1. INTRODUCTION

During the past two decades the international political economy has undergone major systemic change. The decline of American political-economic hegemony has caused a decentralization of the free-market international political economy. As the number of significant national players has increased, each nation's economy has come to increasingly depend on others'. One result of interdependence in the political-economic sphere is the radical reduction of purely domestic issues, as the distinction between "domestic" and "external" issues has become blurred.[1] Japanese agricultural policy, for example, is now shaped not only by domestic political concerns but also to a considerable extent by external pressures. Issues have also tended to become linked and economic and social issues have become more and more politicized. As issues have become more complex, there has emerged a need to solve them at the highest political level.

The history of the capitalist world political economy during the past two decades has been an on-going process of adjusting to waning American political and economic strength. During the immediate post-war period, the United States dominated the international political economic system; 50% of the world's Gross National Product (GNP), more than 30% of world trade, and approximately 70% of international monetary assets belonged to the U.S. [2] The U.S. remained for two decades or so the stabilizer of the world political-economy based on the Bretton Woods system, which consisted of such international organizations as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (the World Bank) and the General Agreement on Tariffs and Trade (GATT). By making the American dollar an international reserve currency and convertible to gold, the Bretton Woods agreement had made the dollar "as good as gold".[3] The gold standard was virtually the dollar standard. The U.S. could import any product by printing dollar notes with little regard for currency reserves.

The late 1960s and early 1970s witnessed the rapid transformation of the post-war capitalist economic system. The revival of the European and Japanese economies, growing competition from the newly industrialized countries (NICs) and debilitating American foreign policy led by the war in Vietnam took a toll on America's pre-eminent strength. Its weakened status was especially notable in the monetary field. By 1967, the value of dollars held abroad surpassed that of gold held in the U.S.; the American gold stock could no longer be relied on to make the dollar "as good as gold".[4] President Nixon's August 15, 1971 announcement that unilaterally unpegged the dollar from gold led ultimately to the advent of a new flexible monetary system largely determined by natural market forces. This drastic measure signalled the loss of American hegemony that had safeguarded post-war international economic prosperity and stability. Triggered by the oil crisis of 1973-4 and necessitated by the increasing interdependence of political economies of the major industrialized countries, a new system of "collective leadership" in the form of economic summitry emerged to restore the stability and prosperity formerly provided by American hegemony.[5]

In contrast to the relative downward shift in American economic strength, the Japanese economy advanced to the point where it had to be included as a principal in the determination of the rules of the new international economic order. In 1950, the Japanese share of world exports was only 1%, that of its world manufacturers less than 3%, and its international reserve negligible.[6] Japanese industries were heavily protected and regulated by the central government. Foreign direct investment transfers into and out of Japan were tightly controlled by the Japanese government in order to redress chronic deficits in the balance of payments and to preserve a small international currency reserve.[7]

However the Japanese economy grew rapidly. In the 1960s it increased at an average rate of 10% per annum. By 1975, the Japanese nominal GNP amounted to 7.5 trillion yen, representing 6.2% of the world's total GNP. This placed Japan next only to the US in the non-communist.[8]

The admission of Japan into the "Western" industrialized economic summit club indicated the importance of Japan's economic status. It also implied an expanding role for Japan in the management of the international political economy. In the pre-summit era, Japan had benefited from the relatively stable and open post-war political-economic order shaped and sustained by the US. Japan's external policy was largely directed at securing domestic economic growth based on the following strategies:[9]

1. extending and maintaining economic, political, and military ties with the United States and making this alliance the central axis of foreign policy;

2. separating economic issues from political and military entanglements and pursuing economic interests, wherever possible, with all nations of the world -- except in those instances where this course clearly threatened to damage relations with the United States; and

3. procuring resources overseas and securing access to foreign technology and markets as part of an overall strategy of achieving high growth.

These strategies were premised on the stability provided by American hegemony. But as US strength waned, and its economy moved into genuine economic interdependence with the rest of the world, Japan had to join other industrialized countries in filling the gap left by the decline of the US. As the US lost its ability to pursue an autonomous foreign economic policy, it acquired a need to coordinate its policy in the international arena. On the other hand, Japan could no longer continue its passive US-centered policy of the 1960s. It increasingly had to assume greater global responsibility, commensurate with its economic strength, in a multilateral as well as a bilateral setting.

The seven-power summit formed the centrepiece of this effort. It thus provides a good case study of Japan's overall foreign policy toward the management of the international political economy. This study thus asks: What were the main changes in the Japanese political economy in the pre-summit era? What role has Japan played in the seven-power summit? How has Japan acted at the summits? What impact have the summits had on Japan? How have the major Japanese domestic groups reacted to the summits? How has the Japanese media represented by its four leading newspapers evaluated the summits? What are the peculiar characteristics of the Japanese approach to summitry? And, above all, what has seven power summitry meant for Japan? This paper examines these questions regarding Japan and the seven-power summit, with particular emphasis on the US-Japan relationship in that forum.