

CHAPTER 5

CONCLUSION

The major aim of this study is to identify the involvement and role of MITI in Japanese economic development. The study is based on qualitative data that has been stated in Chapter 4. Since the establishment of MITI in 1949, Japanese industrial policy plays a wider role in influencing the economic activity. This was clearly shown in chapter 3 and 4 on how MITI had assisted the declining industries and other industries (machine tool, automobile, steel and computer).

Despite MITI's positive role, there are also some negative thoughts of MITI, which have been debatable over the years. Several economists have argued that despite MITI, there are other factors, which have contributed to Japanese success. It is remarkable that MITI has not had any real power over Japanese industry since the Japanese government lost its near monopoly on the supply of credit in the early 1970s. Since then, MITI has made only suggestions, or has ruled on proposals from business leaders concerning industry cooperation and government loans.

Many people believe that Japan's outstanding growth is due in large part to MITI. They believe that MITI has decided what industries the Japanese should invest in, and that MITI persuaded other Japanese government agencies to use their coercive power to get companies to go along. But the evidence goes against this view. Although MITI plans for industry growth, and sometimes gets other

agencies to use their powers to carry out the plans, the extent of MITI's control, and of government control generally, has been greatly exaggerated.

There are also those who critically argued the Japanese industrial policy and highlighted two main important arguments. First, many "industries" became successful without government (MITI) help, such as sewing machines, cameras, bicycles, motorcycles, pianos, and radios during the 1950s and 1960s, and color TV's, tape recorders, magnetic tapes, audio components, watches, pocket calculators, textile machines, ceramics, and robotics from the late 1960s to the present (Ito, T., 1997). Second, industrial policy was not always implemented as MITI envisioned. Indeed, one failure of MITI's industrial policy turns out to have created a successful industry⁶².

Although there are many drawbacks been highlighted, but MITI's contribution to Japanese economic development is intelligible. It could be stated that MITI's dominance in executing industrial policies in order to increase the growth of Japanese economic has led one "Japanese commentator to characterize it as the 'pilot agency' and a journalist of the Asahi who has often been highly critical of MITI nonetheless concedes that MITI is 'without doubt the greatest concentration of brain power in Japan" (Johnson, C., 1982).

The analysis in Chapter 4 examines MITI's contribution in four selected industries. As for the machine tool industry, MITI has developed the industry by advancing the technology of Numerical Control (NC). Through the NC, the machine tool industry discovered new techniques in metal cutting operations.

⁶² Automobile Industry (refer Chapter 4)

Thus, the machine tool industry has dominated the world trade market share in U.S.

Through the introduction of foreign technology by MITI, the automobile industries have been expanded in several nations mainly Asia, Europe and U.S. In other words, the introduction of foreign technology enables Japan to have its plants all over Asia, Europe and U.S.

Although MITI, failed to merge the automobile firms into one larger firm, but MITI never disrupted the firms intention to expand their own affiliates. In the steel industry, MITI has also played crucial role by implementing three major rationalization plans. The production of steel rose along the establishment of these rationalization plans⁶³. Recently, in the year 2002, various market development activities were carried out to generate and expand demand for steel products⁶⁴.

Finally in the computer industry, MITI provided the financial assistance to most selected computer firms. These loans are mainly arranged through JDB. In the computer industry, MITI successfully made the Japanese realized the importance of computer. This clearly shown, as the JECC's share of purchase in total domestic was quite high.

In short, it can be concluded that, MITI had done its duty in developing Japanese economy. Although this study has not discussed all the industries, but the major selected ones are sufficiently representative role of MITI.

⁶³ This can be seen clearly through the Graph in Appendix 4.4

⁶⁴ Steel Industry of Japan 2003, Market Development, "Moving Ahead With Market Development In Construction And Other Fields,
<http://www.jisf.or.jp/sij/marketdevelopment/marketdevelopment.pdf>

The involvement of MITI in Japanese economic development continues though MITI was reborn as the Ministry of Economy, Trade and Industry (METI) in the year 2000 (Hiranuma, T., 2000). METI's role this time is to boost the economic vitality of the private sector, promotes the smooth development of external economic relations, and ensures a stable energy supply. In other words, METI is now responsible in facilitating economic and industrial development.

This new ministry clearly identifies two major roles that are expected to play. Firstly, METI has to give space to the economic players in order for them to move freely. For instance, when there is a major diversification among these players⁶⁵, especially in terms of value systems, and interest, it is necessary for METI to create an environment, which allows the economic players to get freedom of movement. Furthermore, this sort of environment is vital particularly when there is a cross-border movement among corporate activities, where people tend to participate in the economic activities.

Besides creating an environment for the economic players to move freely, METI also has to take a comprehensive approach in restructuring the industrial systems of the economic. The socio-economy is set up in accordance with the interconnections between environmental and energy restrictions, employment, welfare, the relationship between central and local government, and the various public finance-related systems. Therefore, the effectiveness of the economic and industrial systems depends on each of these elements.

⁶⁵ Players here refer to the nation-to-nation, company-to-company, companies and the public, companies, the young and the old, metropolitan and rural areas.

In short it can be concluded, that METI's critical roles will be to develop an environment in which the various economic players can move freely, and to take a comprehensive approach to designing economic and industrial systems.

Since the year 2003, METI has started working on industrial reorganization and business recovery in an effort to develop the system toward promoting business start-ups and entrepreneurship. During the progress in industrial reorganization of the steel industry, there was an improvement in the price of steel products. The profits of steel industry were also realized⁶⁶

From the analysis, it can be summarized that since the inception of MITI as MCI in 1925 up to METI in 2000, MITI immensely guided and assisted the Japanese economy. Though MITI's power in recent years has declined due to economic liberalization and the existence of other government agencies, MITI's contribution to Japanese economy development is not deniable. In other words, the development of Japanese economy could not have been achieved without the active role played by MITI.

⁶⁶ Challenges and Directions of Economic and Industrial Policy in Japan, "Industrial Revitalization", <http://www.meti.go.jp/english/information/downloadfiles/c0310EIPe.pdf>