

# Economism as a Pacific Peace Project

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## *1. Introduction*

In the post-World War II situation there were a number of countries, which no longer needed to preoccupy themselves with international politico-military expenses. The principal losers in the war were in that situation. Countries such as Western Germany, Italy, Finland, and Japan were partly able and partly forced to leave international politics to other actors, and they concentrated instead on developing their economy. All of them created a *Wirtschaftswunder*, *il miracolo*, *talousihme*, or *seichoo jidai* of their own. The following paper deals with some theoretical questions related to the economic miracle in the Western Pacific region, where several other Asian countries followed the Japanese economic example.

The main argument developed in the paper is that economism in the Western Pacific has been cultivated as national projects with specific political ends. There have been variations in the projects of each country, but they have converged, and helped to create a loosely integrated economic community in the whole Pacific area. The whole process has been underlined by a specific economic logic of peace, inherent in the value system of the science of classical political economy. While classical political economists were inclined to think that economic activity in itself would lead to an orderly society and a peaceful world, the argument here rather maintains that there are specific and limited historical situations, where economism can be consciously used by political actors for bringing out the intended results.

The concept of economism is understood here in a specific way. Organized social activity can be conceived as consisting of various sectors, but in this paper only three sectors are discussed, namely economics, where material wealth is produced; politics, where the distribution of rewards and national goals is debated and decided; and security, where the defence of the state is taken care of. Different professionals specialize in different sectors. There is a level of competition between them, and in the history of states the sectors are emphasized differently during changing circumstances, each sector trying to push its own world view over the others. Under discussion here is the world view of the professionals of the economic sector, and what has resulted on a regional scale when that sector has been able to gain for a period the upper hand in defining national values.

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In Chapter 2 is discussed how economism originated during European Renaissance and Enlightenment, and developed into a coherent doctrine for organizing the world in a peaceful way. The aftermath of World War II provided a new historical situation where the project could be applied on a grand scale, especially by the global policies of the United States. Chapter 3 deals with the postwar situation in Japan, which helped the reception of American economism there, and Chapter 4 with previously existing Japanese theoretical discussion on economic development, which shaped that reception to a direction most relevant to the Japanese. In subsequent chapters the outcome of economism on a regional scale is discussed. Chapter 5 deals with the theory of Pacific economic integration, Chapter 6 with the theoretical aspects of the economic development of Western Pacific countries, while in Chapter 7 the process of Pacific integration is described. In the concluding Chapter 8 an evaluation is made of economism as a Pacific peace project.

## *2. Economism as a Political Project*

Economism as a political project emerged in the discussions of classical political economists, who were writing in Europe during and after the religious wars of the sixteenth and seventeenth centuries. As Albert O. Hirschman shows in his *The Passions and the Interests* (1981), the period presented a change in the ideals of European culture. Throughout the Middle Ages and the Renaissance the aristocratic ideal of a passionate striving for honour, glory, power, and the display of knightly valour, had been the dominant social ideals for human conduct. In political theory, Machiavelli's *Il Principe* (1517) was a sort of culmination of this ideal. It put its faith on the personal characteristics of an energetic individual, who could manipulate the passions of his subordinates and enemies, and with his personal skill create an island of peace in the turmoil of the period. However, in its search for stability *Il Principe* already pointed towards the emerging new paradigm.

At the beginning of the seventeenth century the heroic ideals began to be ridiculed, e.g., by Cervantes, with his figure of the knight Don Quixote de la Mancha. Don Quixote embarked on a voyage of adventures, but was beaten and carried home in a cage, while his down-to-earth companion, Sancho Panza, the representative of the new world, returned to his good wife on his own feet, with a basket full of coins. Social theorists began to look for ways how to tame human passions, so that an orderly society could be created. Thomas Hobbes' *Leviathan* (1651), which introduced the concept of Covenant, and with it the idea of an impersonal political structure, capable of guaranteeing protection and order, is a good example of the evolving new type of thinking.

However, it was the concept of economic interest which provided a conceptual way for taming the aristocratic passions. Already Hobbes had talked about passions, which incline men towards peace, namely 'Feare of Death; Desire of such things as are necessary to commodious living; and a Hope by their Industry to obtain them' (Leviathan, Chap. 13). During the eighteenth century, in pace with the accelerating economic growth of Western Europe, thought began to concentrate on the latter part of Hobbes' idea of peaceful passions. Money-making appeared as a calm passion in contrast to the violent aristocratic ones. Eventually, concentration on pursuing private economic interests began to appear as a way of weaning societies out of violent habits. As Montesquieu put it, 'it is almost a general rule that wherever the ways of man are gentle there is commerce; and wherever there is commerce, there the ways of men are gentle' (quoted in Hirschman, 1981, p. 60). Industry and commerce appeared as a way of polishing nations out of barbarism:

The by-product of individuals acting predictably in accordance with their economic interests was therefore not an uneasy balance, but a strong web of interdependent relationships. Thus it was expected that expansion of domestic trade would create more cohesive communities while foreign trade would help avoid wars between them. (Hirschman, 1981, pp. 51-52; italics in the original)

Economism in European intellectual history during the seventeenth and eighteenth centuries can thus be seen as a political project towards achieving peace both in national and international relations. In economically rapidly developing England Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), advocating the idea of free competition, and David Ricardo's *Principles of Political Economy and Taxation* (1817), introducing the idea of comparative advantage, provided the theoretical basis for the British ideology of capitalism and international free trade. The idea then spread around the globe with British commerce, and the prestige of the British Empire became attached to it, while the rapid economic growth of Western European countries made them receptive to it, at least on the ideological level. It was the dominant ideology of the nineteenth century.

In the history of international relations theory, also the strongest attack against economism came from Britain, during the twentieth century, when economic growth on the subcontinent had waned, and scarcity had taken its place. Edward Hallett Carr's *The Twenty Years' Crisis* (1946) criticized vehemently the use of the principles of economism in international politics, and argued for replacing them with power political principles. A similar emphasis of the political sector above all others can be seen also in the writings of some other, subsequently

influential, critiques of the period between the world wars (see, e.g., Morgenthau, 1933; 1935). Political realism, with its European origins, became the dominant school in international politics in the postwar situation (Korhonen, 1983). This was especially marked in the United States, reflecting at least in part its new leading role in the world system under the conditions of the cold war.

From other angles, economism had become under attack already during the nineteenth century. As Hirschman argues, the uprooting and impoverishment of millions of people by global economic activity, the miseries of cyclical depressions, and the creation of alienated mass societies threw that project into disrepute in the eyes of many (1981, p. 126). Marxian critique of capitalism is the best example of this. Also from a third angle, Where the political project of economism has temporally succeeded, life has appeared 'empty, petty, and boring' (ibid., p. 132). Heroism, adventures, and the magical world of incalculable passions have disappeared, giving place to a regulated and pacified society, setting the stage for Romantic critique of the Bourgeois order, such as Søren Kierkegaard's *Begrebet Angest* (1844), or Friedrich Nietzsche's *Also sprach Zarathustra* (1884).

Economism, if it is successful, creates its own downfall as a social theme. It has, however, its proponents, which carry it through Romantic or violent periods, namely economists. The whole project is ingrained into the values of classical economics, ready to come out and bloom where a fertile period presents itself. As Hirschman expresses it:

In this view... still widespread today among economists, politics is the province of the 'folly of men' while economic progress, like *Candide's* garden, can be cultivated with success provided such folly does not exceed some fairly ample and flexible limits. (ibid. 104)

It respect to the fact that political realism became such a strong influence in the postwar foreign policy of the United States since the late 1940s, it is ironic that also economism was given a fresh push from the United States. During the 1930s, instead of becoming authoritarian as most other major countries of the time, the United States could combat the effects of the Great Depression with determined federal policies whipping up economic growth, pacifying the society. Because this economic policy had succeeded so well in national politics, it was natural for the policy makers of the United States to apply it also in the international system since the later stages of the war, beginning at Bretton Woods in 1944. The immediate postwar period of reconstruction was similarly characterized by massive inflows of American capital, accompanied by an equally strong ideological push to spread the ideals of economism all over the globe (Ellwood, 1990).

In war-weary Western Europe David Mitrany's *A Working Peace System* (1943) can be seen as a prime example of the economistic ideology. Although it was written by a European, the book drew its inspiration from the American New Deal policies of the 1930s. Mitrany advocated starting a process of peace through common 'industry', which would lead towards integration, and eventually towards a pacified international system. Mitrany was influential in starting the school of functionalism, which became eventually the chief intellectual opponent of realism.

In continental Europe international integration had been discussed mainly under the legalistic framework, and future Europe was usually depicted as a political federation (Smith & Stirk, 1990). However, nothing very much really happened until the Schuman Plan in 1950, aided by the American ideological push, changed the rhetorics of European integration to the economistic one of coal and steel. Only after that integration really started to proceed (Taalas, 1993). It seems that major postconflict situations, where the potential for rapid economic growth presents itself, are those where economism has the greatest persuading power, and the most obvious legitimacy.

### *3. Economism as a Project in Postwar Japan*

Before World War II Japan had been a great power in East Asia. With the words of the Swedish geopolitical theoretician Rudolf Kjell\_n, Japan had by her military success won *das Adelsdiplom der Geschichte*, getting a place among the 'nobility' of countries (1914, p. 1). Nothing remained of this situation after the war, except a relatively advanced economy, and certain lessons. The basic one of them was that war technology had advanced to a stage, where the strategic advantage of being an island country was eroded. The seas surrounding Japan had previously provided a natural defence against attackers, but the ability of the United States to cut Japanese supply lines by submarine and aerial warfare demonstrated the impossibility of keeping them functioning during an extended war. Any amount of aristocratic fighting spirit could not offset that change. The conclusion, drawn by some at the later stages of the war, and spread among the many after the war, was that in the modern world Japan was no more able to wage a major war.

The Occupation period (1945-52) with its reforms strengthened the change in thinking. Japan was demilitarized, and Article 9, which prohibits the maintenance and use of military power, was inserted into the new constitution. Although the article has been circumvented since 1950, and land, air and sea forces have been reconstructed, Japan has consistently followed a low military profile (Hummel, 1991).

Another important change was that the old aristocratic and military elites were removed from their culturally and politically leading position. Although the purges were reversed during the later phases of the Occupation, these elites were never able to return to their former influential position. Their place as the creators of the basic ideology of the nation was taken by economists, or in general by people who were thinking with economic categories (Zahl, 1973). The change can be seen for instance in the world view of a document, written by the Ministry of Foreign Affairs Special Survey Committee during 1945-46, on which the basic lines of Japan's postwar reconstruction were placed. The outlook and the rhetorics of the report were economic. The lost war, the new international situation, and Japan's national situation were all analyzed from that point of view. And, from that point of view, the Committee advocated two general projects. Internationally, Japan should strive for an economic orientation towards world politics. International economic cooperation as a general process would lead towards a harmonious and peaceful world, where Japan would be able to find a secure place for herself. Nationally, understanding of the overriding importance of economics should be spread throughout the population, so that economics would become the avocation of everybody (Nihon keizai saiken no kihon mondai, 1990).

Yoshida Shigeru as prime minister during 1946-47 and 1948-54 largely implemented the international project in Japan's foreign policy. Yoshida's policies meant concentration on economic reconstruction, development, and trade (Shiraishi, 1989), while internationally Japan supported the politics of the United States in exchange of US military protection of Japan. During the 1970 political scientists codified this approach as the Yoshida doctrine. Ikeda Hayato as prime minister during 1960-64 implemented the national project through the famous Income Doubling Plan (Kokumin shotoku baizoo keikaku, 1960). The plan was a work of about 2000 Japanese economists and other related people, prepared under an extensive committee network. The plan simply promised to double Japanese national income in ten years. The publication of the plan was accompanied by vigorous use of optimistic economic rhetoric by Ikeda and his intellectual supporters and a national economic consensus was created around it. Both the consensus and the Yoshida doctrine have changed since, but economism permeated once almost the whole nation, and it still constitutes the basic outlook of Japan as a political actor.

All of this meant the reemergence of the concepts of classical political economy into a prominent place in national discussion. Japanese international economists, like Arisawa Hiromi, Okita Saburo, or Kojima Kiyoshi have been expounding the virtues of international free trade, which leads to economic development, economic cooperation, economic integration, wealth, and prosperity. This should, however, not be seen only as an economic project thought to benefit Japan alone. The rhetorics have been exclusively economic, but underneath

the economic phenotype it has also been a political project, destined to create a peaceful international situation around Japan, guaranteeing her security better than military means could do it.

When one looks for instance through the writings of Okita Saburo - who has been named the intellectual godfather of Japan's comprehensive security concept (Drysdale 1983, viii), which relies on economic diplomacy in creating international goodwill towards Japan, shunning military means - one sees a constant repetition of a basic idea: contributing to the economic development of Asia through war reparations, official development assistance, and private investment (see Okita, 1947; Arisawa, Okita & Wakimura, 1951; Okita, 1956; 1960; 1965).

The idea has to be understood against the background of the World War II, and the smaller wars which followed in succession after 1945 in Japan's vicinity: in China, in Korea, and in Indochina. The cold war created tensions in Asia between the socialist and capitalist blocks, putting Japan into the danger of becoming a front line country. Southeast Asia was plagued by latent or open conflict along a multitude of national, ethnic, and religious divisions, as the national structures and border areas of the newly independent states were not yet settled. The wish of the Japanese international economists, among whom Okita was just one example, was to eradicate conflict itself from the Eastern Asian regional system.

The idea relied on being able to escape from the constraints of scarcity, into a world of constantly increasing abundance, where the allocation of material and spiritual rewards would be easy in national and international settings alike. After the beneficial effects of economic activity had made life more affluent in the region, the countries would find themselves cooperating peacefully with each other, and quietly forget their previous conflicts, as if an invisible hand had wiped the table clean from the dust of political and military tensions.

#### *4. The Concept of Development*

Economic theory in Japan had, for historical reasons, been very development oriented. Japan had been the only Asian country that had become industrialized before the war. This historical experience had been distilled by Akamatsu Kaname into the theory of the flying geese pattern of development (*gankoo keitai hattenron*). Among Japanese economists, Akamatsu was considered as their first world class theoretician, and his theory was correspondingly influential in Japan (Korhonen, 1992, pp. 68-80; Korhonen, 1994). In the postwar situation the theory was important as a medium through which American economism was interpreted with Japanese terms.

The theory is an application of the concept of comparative advantage in a situation of countries competing on differing levels of development. Its basic distinction is between leading countries (*senshinkoku*) and following countries (*kooshinkoku*). At the time when the theory was created, the *senshinkoku* meant the industrialized Euro-American countries, while Japan appeared in the position of a *kooshinkoku*. (Akamatsu, 1932; 1945).

Akamatsu's theory is a general theory of development, which describes how an undeveloped country can rapidly become a developed country. The primus motor of development is international trade. When an undeveloped country is exposed to the productive power of an advanced industrialized country, its old economic system is swept away, it runs into debt and unemployment, and lots of misery ensues. However, what also happens is that through the goods a new kind of economic culture is introduced into the country. It turns from an undeveloped country into a follower, and starts to pursue the advanced countries on the road of development.

Classical English economists, who were contemplating an economy already protected by the military capabilities of the mightiest contemporary power, could ignore the importance of the state, but a thinker in a peripheral country, exposed to that power, could not do that. The state is very important in Akamatsu's theory. The state has the responsibility to create the conditions where local entrepreneurs can put the new economic culture into use. The state has to create a peaceful haven, where new industries can be nurtured while they are still in their infancy. At the minimum, the state has to be able to use protective tariffs against foreign imports at critical moments. The state is thus an active and necessary actor in development. However, Akamatsu favours protection only up to the point where local industries are able to establish themselves; after that point the borders should be opened to foreign competition, so that local industries would not grow soft and inefficient in too easy conditions.

After that, exports follow. Typically, they are cheap consumer goods of low quality. Because of differing levels of development, enhanced by the period of misery after the collision of cultures, wage levels and other production costs tend to be lower in the follower country. That is where the comparative advantage of exports is based, and eventually the exports can find a market. They bring in foreign capital, which enables the import of more foreign products: consumer goods, capital goods, and culture in general. The imports enable the rising of quality and expansion of production, while also new industries are introduced into the country.

The basic recipe for development is thus: import, production, and export. The follower country simply adopts suitable industries and general culture from more developed countries, starts production at home with low wages, and exports

the goods. The industries adopted are carefully chosen to suit the comparative advantage of the country. The process is repeated over and over. A strong industrial base is eventually built. The theory maintains that a suitable combination of economic nationalism, international free trade, and a national will to develop guarantees success with a fairly high degree of certainty.

Local production does not diminish international trade. Rather, an expansion of trade follows. The follower has to import as much as the balance of payments allows if it is to continue its development, providing thus an expanding market for the advanced countries. Increased trade also draws new countries into the system from the lower end, so that there ensues a long procession of countries on differing levels of development. All of them try to climb towards higher stages. The whole group is flying towards a common goal, the increasing sophistication of industries.

The theory presupposes fairly close communication between the leading and following countries, so that a wide stream of culture can flow to the follower country. It is far easier to apply existing culture than to devise something new, and consequently a successful follower can approach rapidly the level of the leaders. If the momentum holds, the follower can even pass them and become a new leader, like the United States was able to leave the Western European countries behind during the twentieth century.

In respect to peace Akamatsu's theory is ambivalent. The theory depicts a world of constant change, which is very competitive and highly unstable. An ideal world would be an economic one where the struggles would happen through nonmilitary means, but in a real world economic struggles tend to be accompanied by political and military fights as well. This is when we look at individual nations and short periods, such as decades. Because of his Hegelian background (Akamatsu, 1927), he, however, displays a similar sense of optimism as Hegel does in his *Vorlesungen über die Philosophie der Geschichte* (1840). When we look at centuries and the whole humankind, the furious competition at the level of individual countries produces a vast movement of progress. In Akamatsu's version of Hegelianism 'the Spirit of Industrialism' will lift the whole humankind from poverty to prosperity within a few short centuries.

As Hirschman shows, this Hegelian concept of the Cunning of Reason, just like Adam Smith's Invisible Hand, is a form of the political project of economism, according to which relentless pursuit of individual interest creates eventually a civil order, where people can live peacefully and prosperously (1981, p. 17). On this existing intellectual basis the new postwar wave of economism could settle quite well. Akamatsu's theory was clearly based on the concepts of classical political economy, and to an extent it could be reconciled with

neoclassical economic theory emanating from the United States. There were, however, differences. If neoclassical rhetorics concentrated on arguing for all-out free trade and mutual creation of wealth, de-emphasizing actual differences between countries on a conceptual level, Akamatsuan rhetorics would concentrate exactly on these differences, and keep the idea of the development of the follower countries always on the foreground of thinking. Another difference was the specific Hegelian flavour of Akamatsu, which made him a theoretician of grand history. His theory was an economistic peace theory only when we looked at centuries.

## 5. *Integration*

Akamatsu's pupils, working in the post-World War II and cold war environment, were using a different temporal framework. Although Akamatsu's basic theoretical insights were not denied, life in his construction looked too much like 'nasty, brutish and short', for short-lived human beings. Stability and peace had to be attained there and then (see, e.g., Kojima, 1961, p. 25).

Okita Saburo's idea had been to make contributions to Asian development, and in this way create goodwill towards Japan. To this idea Akamatsu's principal pupil, Kojima Kiyoshi, added the idea of international economic integration. Various kinds of integration proposals had been presented in the Pacific area for over a decade (Korhonen, 1992, pp. 89-149), but Kojima's proposal in 1965 to create a Pacific Free Trade Area (PAFTA) (Kojima & Kurimoto, 1965) corresponded with the Schuman Plan in the sense that Kojima was able to find the right formula, which began to produce action. The formula was based on using purely economic rhetoric, from which all political and military overtones were carefully cleaned out.

The nucleus of the organization was to be composed of the United States, Canada, Japan, Australia, and New Zealand. The background of the proposal was that at the time these countries were the only advanced industrialized countries in the area. As Japan was still largely understood as a follower of the United States in the Akamatsuan sense, close integration with the United States was also seen as a way to benefit Japan's development. The United States and Canada, with the Pacific coastal regions gaining gradually in economic and demographic importance, would have to set their Pacific economic relations on a clear basis. European integration was cutting the traditional ties of Australia and New Zealand to Britain. The two countries were forced to cease being European outposts in the Pacific, and had to create a Pacific identity and a Pacific economic orientation for themselves. A clear convergence of interests among these five countries could thus be constructed.

Asian and Latin American developing countries would associate themselves around this nucleus. They could do it either as individual countries, or they could first form suitable free trade areas among themselves, and later integrate as a group with PAFTA. One of the aims of the organization was to act as a counter force to European integration, but a more constructive goal was to expand trade in the Pacific area, and thus give a boost to economic development in the region.

In a later article Kojima extended the idea further. He called for a new concept of development aid. Much of what had passed as aid had been humanitarian, political, or of the vent-for-surplus type, in which excessive stocks of some produce are dumped on developing countries. Kojima wanted new types of common aid policies, which would concentrate on the expansion of trade, and on structural adjustment both in the developing and the developed nations (Kojima, 1969).

Two concepts related to the theory of the flying geese pattern of development, developed in discussions of postwar Japanese industrial policy, are necessary here. They are the concepts of sunrise, or newly rising industries (*shinkoo sangyoo*), and sunset industries (*shayoo sangyoo*) (Kojima, 1962, p. 431). The concept of sunrise industries refers to new industries, which are introduced into a country, and towards which the comparative advantage of that country is moving. The concept of sunset industries refers to old industries, which are losing their comparative advantage. For instance, labour intensive light manufactures, such as ordinary clothing, can be understood as a sunset industry in an advanced industrialized country, whose wage levels have risen high. The sunrise industries of such a country are those that involve new technology, new applications of science, innovation, and capital intensive means of production. Aircraft industries, machine tools, or medicines are suitable examples. However, the sunset industries of an advanced country can be the sunrise industries of a follower country. A paradigmatic case is an agricultural country that starts to construct a textile industry. Thus, development in a historical perspective can be understood as a continuous flow of types of industries from the more advanced to the less advanced countries. At the front end of the process new industries are developed, such as space technology. At the rear end old industries are dropping out of the production process altogether. Wooden wheels for horse powered carriages are a case in point.

Countries may try to fight against the current, i.e., protect their sunset industries because of established interests, considerations of employment, pride in traditions, etc. They may slow down the process, but in the long run the fight is futile, and bound to harm the country in question. On the other hand, the process can be consciously used and speeded up, and countries that are able to do this, will benefit.

Kojima applied these concepts to his idea of Pacific integration. The developing countries should turn from dependence on aid towards creating export oriented productive activities. This held true for their traditional exports of tropical goods and raw materials, but the most promising line for them was labour-intensive manufactured and semi-manufactured goods. Already at the end of the 1960s substantial amounts of debt had accumulated in many developing countries, and they were in trouble with repaying and servicing them. A determined orientation towards exports would free them from the vicious circle of debt, and create resources for further development (Kojima, 1969).

On the other hand, the advanced countries were in a position of having to subsidize a variety of old and inefficient industries, whose comparative advantage was declining. In terms of the allocation of resources the advanced countries would be better off if they let these sunset industries pass to the developing countries, and imported from them what they needed. The goods would be cheaper that way, a market would be created for the sunrise industries of the developing countries, and their development would be supported in a natural way. The resources thus released could be directed towards developing new sunrise industries in the advanced countries. All countries would benefit. The group of countries as a whole would advance a step further on the road of development.

Lots of aid would be needed for the whole process. However, a great part of governmental aid should be used in the advanced countries themselves. Kojima advocates setting up a fund for assisting structural adjustment in all leading countries. It should become an obligation, similar to the one that dictates that a certain percentage of national income should be directed to foreign aid. With that fund, old industries could tenderly be helped to retire, reeducate themselves to a higher technological level, or completely different products. Workers would be similarly helped to retire, retrain, or move to new locations. With a sufficient amount of funds, and with everybody understanding what was happening, and why it was happening, opposition to the process could be minimized. Economism should be made the avocation of not only the Japanese citizens, but of all people of reasonably advanced level of education. The leading countries would be able to move fast forward on the road of development, leaving ample space for the followers to fill.

The developing countries would need aid, too, but much of the transformation of the sunset industries of the leaders to sunrise industries of the followers could be done with private investment. It would keep new industries on commercial basis, and establish foreign links beneficial for exports. In this way the profitable flow of resources and products could be maximized, and the accumulation of unprofitable debt could be minimized. Later Kojima developed a whole theory of trade oriented direct foreign investment to explore this approach (1978; 1990).

Integration of the countries of the region would proceed functionally, increasing the level of cooperation and interdependence between the Asian and Pacific countries. The process would instigate a high rate of economic growth in all countries concerned. It would liberate them from the limitations of scarcity. Rapidly increasing material prosperity would be more rewarding than political passions, and countries would be weaned away from such unproductive behavior. They would concentrate their energies on economic development instead. A dynamic, integrated, and peaceful Pacific region would evolve during the process - in a few decades, rather than in centuries.

## *6. The Developmental State*

An economic state of mind, similar to the Japanese one, appeared also in a number of other Western Pacific states, especially in Hong Kong (which, because of its relative independence, is here treated as a state rather than a mere colony), Taiwan, Singapore, and South Korea. Beginning with Chalmers Johnson's MITI and the Japanese Miracle (1982), the concept of the developmental state has been used in several studies of the region. Theoretically, the concept fits beautifully with the theory of the flying geese pattern of development. Besides Japan, the concept has yielded the most fruitful insights in the case of the four countries mentioned above, usually grouped as the Asian newly industrialized economies (ANIEs).

In the postwar situation they were facing an even more desperate crisis of national survival than Japan. The legacy of World War II, the Chinese Civil War, the Korean War, or the upheavals in Malaya and Indonesia, placed each of them in a precarious position. They had to deal with an external threat while trying to consolidate national unity.

Japan's postwar growth took off in 1950 during the Korean War, Hong Kong and Taiwan followed at the early 1950s, and Singapore and South Korea at the early 1960s. Although Hong Kong is usually known for its *laissez faire* type of capitalism, and the government's stated policy of 'positive-non-intervention', the role of the state has even there been extensive. The Hong Kong government provided security services for internal stability, infrastructure and education, and industrial peace by welfare state policies. An example of the latter is that 45% of the population lives in subsidized apartments of the public housing program. Taiwan, Singapore, and South Korea have centralized and strong states, which have actively intervened in the economy. Politically they have been repressive governments, which have maintained social stability with violence, when the stability has been threatened.

These governments were not, however, pure apparatuses of naked power in defence of exploiting dictatorships. The difference is that they were implementing a definite societal program, which is the meaning of the concept of the developmental state. Manuel Castells has the following definition of the concept:

A state is developmental when it establishes as its principle of legitimacy its ability to promote and sustain development, understanding by development the combination of steady high rates of economic growth and structural change in the productive system, both domestically and in its relationship to the international economy. (1992, p. 56)

A crucial part of the definition is the concept of legitimacy. The concept, as usually understood in Europe, is related to the democratic state, a state being considered legitimate when it can establish consensus vis-a-vis the civil society. The idea presupposes that the state itself is submitted under the principle of representation of society. There are also other constructs. Besides the principle of legitimacy being exercised on behalf of the society, it can also be exercised on behalf of a societal or historical project. The Weberian concept of charismatic leadership comes in a certain sense close to this, as such a leader usually embodies in his or her person some kind of national mission or project (Weber, 1980). The leader can unite the nation under this project, and derive his/her legitimacy directly from it. The question, how undemocratic, repressive, unjust, or violent such a state in practice is, is largely irrelevant in this connection. The temporal framework such a state is living in is really not the present, but the future. In Castells' definition the question of leadership is left out; he concentrates narrowly only on the idea of a historical project, but that weakness does not need to detain us here.

A revolutionary state typically uses such a principle of legitimacy. V.I. Lenin's *State and Revolution* (1918), giving the state the responsibility of first leading the revolution, and then educating the proletariat to communism, before withering away, is a good example. A revolution involves a fundamental change of the societal order, and in that kind of situation the state substitutes itself for society in the definition of societal goals. In practice everything usually concentrates on a small group of people, ultimately on a single individual, on whom the goals are personified.

A developmental state, such as the right-wing dictatorships in East Asia, holds a related kind of legitimacy principle. In that case the societal project respects the social order, although not necessarily a specific social structure, because to a certain extent it has to break down the constraints of an old rigidified system

to be able to effect change. However, the real revolution a developmental state aims at is a fundamental transformation of the economic order, both in the national and in the international system (comp. Castells, 1992, p. 57).

Economic development is not a goal in itself, but a means for various political objectives of the developmental state. For the East Asian countries it was a means for survival, as societies, and as states. Economic development was seen as a way of providing livelihood for the people, creating national cohesion, breaking away from dependency, and acquiring means of national defence. For instance, as Koo and Kim interpret it, in South Korea, after the military coup in 1961, General Pak Chung Hee began to build up Korea as a nation of 'wealth and power'. It was not only his political slogan, but also his personal dream, and as soon as he had taken power he began to push forward plans for economic development (1992, p. 124).

A crucial thing was also that, through their historical missions, the leading elites were able to create self-legitimacy for themselves at the initial stages. Self-legitimacy was needed. Kuomintang executed between 10,000 and 20,000 people in establishing its hold on Taiwan in 1947-1950. Singapore's socialist People's Action Party (PAP) liquidated all serious opposition during 1961-65. Hong Kong used British troops to quell riots in 1956, 1966, and 1967, maintained an efficient police force of over 20,000 people, and deported to China all dissidents who became dangerous to the public order. South Korea built up one of the most effective repressive apparatuses in the world, the Korean CIA, and arrested, imprisoned, or killed dissidents, occasionally by the thousands. However, an important element was that not only the working classes were repressed and their wages kept below the rise of productivity, but also the previously dominant classes were either destroyed or made subordinate to the state through land reforms, government regulations, and the education of the bureaucratic corps (Castells, 1992, pp. 64-5).

Later, when the effects of the development projects had begun to appear, governments could ask for legitimacy on that base. For instance in South Korea President Pak in 1973 promised to deliver a '\$10 billion export, \$1000 GNP per capita, and my-car age' by the end of the decade (Koo & Kim, 1992, pp. 133). The promise was very similar to the one Prime Minister Ikeda had made in Japan in 1960, of doubling the national income in ten years. That kind of promises could well be made after economic development was set in motion, because the rise of living standards in the four countries was the fastest in the world, in spite of the exploitative working and living conditions. It was faster than even in Japan. Increases in wages were kept below increases in productivity, but because productivity was rising so fast, also wages could in fact rise fast, while the problem of unemployment diminished (*ibid.*, p. 66; McCord, 1989).

As growth has continued, and the countries have reached the level of affluence of a good European standard, the developmental state has been losing some of the meaning it once had. It has been in a process of withering away in all of the countries, and changing towards a more democratic form of government, with Western legitimacy principles. However, that is only a process, and while the principle of legitimacy is changing, and the level of repression is coming down, the importance of economism is probably heightened. The governments of these countries are very dependent on continuing economic development to be able to stay in power.

Economic growth has been very rapid also in other Western Pacific countries, such as in the so-called ASEAN-4 countries: Malaysia, Thailand, Indonesia, and to a lesser extent in the Philippines. However, f.ex. Paul M. Lubeck argues that those countries should not be counted among the proper developmental states. Even though the governments emulate the model of the countries advancing before them in their rhetorics, they have various structural and organizational weaknesses. Lubeck presents Malaysia as an example. Although absolute poverty has been reduced there as a result of high growth, and the country is suffering from labour shortage, income inequalities have remained wide. The traditional elites have not been subordinated to the state, but rather use it for their own ends as an unproductive rentier bourgeoisie beholden to a system of political patronage. A class of innovative national entrepreneurs seems not to be in the making out of them. The degree of national unity is low, and serious racial, religious, and regional cleavages penetrate the country. The driving force of economic development is foreign direct investment, but its linkages to traditional Malaysian economy are weak (1992).

These are countries that have benefited from the general process of economic integration in the Asian-Pacific area. Japan and the four ANIEs pushed themselves to a process of development described in the flying geese theory, but these ASEAN countries were rather guided there by the hand. Foreign direct investment acted as the guide.

They had a favourable history of foreign investment already at the end of the 1960s when their development began to accelerate. During the nineteenth and early twentieth centuries investment had flown to the area from various European countries. In each colony the colonizer was the principal investor, but also non-colonial European countries invested in the region, and British investment went everywhere. During and after World War II there was a break, but European investment returned after the struggles for independence were over. The United States, however, became the biggest investor in the area. Japanese investment was resented during the 1940s and 1950s, but during the 1960s it became accepted. A fourth distinct group of investors was the overseas Chinese with their extensive

networks over the whole region. During the 1950s most of their investment went to Hong Kong, Taiwan and Singapore, but during the 1960s they became important investors in the whole area. By the end of the decade also a fifth pattern of investment emerged, as also local non-Chinese companies from the Philippines, Thailand, and Malaysia, and further afield from Australia, New Zealand, India, and Pakistan began to invest into the region. As a result of all this, Southeast Asian countries at the end of the 1960s had the most complex pattern of foreign direct investment outside Western Europe (Hughes, 1972, pp. 314-7).

During the subsequent decades, first Japanese, and during the 1980s and 1990s also South Korean, Taiwanese, and Singaporean investment became very important, mainly because industries using cheap labour in these countries went into the sunset phase. The complexity of the investment pattern has remained. As no clear centre-periphery formation has been able to assert itself in the area, the receiving countries have not become antagonistic to foreign investment. Especially since the 1980s they have been very favourably oriented towards it (Gereffi, 1992). Another side of the coin is, however, that these countries have become dependent on foreign capital, foreign managers, and foreign marketeers. The leading elites can enjoy comparatively secure existence as long as economic growth continues, and enough of the results are passed also on the poorer segments of the population, but as the expectations of the people have been aroused by two decades of progress, a stop to growth would mean grave difficulties. Although these countries are not experiencing dependencia in their relations with any single country, they are captive in receiving foreign investment and organizational skills, and in that sense captive in the general process of economic integration in the Asian-Pacific area.

China began to change towards an economic orientation after 1978, when Deng Xiaoping became the leader. China falls more closely under the concept of the developmental state than the ASEAN countries, as especially at that time the Chinese state was still very strong, and clearly lead the change. Foreign investment has been important in introducing new technology and creating marketing links, but just like in the four NIEs and Japan, the main thrust of development has been made with local capital. As rapid economic development picked up during the 1980s, especially in the coastal regions, people have become accustomed to a rapidly rising standard of living. The share of production and finance that the central government can directly control has been falling steadily, and successful local governments have wrestled power for themselves from the centre. Once the change was set into motion, China has then been forced to move towards an increasingly economic orientation. For instance, one had a feeling of *deja vu* in 1991, when the central government, in an attempt to forge a new national consensus after the Tiananmen crisis had passed, published a plan to double the national income in twenty years. The idea seemed to be picked almost

directly from the successful Ikeda Plan of 1960, and it is a clear symptom how much the central government has to rely on economic development for its basis of legitimacy.

During the 1990s still new entrants have entered the system, as the Indochinese states on one hand, lead by Vietnam, and the Russian Pacific regions on the other, have been in the process of changing their orientation. One can surmise that the demonstration effect of the success of the earlier entrants has tempted this move.

Various kinds of interests seem to have been converging in the Asian-Pacific area. American and Canadian needs to take part in the economic dynamism of the Western Pacific countries. Australian and New Zealandian needs to become Pacific nations. The Japanese project of enriching themselves and creating a secure economic international environment. The ANIE projects of national survival and enriching themselves. The ASEAN projects of keeping up with the momentum and enriching themselves. The Chinese, Indochinese, and Russian projects of jumping into the bandwagon and enriching themselves. A complex of various kinds of historical circumstances and interests has been in play in each country, and the projects sketched above are only theoretical ideal types. Nevertheless, there has been created a historically rare movement of a large group of countries, all of them going in the same direction in terms of functional economic integration, and basic policy orientation.

## *7. A Pacific Economic Community*

Some institutional structures have sprung up over this movement. The movement has been, however, regulated by the market and the ideology of economism, rather than institutions, and consequently the erected structures are not strong.

A Pacific Free Trade Area in Kojima Kiyoshi's original sense was never born, but because the idea had attracted wide interest, a series of regular conferences of Pacific economists began in Tokyo in 1968, under the title of the Pacific Trade and Development (PAFTAD) conferences. The original participants came from Japan, the United States, Canada, Australia and New Zealand, but very soon membership widened to include participants from other Western Pacific and Latin American countries. PAFTAD has a standing secretariat in the Australian National University in Canberra. The main function of PAFTAD has been to conduct studies on Asian-Pacific economies and their process of integration, but it has also acted as a forum for contacts, and as a lobby towards governments.

The Pacific Basin Economic Council (PBEC) held its first general meeting in 1968 in Sydney. It was a grouping of business executives of the same countries as the original members of PAFTAD. Also its membership has enlarged to include most Western Pacific and some Latin American countries. Its main function has been to serve as a forum for contacts among Asian-Pacific businesspeople, but PBEC has also published a journal, compiled statistics, and acted as a lobby towards furthering Pacific integration.

The Pacific Economic Cooperation Conference (PECC) was established in 1980 in Canberra. Its novelty was that it combined under one organizational roof academics, businesspeople, government officials, and politicians. PECC membership has consisted of the five original PAFTA countries, most Western Pacific countries, a number of Pacific island countries, and such Latin American countries as Mexico, Peru, and Chile. PECC represented a move towards a more official direction, and political problems followed. The possible entry and status of such countries as the Soviet Union, China and Taiwan were objects of discussion and lobbying during the 1980s; the Soviet Union did not enter, while the latter two did. But otherwise the topics of the organization have been economic. In its functions and goals it has been a larger version of PAFTAD and PBEC, dedicated to studies and discussions. PECC has a standing secretariat in Singapore.

The Asia Pacific Economic Cooperation (APEC) conferences were started in 1989. The novelty of APEC was that its conferences were held on the ministerial level - but mainly among the economic ministers of the participating countries. Its membership is the same as that of PECC, minus the small Pacific island nations. APEC is a forum for discussion about problems appearing in the economic relations of the participating countries. It employs also task forces to develop visions and policy recommendations. A standing secretariat for APEC was established in September 1992 in Singapore.

All these organizations are economic, and a clear line between economic and political topics has been maintained. Their main purpose is to increase visibility and mutual understanding among participating countries, but differences in political goals, cultural outlooks, levels of development, etc. are still so wide among them that there are no indications of going outside the economic sector (Bodde, 1993).

The organizations may have been able to create a vague sense of community, at least among participating elites. Concepts like the twenty-first century (*nijuu isseiki*) and the Asian-Pacific era (*Ajia-Taiheiyo jidai*) were first brought into discussion by the Japanese Foreign Minister Miki Takeo in 1967, after he became interested in Kojima's PAFTA proposal (Miki, 1984; Korhonen, 1992, pp. 160-8). The concepts depicted the transference of the economic, political,

and cultural centre of the world from North Atlantic to the Pacific, after rapid economic development would have completely transformed the Asian-Pacific region during the remaining decades of the twentieth century. Then the Pacific century would dawn as a period of splendid historical grandeur, unrivalled prosperity, and economic peace for all countries of the region. Originally the vision was a way to sell the idea of Pacific integration for Japanese and Pacific audiences, as a way of creating a positive common destiny for all of them, but the slogans have subsequently acquired a life of their own, and they are in wide circulation even today among Pacific integration lobbyists.

## **8. *Economism as a Pacific Peace Project***

Western Europe in the nineteenth century after the Napoleonic Wars, led by the economically arguing and free trading Britain, was, comparatively speaking, fairly peaceful, and economically the most dynamic region in the world. The argument that Europe projected violence to the rest of the world, which consequently was very unpeaceful throughout the century, is a wholly legitimate one, but it cannot deny relative peace in Europe. The European military, political, cultural, and economic expansion since the fifteenth century was based on an extensive exploitation of available resources, which led to a world conquest. The argument developed in this paper maintains that a comparable expansion is happening in the Western Pacific, but in a tighter world it has to happen through an intensive exploitation of resources. Western Pacific may be less able to project its military power to other regions, and consequently the results on a global scale may not necessarily be as bad as in the case of Western Europe. However, the intellectual challenge of any good military strategist is to try to overcome the constraints of mere material reality (pointed out by Ulrich Albrecht, conversation, 1993). But it seems that nuclear weapons present a material obstacle impossible to overcome, for the time being, at least.

Within the region the economic project has produced, and seems to be continuing to produce, intended results: compared with the 1940s, 1950s and 1960s the region presents today far lower levels of direct violence. Still, violence has not ended, nor has military buildup, and the region possesses today resources for a tremendously large conflict. At present the peace logic of the cold war, as a freezing security logic, has receded, and the prevailing peace logic in the area is economic. It is dependent on sustained economic development, which produces rewards to be allocated, a common interest for the countries, and the basis for the legitimacy of most governments of the region.

The system may eventually run against the limiting walls of the deterioration of nature, caused by the combination of rapid economic growth, and relatively rapid population growth in an already densely populated region.

It is symptomatic of the present strong hold of economism on Pacific discussion processes that the future of the region has only recently been addressed on these terms (see Burnett, 1992). If economic development comes to a halt, the only meaningful historical analogy with which one can try to depict the following situation would be Western Europe at the beginning of the twentieth century. If Carr's analysis (1946) of the situation is any guide, economism would lose the power that it at present has in formulating the rules of conduct in the area. Military considerations might replace it. Governments would have to find other means of legitimizing themselves. Recent European experience has again demonstrated how quickly economically integrated areas, even states, can be torn apart. As formulated by Carl Schmitt (1932), common enemies are ever present means for creating national unity in bad times. Legitimacy would then be based on the mutual relation between protection and obedience, and the evolving Pacific economic community might be destroyed.

There exists also a political peace logic, based on the idea of security community. As Karl W. Deutsch formulated it, a security community is a group of people which has become integrated, not in an economic sense, but in the meaning that they have attained a sense of community, as well as a set of institutions, which lead to dependable expectations of peaceful resolution of disagreements, and in that way to expectations of peaceful change for a long time to come. The situation is not frozen, but there are no expectations of war, and governments do not prepare for war among themselves (Deutsch et al., 1957).

It is quite difficult to evaluate the present Pacific situation from this point of view, because the integration process is such a recent phenomenon, and because security discussion has always been on the sidelines within the process (see, e.g., Liao, 1993). Among the people connected with the PAFTAD, PBEC, PECC, and APEC processes there exists a certain sense of community, which perhaps runs to thousands of people, but probably no more. As parts of respective national elites they are important people, but still they form only a thin layer over largely nationalistic populations. There seems to be no expectations of a major war, but there have been several small scale military clashes in recent years, especially over the Spratly and Paracel Islands, where China has clashed both with Vietnam and the Philippines in 1992. Parts of the islands are also being claimed by Malaysia, Taiwan, and Brunei. During the 1990s China has repeatedly attacked ships of other countries in various sea areas, including Japanese and Russian ships, and there have been clashes on the China-Vietnam border area. North Korea is experimenting with long range missiles capable of reaching Japan, and possibly building a nuclear weapon. Military buildup in the Western Pacific has been accelerating since the end of the cold war (Wong, 1993). Japan has been returning from its holiday of international politics since early 1980s, and

although the Japanese posture cannot be called aggressive, it still has again become a military might in the region (Inoguchi, 1993). In this respect the Western Pacific region is far from being a security community.

The existing institutional structures of Pacific integration have not been devised to deal with political or security issues. It is indicative of the strength of economism that the idea of taking such matters on the agenda became discussed extensively only in 1993. In June 21 the Australian Prime Minister Paul Keating met in Seoul with the Korean President Kim Young Sam, and they proposed upgrading APEC to a summit meeting of heads of states, and to take security matters under consideration in addition to trade issues (The Far Eastern Economic Review, July 1, 1993). President Bill Clinton took up the idea of a summit meeting, and the heads of APEC states will meet each other in Seattle in November 1993 - but at least officially they will discuss only economic issues (The Economist, July 31 - Aug. 6, 1993). Even now the time does not seem ripe to go over the borderline of the economic sector under the APEC framework.

Instead, security issues have been taken under discussion inconspicuously through the back door. The Association of Southeast Asian Nations (ASEAN) has since its instigation in 1967 kept both the economic and political sectors on its agenda. Besides the proper six ASEAN countries, the ASEAN structure contains also Dialogue Partners: the United States, Canada, Australia, New Zealand, Japan, South Korea, and the European Communities. The grouping corresponds thus roughly with APEC. In July 1993 there was held in Singapore an ASEAN + Dialogue Partner meeting, where China and Russia participated as informal partners, and where political and security issues for the whole region were for the first time officially addressed (ibid.). The meeting also decided to continue the process. However, the politics of naming the new organization are interesting. It was given the neutral name of ASEAN Regional Forum, which makes it appear only as one of the many subactivities of ASEAN, and helps it keep a low profile. Political and security matters in the region are still so sensitive that extreme care seems to be necessary when addressing them.

The Pacific integration process is so young and so delicate a phenomenon that only economic rhetoric seems safe enough to keep it going. What the region needs is continuing cooperation and discussion for building confidence, mutual understanding, and feelings of belonging together. What the states of the region need are continuing economic development and growth, which keep citizens content, take care of the legitimacy of governments, and provide for optimism, necessary for continuing peaceful regional cooperation. The economism of the countries provides, in Hobbesian terms, an informal Covenant for the Commonwealth of Pacific. Economic development is the new Leviathan the countries of the region have to try to live with.

This provides a way for gradually adapting the political sector into the process, so that economic integration can be widened towards a pluralistic security community. A functioning security community will be desperately needed in the region, if not yet in this century, then in the twenty-first century, when the foreseeable ecological crisis hits the region, and rapid growth ends.

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