affect the markets (Johnson, 1995).

Furthermore, Johnson also pointed out that “The source of authority in the developmental state is...rather, revolutionary authority: the authority of a people committed to the transformation of their social, political, or economic order. Legitimation occurs from the state’s achievements, not from the way it came to power.” In this sense, the developmental state may derive from the highly concentration of social consensus in the given period of time, which may not occur. Moreover, he claimed that “The legitimacy of the leaders of a developmental state is like that of field commanders in a major military engagement.” This feature implies that leaders in the developmental state may enjoy better trust in the society and possess more power, authority, and discretion to exercise relevant reforms (Johnson, 1999).

In addition, another important aspect in the developmental state model is the public-private interaction, which Johnson found three different patterns, including self-control, state control, and public-private cooperation. The “self-control” implies that “the state delegated

control to private cartels for each industry and that each industrial sector was run by the members of the cartels in response to state incentives.

The “state-control” means that the direct imposition of state institution onto the private economy, displacing private cartels, private ownership, private labor organizations, and private management with so-called control associations during the war and public corporations during the occupation and after the restoration of sovereignty down to the present time.” However, “Neither self-control nor state control worked very well.” “After 1952, the Japanese public and private sectors reconciled with each other and perfected cooperative management schemes. These schemes avoided an emphasis on either private profit or the state’s socialization of wealth.” “They launched what amounts to virtually a new discipline under the rubric of the ‘principles of Japanese management.’” This will be the “public-private cooperation”

Despite these three types of categorization, the developmental state model does not exclude any of these patterns or overstate any of them. On the contrary, “The concept ‘developmental state’ means that each side sues the other in a mutually beneficial relationship to achieve developmental goals and enterprise viability. When the developmental state is working well, neither the state officials nor the civilian enterprise managers prevails over the other” (Johnson, 1999)

“The state is a ‘catalytic agency’...and the managers are responding to incentives and disincentives that the state establishes. This is not an easy combination to put together, but when it is done properly, it can produce miracles of economic development” (Johnson, 1999). Hence, from Johnson’s perspective, the cooperation and coordination between the public and private sectors is one of keys to ensure the success of the developmental state.

Overall, the preceding discussion provides some crucial concepts and analytical frameworks to examine whether Japan’s “Growth Strategy” can be viewed as a revival of the Japan’s developmental state.

Research Design

This project mainly adopts the following research methods:

(1) Literature review

This project relies on plenty of existing Japanese literature (official documentations, policy analysis essays, and academic journal articles) regarding the evolution of “Growth Strategy” and its practices, Japan’s economic policy toward Southeast Asia, etc. The literature review, as illustrated in the previous section, has been conducted in related libraries, such as the Library in the National Graduate Institute for Policy Studies (GRIPS), the National Diet Library, and IDE-JETRO, etc.

(2) Interviews

Given that “Growth Strategy” involves both public and private sectors, such as government officials, politicians, related Japanese firms as well as business associations, it would be sound to cover as many interviewees as possible. However, given time-constraints and the O-bun holidays during the research period, it is extremely difficult to include all original candidates of interviewees, since many of them went abroad on holidays for weeks. Hence, the actual interviews undertaken in this research did not accord with the original proposal.

Despite this limitation, to some extent, affecting the depth of the research, this research does select some representative candidates for interview, in order to obtain their insights and understand the dynamics of actual policy practices. Some interviews were undertaken through personal conversation, and others were conducted through the questionnaire sent via e-mail, based on individual preferences of interviewees.

The agencies and interviewees are as follows:

- Ministry of Economy, Trade, and Industry (METI): an anonymous high-ranking official.
- Keidaren: Mr. Kiyotaka Morita
- The Broad member of the Nihon Postal Bank/ An economic news journalist: Mr. Machita.

- The Research Institute of Economy, Trade, Industry (RIETI) under the Ministry of Economy, Trade and Industry (METI): Dr. Zhang Hongyong; Dr. Yi Ting.
- The National Graduate Research Institute for Policy Studies (GRIPS): Vice President Yokomichi Kiyotaka, Prof. Shiraishi Takashi, Prof. Kawasaki Kenichi; and Prof. Tamura Akira.

All insights from interviews are incorporated into the topic-oriented analysis and discussion. Except for special requests from interviewees, all contents of interviews are illustrated as evidence and statements without specifying their specific names, in order to keep anonymity of interviewees.

Policy Analysis and Discussion

The following analysis and discussion is divided by different topics, which section provides concise policy analysis and research findings based on relevant investigation on government policies as well as related interviews

(1) Analysis of Japan's "Growth Strategy" and its practices

From the perspectives of the developmental state model, there are couple of elements to be highlighted before analyzing the Growth Strategy. According to Johnson's explanation, the developmental state model consists of four elements:

- Elite state bureaucracy
- Political system with freedom for bureaucratic discretion
- Perfection of market-conforming methods of state intervention in the economy
- Pilot organization

In addition, one of important features to identify the existence of the developmental state is the utilization of industrial policy, which is illustrated by Johnson as "government strategies that are put in place to supplement the market mechanism only when and where necessary." Broadly speaking, industrial policy is an instrument adopted by the state to affect the markets and guide private actors to act toward the direction that the state intends to achieve the goals of economic development. Hence, whether industrial policy has been

effectively undertaken would be an important criterion to identify the existence of the developmental state (Fine, Saraswati, & Tavasci, 2013).

Furthermore, another crucial characteristic in the developmental state model is the pattern of public-private interaction, which Johnson classifies into three categories: self-control, state control and public-private cooperation (Johnson, 1999). The following section focuses on the Growth Strategy and uses Johnson's criteria of the developmental state to undertake the analysis.

1) Evidence of the shadow of the developmental state in the Growth Strategy

As illustrated in the literature review, the initiation of Growth Strategy aims to revitalize Japan's economy with the sufficient government intervention in the markets. From this viewpoint, it is no question that the Growth Strategy should be considered as a product of the developmental state. Nevertheless, the state's policy intervention in the markets can hardly be sufficient evidence to be qualified as the development state. Therefore, this following analysis will first focus on the question of whether the Abe administration can be counted as the developmental state. Secondly, the focus is shifted to whether the Growth Strategy can be perceived as the outcome of the developmental state.

From Johnson's criteria of four-part developmental state model, whether the Abe administration can still be counted as a typical case of the developmental state may be questionable. First, without doubt, the Japan government can still attract the best elites of citizens into the government. However, it would be problematic to assume that current Japan's political system can still provide government officials with sufficient freedom to pursue their policy agenda without political and legal constraints. In fact, after several political reforms in the 1990s and 2000s, as well as power transition of political parties in the mid-1990s and early 2000s, the freedom for bureaucratic discretion has been severely squeezed.

Furthermore, after Japan's economic liberalization in the 1990s and 2000s, the policy instruments that the government can utilize have been dramatically reduced. As restrictions, regulations, licensing, permits, and relevant official legal tools are abolished, officials have fewer options to affect private sectors, regardless of coercion or to persuasion, highlighted by one

interviewee. This phenomenon is directly linked to the third element Johnson indicated. Nowadays, the Japan government may not possess sufficient and effective methods to intervene the markets as it did in the past.

Finally, whether Japan now still has an influential “pilot organization” as the MITI played as an economic headquarter in leading the “Japan Corp.” in the past is highly questionable. Despite the fact that the METI has inherited many good characters from its precedent, the MITI, the extents of administrative power and capabilities of the METI cannot be comparable with the MITI, due to Japan’s market liberalization and the internationalization of Japan’s corporations. More and more Japanese multinational corporations are global-oriented, which suggests that their business focuses and capabilities have gone beyond Japan’s domestic market. It means that the influences of the METI to them have become less and insignificant.

2) The erosion of the developmental state model in Japan

According to my interviews with various subjects, although most of them do recognize that the Japan government still wants to provide some guidance to industries, the actual effectiveness is quite limited. Some even argued that using the developmental state to depict a current Japan government is inappropriate and obsolete, since the government’s power over private sectors has been significantly weakened.

Moreover, the current Japan government had been very instable in the 2000s. There had been no strong political leadership since the stepdown of the former prime minister Koizumi. Until Abe’s second victory in the parliament election in 2010, the political chaos finally came to the end. But, it is difficult to argue whether the current Abe administration does enjoy the legitimacy of “revolutionary authority” as Johnson indicated in his developmental state model. Some interviewees would even argue that although many politicians, including both the Liberal Democratic Party (LDP) and the Democratic Party of Japan (DPJ), would like to invoke the nationalistic sentiment to restore Japan’s economy, the fact is that average Japanese people have not been inspired to act accordingly. As a result, an inevitable conclusion is that there seems no sufficient evidence to support the argument that the developmental state model can be explained the current Japanese government.

3) The content of the Growth Strategy

As for the second question that whether the Growth Strategy can be perceived as the outcome of the developmental state, the answer may not be as negative as the previous one. From the content of the Growth Strategy, it has fully revealed that the Abe administration would like to stimulate Japan's economy by various policy instruments and policy incentives, in order to mobilize relevant private actors to act accordingly toward the designed policy objectives.

For instance, the Growth Strategy includes three action plans, which can be further articulated as follows:

- Industry Revitalization Plan
 - Accelerating structural reform program (vitalizing industries)
 - Reforming the employment system and reinforcing human resources
 - Promoting innovation in science and technology/becoming the world's leading intellectual property-based nation
 - Becoming the world's leading IT society
 - Further strengthening Japan's international competitiveness as a business hub
 - Achieving regional revitalization and regional structure reform/ achieving reform among mid-ranking companies, SMEs and micro enterprises
- Strategic Market Creation Plan
 - Extending the nation's healthy life expectancy
 - Realizing clean and economical energy supply and demand
 - Building safe, convenient, and economical next-generation
 - Building regional communities that use their unique local resources to appeal to the world
- Strategy of Global Outreach
 - Raising the RTA ratio to 70% by 2018
 - Doubling inward FDI stocks to 35 trillion yen
 - Doubling the value of exports by SMEs by 2020
 - Raising overseas infrastructure project orders to 30 trillion by 2020

■ Tripling overseas sales of broadcast contents by 2018

From the above ambitious plans, it is obvious that the Abe administration intends to boost Japan's economy from industrial revitalization, market creation, and overseas markets expansion. If we further examine the Growth Strategy in details, it is not difficult to find that the Abe administration aims to use more deregulation, policy incentives, and government subsidizes to encourage private sectors toward the direction that the government has set.

Indeed, industrial policy as a means of the Abe administration to guide market forces does exist in the Growth Strategy. Nevertheless, it also dramatically differs from what Johnson depicts the developmental state model in various perspectives. First, the Growth Strategy places more emphasis on market facilitation in order to let private sectors have more freedom to conduct business more efficient and effective, but not on providing administrative guidance or picking up certain promising winners among industries as the Japan government did in the past.

In other words, the current Japan government in its Growth Strategy puts more focus on how to foster a business-friendly environment for Japanese companies to thrive and prosper. For example, the Abe administration has proposed to create six National Strategic Special Economic Zones, which are designed to provide more convenient, efficient, and business-friendly environments to attract foreign investment throughout the world.

In addition, the Growth Strategy also indicates that the Japan government aims to reduce the percentage level of the effective corporate tax rate down to the twenties in coming years. This policy similarly reveals that the Abe administration intends to lessen financial burden of private sectors, in order to facilitate private sectors' investment and growth. By the same token, one of important features in the Growth Strategy is to concentrate on cultivating human resources by promoting women's social participation and reforming working style.

These policy initiatives explicitly suggest that the Abe administration hopes to provide more deregulation in the labor market, in order to instill more flexibility and diversity into Japanese corporations. It may allow them to be more efficient and boost their productivity, without excessive regulations from the government.

From the preceding examples, it is indisputable that various features of the Growth Strategy largely accord with the expected outputs of the developmental state model. Although

it may be questionable that whether the Japan government could still play a crucial and central role in affecting Japanese corporations, there is no doubt that the Growth Strategy does reveal the Abe administration's ambition to take a lead in revitalizing Japan's economy.

(2) Analysis of Japan's external economic strategies and its implications

Japan's external economic strategies can be analyzed from two perspectives. The first is derived from the view that external economic relations are utilized as a useful instrument for diplomatic goals. The second is stemmed from a pure economic point that external economic relations should serve the objectives of Japan's economic growth.

While both views are based on different policy grounds, it doesn't mean that they will mutually exclude one another. On the contrary, we find that, to a large extent, they are complementary and mutually supportive. The following analysis first focuses on the shift of Japan's external economic strategies from a diplomatic perspective and secondly illustrates these external economic strategies from economic perspective, mainly concentrating on the Growth Strategy.

1) Diplomatic explanations of Japan's external economic strategies

In the first decade of 21st century, Japan's first and foremost diplomatic challenge is the change of strategic and security landscape in the East Asia. North Korea's rapid development of nuclear weapon and its projection capabilities of ballistic missile has posed a direct and the most imminent threat to Japan. In addition, China's ascending nationalism and continuing two-digit growth of military spending, along with its increasing military activities in the East China Sea and the South China Sea impairs power balance in East Asia, which not only increases the risk of military confrontation with Japan, but also makes China inevitably become a future regional hegemon.

As these trends gradually reveal in recent years, Japan has a few strategic choices but eventually decided to enhance security ties with Washington to cope with this growing intense strategic environment. Though, it does not mean that Tokyo had not tried the other options. For instance, when the DPJ was in power in 2009, the former prime minister Hatoyama's (鳩山由紀

夫) foreign policy was alienating the US and befriending with China (何思慎, 2012). Nevertheless, this policy, as his cabinet, didn't sustain long enough. With the intensified controversies surrounded Diaoyutai/Senkaku Islands between Japan and China in 2010, it was impossible for Japan to place its security on the goodwill of China. As a result, the successor of Mr. Hatoyama, the former prime minister Kan Naoto (菅直人) revised Mr. Hatoyama's policy and resumed Japan's conventional diplomatic policy of prioritizing the Japan-US security alliance (李世暉, 2012).

This diplomatic overhaul also reflects in economic field. The most noticeable sign is that Japan's stance on TPP had started changing. After the prime minister Kan took power, one of his first priorities was to review the pros and cons of Japan's participation in TPP by conducting a national-wide investigation. He even claimed that the year of 2011 would be Japan's fourth opening to the world, implying that his government would strive to facilitate Japan's liberalization and openness by more proactively joining global and regional economic affairs. Indeed, it also implied that Japan would seriously consider joining TPP after Washington urged in the past years (作山巧, 2015).

Nevertheless, with the outbreak of the 311 East Japan Earthquake, prime minister Kan's support had plunged drastically and eventually terminated his cabinet in September 2011. And his successor, the prime minister Noda (野田佳彦), on the issue of Diaoyutai/Senkaku Island, further intensified the controversies by announcing the nationalization of the islands and irritated Beijing, which let Tokyo have no choice by more depending on Washington's security support (李世暉, 2014).

By the end of 2012, Abe's LDP had successfully won the majority of the parliament and regained the power. As a result, Abe continued LDP's long-existing diplomatic tone of prioritizing Japan-US security alliance, implying that he would strive to strengthen Japan's comprehensive relationship with the US. Of course, it would include the acceleration of Japan's participation in US-led TPP (寺田貴 & 三浦秀之, 2012).

In other words, from strategic and security perspectives, Abe's determination to overcome domestic obstacles and to join TPP is not purely due to economic calculation, but Japan's security concerns over North Korea and China and its strategic choice of reliance on Washington

also plays a crucial role. Hence, since 2013, after Japan finally announced its will to join TPP, the main picture of Japan's external economic strategy, which was deeply affected by Tokyo's security concerns, has ultimately revealed and remained intact so far (田代洋一, 2013; 作山巧, 2015).

2) Economic explanations of Japan's external economic strategies

In addition to the preceding security perspective to explain Japan's external strategies, another explanation should be examined from the point of reviving Japan's economic growth. In this regard, as the aforementioned, Japan's economic stagnation and weakening external competitiveness in recent years has come to a critical junction of change, which has become the consensus across party line and one of imperative tasks broadly recognized by most of Japanese people.

In other words, as revitalizing Japan's economy has become a common agreement between political elites and citizens. The question then is how and which approach to accomplish this goal. Obviously, DPJ's Hatoyama and LDP would suggest different remedies. However, with the stepdown of Mr. Hatoyama, political divides on Japan's foreign policy between DPJ and LDP had been narrowed. The influences of political leadership dictating Japan's external economic policy has weakened and the gap as well as tension between politicians and economic bureaucrats have also lessened, which is especially the case after LDP took over the power (邱奕宏, 2015).

It means that after political chaos and instability in the DPJ period, Japan's external economic strategies could finally be returned back to the hand of economic professionals, since the LDP leadership largely sees eye to eye with Japan's economic bureaucrats. Hence, with political support from the ruling party, Japan's external economic strategies set by economic bureaucrats can be fulfilled step by step.

In short, the concrete output of an economic revitalizing plan contemplated by these bureaucrats is the Growth Strategy and its related subprojects. Fundamentally, the essence of the Growth Strategy focuses on Japan's domestic economic reforms, since more than two-third of its portions concentrates on domestic reforms. Nevertheless, one of its three Action Plans,

the Strategy of Global Outreach, is to highlight external economic policies. The following section articulates the key concepts and the implications of this strategy.

First, the Strategy of Global Outreach includes the following main tasks:

- Aim to raise the FTA ratio to 70% by 2018
- Double inward FDI stocks to 35 trillion yen
- Double the value of exports by SMEs by 2020 compared with the 2010 level
- Raise overseas infrastructure project orders received from the current 10 trillion to 30 trillion by 2020
- Triple overseas sales of broadcast contents by 2018 from 2010 level

From the above tasks, it shows Japan's major focuses in terms of its external economic policies. First of all, the coverage of Japan's FTA ratio is set as one of priorities in its overall external economic strategy, because the progress of Japan's FTA ratio has been lagged behind its neighboring countries, such as South Korea. Furthermore, given that WTO has been in stagnation for years, Japanese corporations' overseas competitiveness have declined due to intensive competition in foreign markets. It becomes imperative for the Japan government to level the playing field by fastening its pace to sign FTA and RTA with other countries.

Japan's efforts on promoting FTA ratio has obtained some concrete results. Until July 2017, Japan has signed 16 FTA/RTAs, which includes a EPA with Australia in 2014 and a EPA with Mongolia in 2015. Moreover, Japan also concluded a EPA negotiation with the European Union in 2017. These achievements have made Japan's FTA coverage ratio upto 30%. However, it remains a long way to go from Japan's goal of 70% by 2018, implying that Japan needs to place more efforts on this issue (Cabinet Office, 2014).

Second, different from Japan's reserved attitude toward foreign capital in the past, in order to boost Japan's domestic market and to instill more economic energies and technologies, the Japan government begins to welcome foreign investment and attempt to provide more institutional and legal convenience for foreign investors. Japan even sets the Council for Promotion of Foreign Direct Investment in Japan as a promoting agency to coordinate related ministries and policies. Despite its actual performance remained to be seen, it does indicate a breakthrough in terms of Japan's conventional mindset which had been defensive to foreign

capital.

Third, to expand its export drive, the Japan government also turns its eyes on SMEs. Indeed, the export performances of Japan's SMEs have been underestimated and have not fulfilled its potential due to the limited capabilities of export transaction. To encourage and facilitate SMEs' exports, Japan has set one-stop overseas consultation offices, aiming to provide more overseas business information and export-related consultation in helping Japan's SMEs to expand their business in overseas markets.

Additionally, infrastructure exports have also become one of catching items in Japan's strategy of global outreach. Given that Japan has excellent technologies and plentiful experiences in infrastructure projects, exports of infrastructure projects overseas will significantly promote Japan's related product sales in foreign markets. Hence, the Japan government has utilized the instrument of Overseas Development Assistance (ODA) loan and related official resources to achieve this goal. To this end, even prime minister Abe has played a role of salesman to promote Japan's high-speed railroad system (Shingansen) to Thailand, Indonesia, and the US, showing Japan's out-all efforts in this regard.

It is also worth mentioning that the Japan government has paid attention to its soft power, especially its comic, animation, movie, and related cultural industries. These soft power industries are included and called as Cool Japan in general. To promote Japan's soft power and realize its business potential, Japan has established the Inter-Ministerial Cool Japan Liaison Council as a platform to identify themes and fields of high strategic priority. Furthermore, Japan also sets up the Cool Japan Fund as a catalyst to promote and facilitate these industries' overseas outreach.

In addition to the aforementioned items, agricultural products now are viewed as important targets for Japan's exports. Traditionally agricultural sector has been one of the most protected industries in Japan and broadly perceived lack of global competitiveness. Nevertheless, given that the high-quality of Japanese agricultural products have earned great reputation overseas, the Japan government starts to invest more efforts and resources to promote Japanese agricultural products in foreign markets by targeting at high-income consumers in Asian countries. This strategy seemingly receives significant progress. The amount

of Japan's agricultural exports reached 750 billion yen in 2016, marking the fourth consecutive year of breaking record.

Furthermore, many experts during interviews claimed that it is necessary for Japan to make more efforts in overseas market expansion. Even though Japan's economy nowadays still mainly relies on domestic consumption, as they argued, Japan's declining population and aging labor forces will gradually erode and weaken Japan's domestic consumption in the long run. Eventually, the future of Japan's economy has relied on new momentum of growth, which makes the importance of overseas market become crucial. Hence, they all agreed that the Japan government puts more efforts on expanding Japan's overseas footprints in the Growth Strategy. However, it remains to be seen whether this government push for export will succeed or not.

(3) Role of Japan's private sector in "Growth Strategy"

Another crucial point of analysis is the role of Japan's private sector in the plan of the Growth Strategy. As Johnson indicated in his development state model, "public-private cooperation" is one of three patterns in this economic development. The characteristic of the developmental state model is not its central planning with the state control of market, but its emphasis of the state-led in the market. State intervention is used in the market only when the state considers necessary to achieve its designated goals.

Hence, the state does not have a full control of the market, implying that private sectors operate automatically based on the fluctuating price signals in the market. In other words, if the state would like to direct private sectors toward certain direction, in addition to providing extra economic incentives to affect price signals, one of the other options may need to strengthen cooperation between the public and private sectors, in order to make their coordination workable in the dynamics of market mechanism.

As a result, it is important to review the role of private sector in the Growth Strategy, since this plan cannot be sustainable and successful by merely relying on the state. On the contrary, private sectors will be major targets and actual actors in this plan. Therefore, it is essential to examine what kind of role the private sector plays in this plan and how the Japan government enhances cooperation and coordination with these sectors.

In the following section, the role of private sector in the Growth Strategy would be discussed. Secondly, how the public-private cooperation is presented in the Growth Strategy would also be addressed.

1) The role of private sector

Given that the goal of the Growth Strategy is aimed to mobilize and rejuvenate market forces in order to stimulate Japan's economy, it is no doubt that private sector should play a critical role in this plan. The following analysis concisely summarizes the possible roles that private sector is designated to play in the Growth Strategy.

- **Major participator**

First of all, the private sector is the major participator in the Growth Strategy, in addition to the public sector. The core of the Growth Strategy is the Abenomics' "Structure Reform," which aims at Japan's domestic industries. Hence, the private sector is expected to be the major participator in the plan. Whether the future success or failure of this plan will also hinge on how the private sector perceive and react to it. The evidence showing that the private sector is the major participator can be seen from the KPI items in each plan of the Growth Strategy. These KPIs mostly indicate the goals that the private sector is expected to achieve after the implementation of related government policies. Hence, it is obvious that the private sector is the major participator in the Growth Strategy.

- **Major subject of reform**

The private sector is the major subject of the Growth Strategy reform. Since the Growth Strategy is designed to stimulate Japan's economy and the private sector is the major locomotive engine and pillar of Japan's economy, the private sector naturally becomes the major subject of reform. Plenty of evidence in the Growth Strategy indicate that whether the private sector can be appropriately changed after policy installment is a key to the success or failure of reform. For example, in the Growth Strategy's major policy measures, it lists the Enhancing corporate governance as one item of "Restoring Japan's Earning Power." Specifically, it aims to draft the Corporate Governance Code to specify the principles of corporate governance in order to help companies toward sustainable

growth.

- Beneficiary of policy incentives and deregulation

In addition, the private sector is the major beneficiary of policy incentives and deregulation in the Growth Strategy. For example, in terms of policy beneficiary, some of eye-catching reforms in the Growth Strategy include the reforming the employment system and reinforcing human resources capabilities. More specifically, this reform covers promoting active social participation of women and utilizing foreign human resources. Without doubt, Japanese corporations would be the major beneficiaries of these reforms, since they can have more flexibility and abundant human resources for their labor forces, which not only can improve their productivity and competitiveness, but can also be beneficial to increase employment and labor efficiency. Furthermore, Japanese agricultural sector and SMEs are also beneficiaries of related policy reforms in the Growth Strategy, since this plan selects these two sectors as key forces for enhancing Japan's export expansion. Various resources and policy incentives have been instilled in these sectors. Hence, the private sector is not only a passive policy participator, but also a beneficiary in the reforms.

- Policy consultor

While the private sector is the major participant and beneficiary of the Growth Strategy, it is important that the voices of private sector can be transmitted into the policy-making process of the government. Especially, the content of the Growth Strategy is mainly targeting at the private sector, and therefore the views from various industries in the private sector should be consulted and taken into account in the process of policy making. In this regard, the Growth Strategy reflects this consideration in several cases. For example, in terms of regional revitalization and innovation of small and medium-sized enterprises, the Japan government has asked private sectors to contribute to creating private sector business opportunities and to improving the public sector's efficiency in each region. The public-private partnerships are broadly utilized in various projects in the Growth Strategy.

- Mobilized subject

Finally, the private sector is regarded as the subject of policy mobilization in order to achieve the designated goals in the Growth Strategy. Given that the private sector constitutes the major force in Japan's economy, any structure reforms of Japan's economy will need cooperation of and assistance by the private sector. Hence, to ensure the success of the Growth Strategy, the private sector is expected to be mobilized in order to carry out related policies. For example, for improving business quality and business restructuring, the Japan government encourages financial institutions to provide financing taking into considerations for the financial condition of debtor companies, as well as the growth potential of the debtor's business. In other words, here, financial institutions are mobilized subjects of the Japan government to support its designated objective. In addition, in terms of encouraging female employment, the Japan government encourages companies to reduce long working hours and promote the taking of annual paid leave by revising related regulations.

2) The forms of public-private cooperation

According to the publicized contents of the Growth Strategy, it reveals that the plan and related themes are undertaken via a top-down format, implying that the policy-making process and implementation are mainly concentrated and controlled by the central government. Regional governments and private sectors are in the position of providing assistance and cooperation.

Nevertheless, it by no means suggests that there is no place of the public-private cooperation in the Growth Strategy. In fact, based on various interviews and related policies regarding the Growth Strategy, public-private cooperation is implemented in the various forms as follows:

- Policy formation

While the Growth Strategy is an economic revitalization mainly led by the Abe administration, it does not mean that this is a product totally derived from the bureaucracy. On the contrary, according to the interviews with related Japanese business

associations and economic officials, before the final formation of the Growth Strategy, the Japanese government did conduct a series of investigation and exchange of opinions in the private sector, in order to appropriately understand and reflect the needs of the private sectors in the policy formation. Furthermore, the exchanges of opinions and communication between the public and private sectors have been a continued process, implying that as the public sector can always receive feedback from the private sector and take their views into account in the policy-making process. Of course, it does not mean that the private sector enjoys a special privilege to affect the decision-making in the government. In contrast, related economic bureaucrats still have a relative freedom and discretion to decide the direction of industrial policy, while taking all factors into account.

- Building public-private cooperation alliances and consultative councils

One of noticeable features in the Growth Strategy is that the Japan government attempts to organize various alliances and councils as institutional channels to mobilize and recruit the involvement and participation of the private sector. For example, in terms of enhancing SMEs' export capabilities, fostering the exports of Japanese agricultural products, and bolstering Japanese innovation, the Japan government attempts to encouraging and facilitating the participation of the private sector by organizing relevant alliances and consultative councils as the institutional platforms for exchanges of ideas and views. Meanwhile, these organizations can also serve as a means of facilitating cooperation and coordination between the public and private sectors in order to allow relevant policies in the Growth Strategy to be fully carried out.

In short, although the public-private cooperation constitutes a crucial part in the implementation of the Growth Strategy, it remains a distant from Johnson's developmental state that the state enjoys overwhelming dominant and absolute influences on the private sectors and can fulfill the functions of macro-management and allocation of resources. Nowadays, it is clear that the Japan government does not enjoy that clout over the private sectors, but the way of its conduct to influence the private sectors is closer to what Johnson said that the state utilizes policy instruments with economic incentives to persuade and facilitate the behaviors of the private sector toward the directions of designated policy objectives.

(4) Japan's economic practices and strategies in Southeast Asia

Southeast Asia has been Japan's focus even before the World War Two. Abundant natural resources, huge population, strategic importance of maritime routes, and so forth have made Southeast Asia be a center of attention in the eye of Japanese politicians and business communities. In other words, Japanese corporations have been doing business in Southeast Asian markets and have fairly solid foundation and well-established business networks, which makes Japanese firms enjoy the first-mover advantages.

However, it is deniable that most Japanese firms which have business operations in Southeast Asia are large scale multinational corporations and their business practices are based on the consideration of global production networks. Maximizing profits and efficiency are their major concerns. As a result, Southeast Asia becomes their production bases with plentiful and cheap labor forces. In other words, the conventional business operations of Japanese firms in Southeast Asia may not be suitable to the current situation and development in this region, neither may it well address the challenges that Japan faces domestically and externally. Hence, it is critical to review what the Japan government has planned to reform and to examine how its implementation may affect business operations of Japanese firms in Southeast Asia.

In the Growth Strategy, it has outlined "Taking in Overseas Growth Markets" as one of its main themes, which covers Southeast Asian region, but not merely concentrates on Southeast Asia. This section is mainly based on Japan's Growth Strategy, related policies in effect, and interviews to discuss Japan's economic policy and business practices in Southeast Asia.

1) Enhancing EPA/RTA connections

First, with regard to EPA and RTA, the Japan government aims to push forward to achieve further EPA/RTA with Southeast nations. Although Japan has signed Japan-ASEAN EPA, for higher quality FTA, Japan is looking for two other mega-RTA, such as TPP and the Regional Comprehensive Economic Partnership (RCEP). Even though TPP has suffered a huge setback due to the withdrawal of the US, Japan still strives to make it alive and into force, because TPP presents a higher quality of FTA and provides widespread tariff eliminations, which will bring conspicuous economic benefits to Japan.

In contrast, although RCEP cannot match TPP in terms of the extent and depth of tariff reduction, it does provide another attractive option for Japan, since it also includes huge markets, like China and India. However, while Japan actively supports RCEP, its goals in establishing comprehensive and high-quality RTA in RCEP may not accord with other members' expectations, since some developing members fear negative impacts on their domestic markets and industries due to market liberalization and tariff eliminations. In short, nowadays, the Japan government's economic strategy in Southeast Asia is to make its utmost efforts to keep TPP alive and into effect on the one hand, and to enhance the quality of RCEP as much as possible. These institutional efforts will help level the playing field for Japanese firms in doing business in Southeast Asia.

2) Promoting exports of infrastructure

In recent years, Japan has encountered various challenges from China. Particularly, China's Asian Infrastructure Investment Bank (AIIB) and the One Belt One Road initiative present Beijing's ambition to play a leading role in the region. These two initiatives imply that China would like to take a leadership by promoting infrastructure projects in order facilitate connectivity in the region, while achieving the benefits of expanding Chinese corporations' overseas penetrations and lessening the heavy pressures of China's extra-capacities by exporting goods in foreign markets.

China's economic assaults overseas inevitably threaten Japan's leading role in the region, since Japan has been the major sponsor of the Asian Development Bank (ADB) and an economic leader in the region. In order to deepen Japan's footprint in the region, the Japan government aims to export infrastructure in order to differentiate from other competing countries by launching the "Infrastructure Export Strategy," which is partaken by the public and private sectors.

In addition, Japan also selects some important items, like electricity, railways, and information and communications, as major subjects of overseas business expansion. Furthermore, in order to increase the odds of Japanese firms in winning the bids overseas, the Japan government plans to support improvement and enhancement of partner countries'

bidding systems on the one hand, while it also aims to promote “overall development” and to provide various assistances, such as legal system information, human resources, abilities to make proposal, to Japanese firms in bidding contracts in foreign countries.

Moreover, the Japan government also plans to enhance public and private consulting functions on infrastructure projects and legal assistance, and to promote measures targeting the third party countries in cooperation with other countries for entering into new markets. In some cases in Southeast Asia, the prime minister even has to play a salesman role to promote Japanese infrastructure export. Japan’s high-speed railway project, Shingansen, in Thailand and Indonesia are the evidence that Japan has strived to export its infrastructure overseas.

3) Promoting overseas business expansion of SMEs

Comparing Japan’s large multinational corporations, Japanese SMEs obviously lack sufficient abilities and resources to undertake business operations overseas. Hence, supporting Japanese SMEs to export in foreign markets becomes one of eye-catching features in the Growth Strategy. Due to geographical proximity and SMEs’ limited capabilities, for many Japanese SME firms, Southeast Asia will be the first target for their overseas expansions.

In this regard, the Japan government also plans to provide numerous assistances to SMEs. For instance, the Japan External Trade Organization (JETRO), as the most powerful export promotion agency of Japan, has been appointed to support Japan’s SME’s overseas expansion by providing support of business matching, updated business and legal information of targeted countries, and so forth. Furthermore, the Japan government will also provide support through the Official Development Aid (ODA), JETRO, overseas diplomatic mission, and experts in legal and research fields to SMEs, in order to allow SMEs to overcome cultural, language, social, and political obstacles in foreign countries.

Overall, the preceding policies highlight Japan’s determination to enhance its overseas outreach by expanding exports. Although Southeast Asia has not been particularly singled out, it does play a crucial role in the map of Japan’s economic overseas activities. These policies indicate the new directions and focuses that the Japan government would like to promote, and these also signify that Japan is aiming to deepen and reinforce its economic relationships with

Southeast Asian countries.

(5) Japan's experiences and Taiwan's New Southbound Policy

Taiwan and Japan are neighboring countries, sharing the same political values of democracy and human rights, robust and flourishing economic exchanges, and profound cultural bonds among peoples. In recent years, Taiwan and Japan also encounter various similar challenges in both domestic and external environments, such as decline of birthrate, aging population, sluggish economic growth, growing military threat from China, etc. Japan has been viewed as the admirable and successful model for Asian countries. Although the glow of Japan's miracle has gradually faded away after the 1990s, it remains valuable for Taiwan to learn from Japan in various fields.

Particularly, since 2016, the new-elected Taiwan president, Ms. Tsai Ing-wen (蔡英文), has initiated the "New Southbound Policy" to deepen cooperation and exchanges with 15 countries in Southeast Asia and South Asia. Relevant policies have been launched and implemented in the past months and this policy remains room for further improvement and revision. The goal of the New Southbound Policy is to seek the comprehensive exchanges and deepen cooperation with these partner countries, and eventually to build "the sense of community" with these countries. This policy also intends to correct Taiwan's over-China-leaning policy in the past years, which had made Taiwan's economy over dependence on Chinese market and may invoke the risk of national security.

Given that Southeast Asia has been one of Japan's major focuses and Japan has various operations in and profound relationship with these countries, it is critical for Taiwan to learn from Japan's experiences. Particularly, the Growth Strategy, led by the Abe administration, also outlines the Global Outreach as one of its important themes. Hence, it is worthwhile for Taiwan to examine Japan's Growth Strategy and to see whether there are any strategies that Taiwan can gain from Japan's experiences. Based on various interviews and the practices of the Growth Strategy, this report illustrates the following points that may be constructive and beneficial for Taiwan's policy-makers.

- The government leads and the private sector follows

In the Growth Strategy, it reveals a pattern that the Japan government tends to take a lead on the most issues, and by providing policy incentives and workable assistance, it provides Japanese firms motivations to work along with the Japan government in overseas market expansion. For example, in terms of export infrastructure, the Japan government has played a pivotal role in promoting Japanese infrastructure in foreign markets through high-level official meetings. The prime minister Abe has been an effective salesman to promote Japanese infrastructure projects when he has chances to meet with foreign political leaders. Meanwhile, with the leadership of the Japan government, Japanese firms in infrastructure are capable of organize a coalition, composed of various private firms in different but related industries, to work close with the Japan government in order to bid public facility projects in foreign countries. In addition, Japanese financial institutions in both public and private sectors, under the lead of the Japan government, are able to provide financial support to these firms and targeted countries for boosting their odds of winning the project competition in foreign countries. The vertical and horizontal cooperation and coordination between the public and private sectors is an admirable model for the Taiwan government when it undertakes the New Southbound Policy.

- Perfection of information collection and dissemination

Another spotlight in the Growth Strategy is Japan's emphasis of SMEs' export expansion. To facilitate SMEs' exports, it is critically important to help SMEs overcome diverse obstacles preventing them from undertaking overseas business activities. Hence, the public sector needs to play a crucial role in encouraging SMEs' export activities by providing various assistances. Since most SMEs lack resources and capabilities to explore business opportunities and conduct business activities in foreign markets, the Japan government and related agencies become the main providers to assist Japanese SMEs to overcome these obstacles. For example, in the Growth Strategy, it indicates that the JETRO is responsible for organizing business opportunity matching for SMEs, while it also needs to provide related latest business information as well as regulations of host

countries for Japanese SMEs in order to facilitate their export penetration in overseas markets. In addition, Japan also provides one-stop service with legal, trade, tax, marketing and related consultation for SMEs which want to expand business in foreign markets. This service can reduce SMEs' transaction cost when they consider exploring overseas markets. Since Taiwan's SMEs face the similar condition as Japan's SMEs in terms of limited resources and lack of capabilities in overseas markets, it is essential for the Taiwan government to learn from Japan's experiences in helping its SMEs, in order to assist them to cross the threshold and make their first footprints in Southeast Asian markets.

- Spread soft power of the Cool Japan

Japan has been one of the most popular tourist countries in the world. The influences of Japan's soft power had been underestimated and ignored by the Japan government until recent years. In the Growth Strategy, the Japan government particularly highlights the importance of promoting Japanese soft power overseas and further enhancing Japan's positive image and attraction as the most favorite tourist spot for foreign tourists. To achieve this goal, the Japan government has launched a series of policies and initiatives to promote the Cool Japan. By promoting unique Japanese culture, the positive image of the Japan Brand can be imbedded in people in foreign markets, and the charm and diversity of Japanese cultural attraction can be fully appreciated by more foreign tourists. These cultural charm offensive could allow Japanese products to be more popular among foreign customers and the image of Japanese hospitality can be broadly spread and more recognized around peoples in different countries, which will implicitly enhance Japan's cultural appeal and translate into more commercial opportunities. In this regard, Taiwan also enjoys its unique but underestimated cultural characteristics. One key point in the New Southbound Policy is to promote people-to-people exchanges. The Taiwan government should learn from Japan's model to highlight and promote its unique soft power in Southeast Asia in order to improve peoples' understanding of Taiwanese culture in these countries, while enhancing Taiwan's soft power and cultural appeal to the people in the region, which not only can tighten the bonds of peoples between Taiwan and partner countries, but can also help Taiwanese firms to undertake business operations in

Southeast Asian countries.

- Strengthen the exchanges of think tanks

According to various interviews, many Japanese experts indicate that people-to-people exchanges are essential and have profound influences in the long run. In this regard, Japan's experiences are very important and deserve Taiwan's attention. Given that Taiwan has a unique diplomatic predicament in the international environment, it, to a large extent, poses various constraints on Taiwan's external relations. Nevertheless, Taiwan may consider Japan's thoughtful policy measures as breakthrough in the people-to-people diplomacy. With regard to Southeast Asia, the Japan government has found and provided financial support to related think tanks and academic institutions in encouraging Japanese scholars and experts to do research in that region while fostering exchanges of visits between Japan's think tanks and these in Southeast Asia. Furthermore, by sponsoring some Japanese experts and think tanks in Southeast Asia, the Japan government obtains access to knowing policy directions and dynamics in the governments of Southeast Asia, while it can also voice its interests and concerns through these Japanese experts and think tanks. The implicit influences that policy professionals possess on policy directions are critical for the Japan government to expand its soft power in the level of policy-making personal. In this regard, to Taiwan, as a country without any formal diplomatic relations with Southeast Asian countries, Japan's experiences deserve the Taiwan government's further consideration.

- Increasing international students and officials for advanced studies

Another signature point in the Growth Strategy is its immigration policy. Facing lack of labor force and aging society, the Japan government has finally decided to make some reforms in its strict immigration policy and allow some high-level professionals easier to stay in Japan. Corresponding to this change, the Japan government also intends to sufficiently increase the number of international students to study in Japan, which can serve various purposes, including boosting Japanese soft power around the world, fully utilizing Japan's education facilities, supplementing temporary labor forces, training future skilled workers for Japanese firms, etc. In addition, to expand Japanese influences,

the Japan government has provided numerous opportunities for government officials, professionals, and experts to study in Japan. By providing various scholarships for foreign officials and professionals, Japan has attracted a significant number of international students who have official background and experiences, which is likely to increase the likability of Japan and the Japanese way of conduct to these foreign students and prospective bureaucrats. This will improve Japan's popularity and reputation in foreign countries and make Japanese products easier to penetrate in overseas markets. Obviously, Taiwan has fell short of promoting these kinds of people-to-people exchanges between Taiwan and Southeast Asian countries. As a result, from psychological and cultural perspectives, Southeast Asia has been largely viewed as distant existence by most Taiwanese people and the Taiwan government. It is vital for the New Southbound Policy to correct this pitiful myth by taking more proactive and far-sighted policies as indicated above.

- Strategic alliances with other countries

It is noteworthy that the Growth Strategy has pointed out that the Japan government does not exclude the possibility to cooperate with other countries and to jointly bid public facility projects in foreign countries. In other words, different from Japan's previous practices, now the Japan government is willing to cooperate with other countries on some overseas infrastructure and public facility projects, in order to increase the odds of winning in international competition with other countries. Since various companies from different countries may pose dissimilar advantages, making a strategic alliance with firms from other countries could sufficiently raise the likelihood of success in international race. Hence, this change is likely to bring benefits for Japan, as well as to improve Japan's relations with partnering countries. From Taiwan's perspective, this policy offers a window of opportunity for Taiwan's cooperation with Japan in jointly bidding foreign projects, such as infrastructure and public facilities, in Southeast Asian countries. Since Taiwanese firms and Japanese firms have dissimilar strengths, the firms in two countries tend to be more complementary than competitive. Hence, the Taiwan government should also reserve more room for making strategic alliances and cooperation opportunities with

other countries in Southeast Asia, which will significantly boost the odds of policy success.

(6) Summary of Research findings

After the previous discussion and analyses, the following section briefly summarizes the research findings and highlights some policy recommendations for the Taiwan government in the context of examining Japan's Growth Strategy and related policy implementation.

1) Research findings

- The developmental state model is not sufficient to provide an appropriate explanation of the Japan government, although many features in the Growth Strategy suggest that the Japan government is willing to take a leading role in the economy. Nevertheless, the practical influences of Japanese officials on the private sectors have not the same as those in the second half of 20th century.
- Japan's external economic policy has been shaped by both domestic factors and international environment. In the 21st century, Japan has revised its external economic policy from prioritizing the WTO to pursuing bilateral FTAs and regional economic integration. Due to deteriorated domestic factors, the Japan government has to overcome domestic resistance and accelerated the pace of economic integration to enhance Japanese firms' competitiveness in international economic races.
- The role of the private sector in the Growth Strategy is designed to fulfill different expectations of the government. Although the private sectors are considered major participants and beneficiaries of the Growth Strategy, in the policy-making process, the private sector remains a passive actor as the subject of being consulted. As for the pattern of the public-private cooperation, although the Growth Strategy reveals the importance of this cooperation, its function largely remains limited and far away from Johnson's ideal type of the developmental state model.
- Japan has been making deep and profound efforts in Southeast Asia in various fronts. The Growth Strategy does not single out Southeast Asian region as a major focal point. Nevertheless, its theme of the Global Outreach covers this region and aims to promote

export of infrastructure, SMEs' export capabilities, and FTA/RTA coverage.

- Japan's experiences in Southeast Asia have much merits for Taiwan's New Southbound Policy. Despite differences between two countries, the way that the Japan government paves the way for its private sectors in conducting business activities in Southeast Asian countries deserves much attention for Taiwanese leaders. In addition, Japan has spent much efforts in facilitating people-to-people relations as well as promoting Japanese soft power, which are worthy of learning for the Taiwan government in its New Southbound Policy.

2) Policy recommendations

The followings are numerous policy recommendations for the Taiwan government to learn from Japan:

- Taiwan should enhance a business-friendly environment by accelerating the pace of deregulation, improving public facilities, reducing red tapes and streamlining administrative procedures.
- Taiwan's external economic strategy and policy, such as the New Southbound Policy, should be an integral part of its overall economic plan. Now, Taiwan's "Five Strategic Industries" and the "New Southbound Policy" are distant to one another, which suggests that the consideration of Taiwan's industrial plan has not been contemplated in the context of global environment.
- In addition to strengthening economic connections, Taiwan should learn from Japan and make more efforts in fostering people-to-people connectivity and promote Taiwan's soft power in Southeast Asia.
- In terms of SMEs, Taiwan still falls short of providing sufficient assistances to SMEs in their business expansion in overseas markets. Taiwan should take Japan as an example in helping SMEs' overseas outreach.
- As the Japan government, the Taiwan government should take a lead in helping Taiwanese firms to bid and participate in infrastructure and public facility projects in Southeast Asian countries.

- The Taiwan government should make more efforts in facilitating the cooperation opportunities of making strategic alliances between Taiwanese firms and foreign companies, like Japanese firms, in jointly participating in international competition of public facility projects.
- The Taiwan government should fully mobilize and organize related official resources and make a unified policy coordination platform to lead the private sectors with sufficient economic incentives and favorable policies in making progress and promoting the New Southbound Policy.

Conclusion

In recent years, the relations between Taiwan and Japan have significantly improved. While the East Japan Earthquake in March 11, 2011 brought devastating damages to Japanese people, it also provided a chance of showing who is a true friend of Japan. Taiwanese people's generous donations and assistances to Japanese people in this tragic incident have demonstrated profound bonds between the peoples of these countries, which also sends a wake-up call to Japanese politicians in correcting their long-term political ignorance and indifferences to Taiwan. As a result, since the 311 East Japan Earthquake, the Taiwan-Japan relations have been enhanced by mutual efforts.

As the original case of the developmental state model, Japan's experiences have been the central focus of many academic attentions. This project aims to investigate Japan's transition and development in the 21st century, especially focusing on external trade and economic policy, in order to gain some policy insights from Japan's experiences as valuable references for Taiwan. Thanks to the Japan-Taiwan Exchange Association's generous financial sponsorship and the hospitality of the National Graduate Institute for Policy Studies (GRIPS) for granting the status of visiting scholar, I could stay in Tokyo for about two months in conducting research and numerous interviews.

Despite various limitations and time constraints, this project has largely achieved its original objectives and obtained meaning and constructive research findings. These findings not only have policy values for both Taiwan and Japan, but also reveal more research directions and

puzzles for future research. As a major research guideline in this project, I have strived to find any shadow or relic of the developmental state which has found by Johnson in the 1980s in modern Japan. Nevertheless, it is a pity that the Japan government has transformed as time goes by and the former giant shadow of economic bureaucrats has gradually faded away as well. At less, it is difficult to find hard evidence to support the developmental state argument in the practices and the plan of the Growth Strategy, despite the lingering shadow that may remain.

In addition, after conducting various interviews with officials, scholars, experts, and professionals, it is surprising to know that few of them actually recall or cherish the “good old days” of the 1960s-1970s, in which Johnson depicted as the climax of the developmental state contributing to Japan’s economic miracle. In other words, the gap between the impression from academic literature and the one people actually experienced in their lives may have a significant distance. When I was striving to look for any shadow or footprint of the giant, many have warned me that the giant has gone or it has never existed. After all, academic research is the process of trial and error, and any attempt is aiming to approach the possible historical truth and to comprehend it.

The Abe administration’s Growth Strategy and his relative stable government have provided convincing reasons for me to investigate whether the Japan’s developmental state may have restored in recent years, since this case may offer some constructive and meaningful insights for Taiwan, which shares many similar challenges. Although Johnson’s ideal type of the developmental state may not have appeared in the Abe administration, the sophistication of policy and the coordination of economic planning among government agencies are highly admirable for Taiwan. Hence, the investigation of the Growth Strategy reveals a useful reference point for the Taiwan government as it now actively promotes its new strategic industries and the New Southbound Policy.

From this perspective, this research project has achieved its objectives. Although it remains room for further improvement, I would like to express my genuine appreciation to numerous people helping me conduct this research. Without them, my understanding of Japan would have always stayed at face-value of description in the literature, and the huge shadow of

the giant of the developmental state would have continuously lingered. Perhaps, now, in another page of the 21st century, a new image of the Japanese state may have surfaced above the water and wait for exploration. In this sense, this project signals an end of the past and a new starting point of the future.

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