

Japan and the World
Japan's Contemporary Geopolitical Challenges
In Honor of the
Memory and Intellectual Legacy of Asakawa Kan'ichi

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Japan's Shifting Role in International Organizations

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Since the Meiji Restoration, a desire for international status and recognition has critically shaped Japanese foreign policy. After defeat in World War II delegitimized colonialism and militarism as means to this end, Japanese foreign policy has focused on peaceful means of attaining international preeminence. These include, e.g. pursuit of economic growth under the Yoshida Doctrine, provision of official development assistance to developing countries, and dissemination of Japanese traditions and social norms through cultural diplomacy. Japan has also become a key contributor to major international organizations such as the United Nations (UN), International Monetary Fund (IMF), and World Trade Organization (WTO). However, although Japanese financial contributions to international organizations have grown significantly, formal recognition of Japan's international stature in such organizations has not necessarily followed. Emblematic is Japan's inability to obtain a permanent seat on the UN Security Council, but Japan also lags behind in other key measures, such as the number of employees and high-ranking officials in major international organizations.

In this chapter, I will analyze Japan's relationship with international organizations in the broader international relations context. As scholars of organizations have noted, institutions frequently exhibit path dependence—a tendency for initial conditions to persist despite changes in underlying factors. As I will demonstrate in section two, path dependence has been pervasive in international organizations. Despite considerable shifts in geopolitical and economic realities since the end of World War II, international organizations have lagged behind in important respects. Nonetheless, institutional change (or the lack thereof) has not been uniform across institutional settings. As I will argue in section three, Japan's ability to secure a greater role in international organizations has been mediated by formal institutional rules and the strength of Japan's bargaining position vis-à-vis other member states. In the fourth section, I will focus specifically on Japan's relative bargaining power in the Bretton Woods Institutions—the IMF and World Bank—and argue that the availability of credible outside options has contributed to greater relative success in the World Bank. The final section will present a brief conclusion.

Rigidity of International Organizations

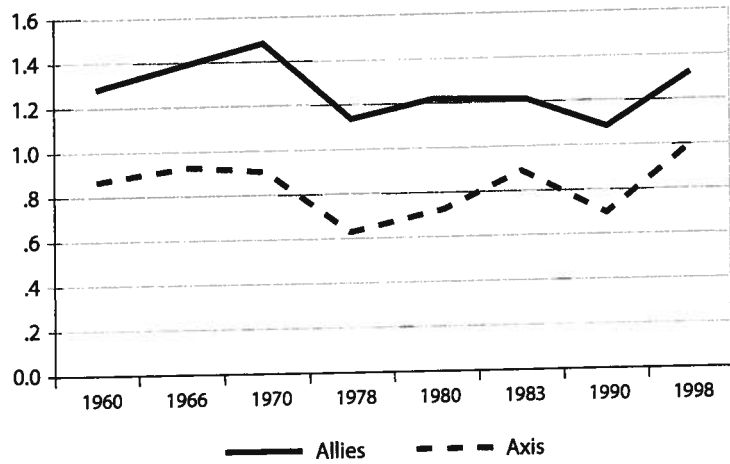
Scholars of institutions have long recognized the tendency for institutions to “lock in” initial conditions, even after considerable shifts in underlying realities (Arthur 1989; David 1994; Goldstone 1998; Pierson 2000). This tendency has also been observed in institutionalization at the interstate level, particularly in terms of extending the stabilizing effects of hegemony beyond the apex of hegemonic power (Krasner 1976; Keohane 1984; Ikenberry 2001). Such institutional rigidity can be helpful for maintaining continuity and stability in the international system. However, it can also produce glaring discrepancies between a state's perception of its place in the international order and its ability to obtain preferred outcomes in institutional settings.

Being on the losing side of World War II, Japan was absent from the negotiating table in the initial bargaining over much of the postwar institutional architecture. In effect, as a late-mover, Japan has been “locked out” of some positions of influence in major international organizations. For example, the IMF and the World Bank officially came into being at a conference of twenty-nine allied nations at Bretton Woods, New Hampshire in 1944. Despite the large number of nations present at the inception, the core details of the Bretton Woods institutions were hammered out through a series of compromises between rival plans developed by Harry Dexter White of the US Treasury on one hand and Lord Keynes of Great Britain on the other.¹ The birth and the initial mandate of the institutions were essentially the result of a bargaining negotiation between the financial authorities of the United States and Great Britain. As a consequence since inception, the top leadership positions of the IMF and World Bank have gone by convention respectively to a European and a US national. This has made it difficult for a Japanese national to be placed at the helm of either institution.²

The voting shares of the IMF have also exhibited a tendency to overrepresent inception members and underrepresent postinception members (Rapkin et al. 1997). Figure 7.1 separates Group of Seven (G7) states into Allied and Axis powers, according to their affiliation during World War II and plots shares of IMF voting power as a proportion of shares of world gross domestic product—the most straightforward measure of a country's weight in the global economy. By this measure, the wartime Axis powers (Germany, Italy, Japan) have lagged behind their actual place in the world economy despite the passing of half a century and dramatic shifts in economic realities. In contrast, the former Allied powers (Canada, France, United Kingdom, United States) remain overrepresented.³

Similarly, employment at international organizations has tended to favor nationals from the victorious powers of World

Figure 7.1 G7: Ratio of International Monetary Fund voting shares to shares of world gross domestic product

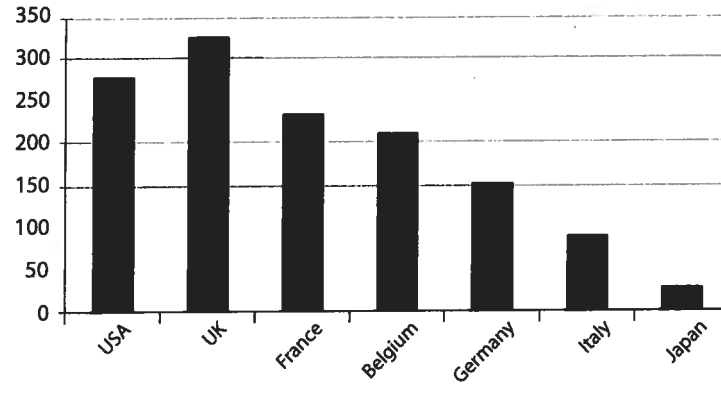


Note: Allies include Canada, France, United Kingdom, and United States. Axis includes Germany, Italy, and Japan. GDP is nominal. Data from International Monetary Fund and Rapkin et al. (1997).

War II at the expense of defeated powers. Figure 7.2 plots the number of “leading people” in international organizations by country of nationality as compiled in 2003 by the Union of International Associations. As the graph indicates, employment of nationals from Germany, Italy and Japan lags behind other key states including substantially smaller states such as Belgium. Figure 7.3 plots the same information by educational background of the employee. Employees educated in all of the city of Tokyo are only a fraction of those educated in single academic institutions, such as Harvard or Yale.

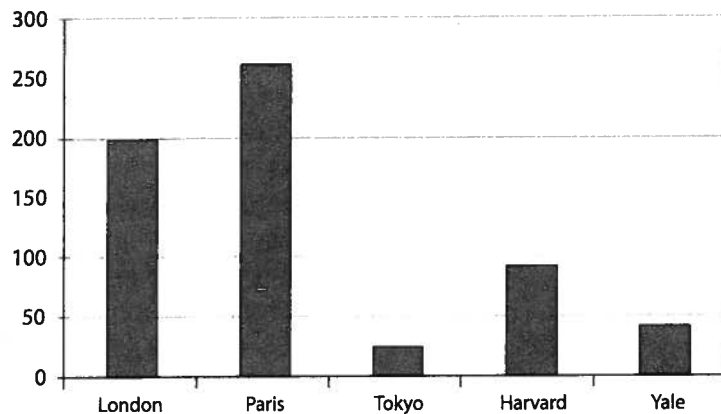
This discrepancy likely has multiple causes—for example, due to limited labor market mobility, Japanese nationals have traditionally faced greater obstacles and risk in pursuing full-time employment at international organizations. However, there are several institutional factors that tend to make employment

Figure 7.2 Number of “leading people” in international organizations



Source: Union of International Associations.

Figure 7.3 Educational background of “leading people” in international organizations



static. Most notably, the distribution of institutional headquarters tilts towards countries, such as France and the United States, that played important roles in institution building in the postwar period. The presence of institutional headquarters can facilitate the employment of host-country nationals for a variety of reasons. Among them: (1) reducing hardship for nationals who can continue to reside in their home country; (2) greater visibility and opportunities to establish contacts with current employees; (3) self-reinforcing network effects, e.g., due to the tendency for current employees to prefer new hires with similar training or skills. In addition, the location of an institutional headquarters can also affect the ideological leanings of an international organization and its consequent policy output. Notably, the orthodoxy of the US Treasury and Bretton Woods institutions in the 1990s espousing sound macro and liberal market policies as a prerequisite to economic growth acquired the location-specific appellation—"The Washington Consensus."

Another major international organ that has come under heavy criticism for insufficiently reflecting international realities is the UN Security Council. The five permanent members of the Security Council—China, France, Russia, the United Kingdom, and the United States—have remained static since the inception of the Security Council despite fairly dramatic shifts in underlying geopolitical conditions. While it is difficult to construct a single measure that accounts for the geopolitical weight of a state in the international system, the case for including Japan is strong. According to one widely cited measure, the Composite Index of National Capability collected by the Correlates of War project, Japan has outranked France and the United Kingdom since roughly the 1970s and has been on a par with Russia since the collapse of the Soviet Union.⁴ A similar argument, based on material capabilities, could be made for including Germany and India. Nonetheless, reforming the Security Council has proved difficult despite repeated attempts.

Japan has been particularly affected by rigidity in international organizations since the end of World War II. Through rapid postwar reconstruction and economic growth, Japan rose through the ranks of world powers during the late 20th century, emerging as the number two economy and number one provider of official development assistance by the late 1980s. However, this meteoric rise did not immediately translate into greater status and recognition in major international organizations. Although Germany and Italy have shared a similar predicament, their representation in the European Union provides some advantages that Japan has lacked—e.g., by virtue of being a European, a German national, Horst Köhler, was selected as the managing director of the IMF from 2000 to 2004.

This lack of progress has not been due to a lack of initiative or leadership on the part of Japanese policy makers. In several major international organizations established after the reemergence of Japan as an important international player, Japanese policy makers have played an active role that is commensurate with the country's geopolitical and economic influence. In the World Trade Organization (WTO), Japan has occupied an important agenda-setting position as part of the "G4" along with Canada, the European Union, and the United States. Japan was also a founding member and has been an active participant in the G7/G8. Perhaps most significant, Japan has played a major leadership role in the Asian Development Bank (ADB) since its inception.

Japan has also made significant progress within organizations to which it has been a latecomer. Although still underrepresented, Japanese nationals have gained ground in major UN organs, for example more than doubling their numbers in the International Labor Organization (ILO), United Nations Development Program (UNDP), United Nations Children's Fund (UNICEF), and World Food Program (WFP) from 1995 to 2007. Japanese nationals have also occupied important leadership

roles in international organizations as epitomized by the former United Nations High Commissioner for Refugees, Ogata Sadako. Japanese voting shares in the IMF and World Bank have also gradually moved towards a better reflection of Japan's weight in the world economy.

Variations in Japan's Position in International Organizations

Although Japan has demonstrated important leadership and secured some notable gains in international organizations, progress has not been uniform across institutional settings. In this section, I will argue that the degree of Japanese success has been affected by three key factors: the initiative of Japanese policy makers in pressing for greater recognition; institutional rules; and Japan's bargaining leverage. The third point will be further elaborated in the fourth section.

Greater recognition for Japanese interests in international organizations has rarely been automatic. In most cases, redistributing key measures, such as voting shares or employment arrangements, is a zero sum game. If the presidency of an organization is given to one nation, another nation will be prevented from occupying the same position. Increasing the voting power of one nation will inevitably decrease the voting power of another. In an organ such as the UN Security Council, it is possible to add new permanent members without eliminating existing members. However, even in such an additive case, the inclusion of new members will have a dilutive effect on the voting power of existing members, particularly if the new members are given a veto. Hence, favorable changes in the status quo of international organizations have generally materialized through the diplomatic initiatives of Japanese policy makers. However, as can be seen in Japan's repeated efforts to secure a permanent Security Council seat, this is hardly a sufficient condition.

The success of Japanese efforts has also been mediated by institutional rules. UN Security Council reform presents a particular challenge. The conditions required for UN Security Council reform are described in Article 108 of the UN Charter:

Amendments to the present Charter shall come into force for all Members of the United Nations when they have been adopted by a vote of two thirds of the members of the General Assembly and ratified in accordance with their respective constitutional processes by two thirds of the Members of the United Nations, including all the permanent members of the Security Council.

This Article effectively sets two preconditions for institutional reform: two-thirds majority support within the General Assembly (GA), and unanimous support among the P5 veto holders—China, France, Russia, the United Kingdom, and the United States. Practically speaking, this sets a high bar for UN Security Council reform. Any reform effort must be palatable not only to states with divergent interests, such as the United States, China, and Russia, but also a supermajority of developing countries within the General Assembly.

Comparatively speaking, the institutional rules governing voting shares in the IMF and World Bank are more conducive to reform. Voting shares are subject to periodic review, obviating the need for time-consuming lobbying to get institutional reform on the agenda. Reform requires a supermajority vote, but because votes are roughly allocated by economic weight, developed countries carry a disproportionate share of votes, and only the United States has veto power. In addition, because voting power is weighted, there is greater room for compromise and less scope for bargaining failure due to issue indivisibility.⁵ Whereas Japan has made gradual gains in IMF and World Bank voting shares since the 1980s, progress on the UN Security Council has proven difficult.

Finally, Japan's bargaining leverage has not been uniform across institutional settings. From a material standpoint, Japan's economic heft is not matched by a commensurate military capability. Although Japan has made profuse financial contributions to international organizations, it has been criticized on occasion for being unwilling to put its personnel in harm's way, a limitation dictated by the Japanese constitution. However, bargaining leverage does not arise from material capabilities alone. In the following section, I will contrast Japan's efforts in the IMF and World Bank and argue that the comparative attractiveness of outside options in development lending has resulted in more favorable bargaining outcomes for Japan.

Japan in the Bretton Woods Institutions

The IMF and the International Bank for Reconstruction and Development (IBRD) of the World Bank⁶ have virtually identical *de jure* rules for the distribution of voting power. Voting power is largely determined according to the share of subscriptions held by each member state.⁷ In turn, subscription shares are to broadly reflect a country's standing in the world economy, measured through such indicators as GDP, trade, reserves, and the variability of current receipts. In both institutions, redistributions can occur as part of a general increase in capitalization or on an ad hoc basis for individual countries. Both institutions require a supermajority to approve any change in subscription shares.⁸ However, the *de facto* process for redistributing shares involves a highly politicized bargaining process.⁹ Although specific formulas are used as guidelines for calculating subscription shares, the formulas themselves have been the subject of much wrangling. "It was said that there are one hundred twenty ways by which to calculate a country's quota" (Ogata 1989, 12). Officially, subscription shares in the IBRD are to be derivative of and parallel to those in the IMF. However, significant discrepancies have developed over time due to divergent interstate

bargaining outcomes. This case is therefore useful for isolating the effect of external bargaining power on institutional rigidity.

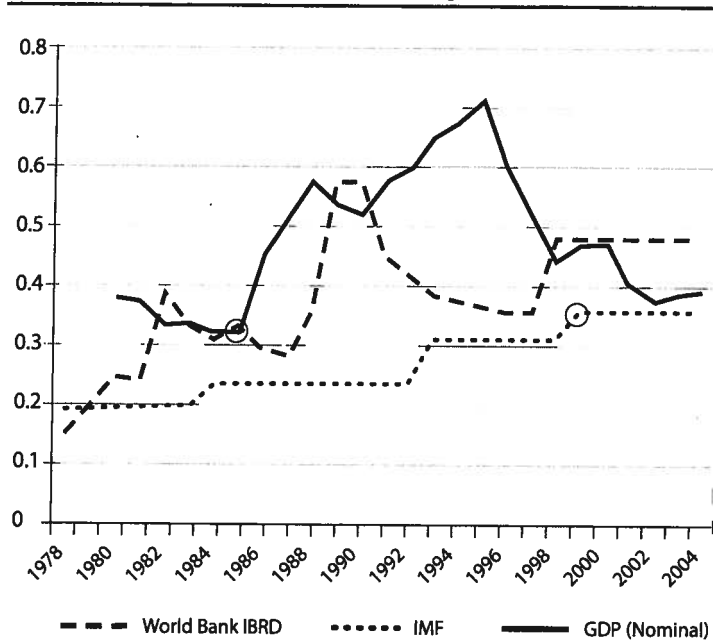
As I have argued elsewhere (Lipsy 2008), the main policy area of the World Bank—development lending—has generally produced greater institutional competition compared to the policy area of the IMF—balance of payments lending. Among other reasons, balance of payments lending is more likely to require broad coverage of international economic conditions and necessitate the imposition of conditionality, making it advantageous to delegate responsibility to a universalistic institution such as the IMF. Consequently, in the field of development lending, myriad regional development agencies perform functions similar to the World Bank,¹⁰ and a host of creditor states provide bilateral development assistance through domestic aid agencies. In contrast, balance of payments lending has been generally dominated by the IMF, with occasional assistance from other international financial institutions (IFIs) and creditor states.

Hence, a member state that is dissatisfied with the status quo in the World Bank will generally find attractive outside options through which development lending can be funneled. Similar outside options for an IMF member are comparatively limited—for example, were Japan to attempt a bailout of Korea, it would face the unattractive prospect of having to lend unconditionally or impose politically explosive conditions on the Korean government and private institutions. Therefore, dissatisfied states in the World Bank are more likely to be able to exert bargaining leverage through the credible threat of exit—e.g., by withholding funds or channeling resources into alternative institutions (Muthoo 1999; Voeten 2001; Gehlbach 2005). Given this relative bargaining advantage, Japan and other dissatisfied states are predicted to achieve greater success in obtaining preferred redistributive outcomes in the World Bank over the IMF.

Japan's push for greater status in the Bretton Woods institutions

In the early 1980s, Japanese policymakers initiated a campaign for greater representation and voice in the Bretton Woods institutions. Japanese representatives made it clear that they felt the existing distribution of shares failed to reflect the underlying economic reality.¹¹ In particular, Japan pushed for unambiguous number two status in terms of voting shares in each institution, with an unofficial target set at approximately 8% of shares.¹² Simultaneously, Japan pushed for greater representation of its nationals as employees and greater ideological recognition for the merits of the "Asian Development Model."

Figure 7.4 *Relative shares: Japan vs. USA*



Japanese officials pursued an unusually aggressive bargain strategy, threatening to withhold financial contributions to the institutions if its objectives were not met.¹³ In this section, I will argue that, consistent with my theoretical predictions, Japan has generally achieved greater success in the World Bank than in the IMF in terms of formal representation as well as influence over outcomes.

Japan's subscription shares

Figure 7.4 shows the ratio of Japan's shares of world GDP and subscriptions vis-à-vis the United States.¹⁴ After it initiated its campaign for greater representation, Japan's share in the World Bank increased considerably from a level comparable to its IMF share. By the late 1980s, Japan's subscription shares in the Bank had moved to the 7%–10% range, and Japanese officials considered their primary objective accomplished.¹⁵ In comparison, IMF quota shares have consistently lagged behind. Japan's attainment of unambiguous number two status in each institution is indicated by the two circles in figure 7.4. This goal was attained in 1985 for the IBRD but not until 1998 for the IMF, a lag of thirteen years.¹⁶

Qualitative evidence

Qualitative evidence reinforces the observed trend in voting shares. Specifically, Japan has successfully exerted a degree of ideological influence within the World Bank, particularly in reference to the merits of the "Asian Development Model" with the Asian Development Bank (ADB). Japanese authorities have also pursued development approaches tailored to Asian needs in the ADB and through bilateral aid, a credible outside option vis-à-vis the World Bank. This cannot be said of the IMF, as became painfully apparent during the Asian financial crisis with respect to the Asian Monetary Fund (AMF). Japanese influence over IMF conditionalities was severely limited. Proposals

for an AMF did not come to fruition, and bilateral lending by Japanese authorities provided very limited competition against the IMF.

In the early 1990s, Japan pressured the World Bank to move away from its traditional neoclassical approach that emphasized economic liberalization and "shock therapy" for the new post-Soviet republics. A formal statement of this criticism came in 1991 with the issuance of "Overseas Economic Cooperation Fund Occasional Paper No. 1," which emphasized government-oriented growth measures and sharply criticized the World Bank orthodoxy. Around this time, Japan was still riding high in the bubble economy and revisionist accounts touting the merits of the Japanese or Asian model proliferated. Japan's criticism of the World Bank followed these lines. Japan also had the ability to promote its developmental philosophy through its own foreign aid channels as well as the ADB, giving further reason for the World Bank to take Japan's perspective seriously. The significance of the OECF paper is demonstrated by the fact that it prompted a response, albeit a negative one, from then-World Bank chief economist, Lawrence Summers. World Bank president Lewis Preston is said to have remarked, "If there is a system out there that is a better mousetrap than the one we've got, we ought to use it" (Awanohara 1995, 174).

Japan took the further step of funding the famous "East Asian Miracle" study, which examined the rapid growth of Asian economies and conceded that government-led growth can result in rapid, egalitarian growth under some conditions. Although the miracle report provided many caveats, including the probable inapplicability of the Asian model to countries lacking an efficient bureaucracy, Japan demonstrated considerable initiative and leadership by proposing and getting the World Bank to carry through with the study (Awanohara 1995, 166–77).

Partly as a function of this institutional history, the World Bank was less enthusiastic about the IMF's prescriptions during

the Asian financial crisis, which emphasized orthodox measures such as market liberalization and structural reform. Until the verge of the crisis, World Bank economists gave Asian economies such as Indonesia a clean bill of health in what was called a "halo effect," based on the impressive track record of economic growth (Blustein 2001, 92–96). World Bankers and ADB staff were also severely critical of the IMF during the crisis for sharing minimal information and dictating policies despite asking the development organizations to contribute vast sums to the rescue packages. Then-World Bank chief economist Joseph Stiglitz was particularly vocal in his criticism of the IMF's policy prescriptions.¹⁷

Japan's ideological imprint was much more limited within the IMF. This remained the case more than half a decade after the commission of the "East Asian Miracle" report. Throughout the Asian financial crisis, Japan adopted a stance that treated the crisis as one of short-term capital movements rather than structural problems requiring major reform, particularly in the direction of market liberalization. However, IMF conditionality repeatedly emphasized orthodox policies contrary to Japan's position. Then-vice minister for international affairs Sakakibara Eisuke recounts the negotiations with the IMF in October 1997 over Indonesia as follows:

At the time, the main issue at stake was whether to construct a "large package" dictating large-scale reform of the Indonesian economy and exceeding the \$17.2 billion Thai package, or a "small package" focusing on stabilization of the exchange rate. ... It is true that Suharto's regime was corrupt, and we also believed that the National Car Project should be eliminated—however, we were opposed to the IMF sticking its nose into these sorts of political or structural problems.

Sakakibara goes on to describe how he and his deputy, Watanabe Tatsuro, engaged in a two hour-long "very heated

argument (*dai-gekiron*)” with the IMF mission chief on October 16 threatening that “if you ignore the opinion of the Japanese government to this extent, we will have to consider our options ...”¹⁸ However, despite this overt intervention by the highest-level international financial authorities in Japan, IMF policy did not budge.

The Asian Development Bank and the Asian Monetary Fund

The Asian Development Bank (ADB) and the Asian Monetary Fund (AMF) are two regional organizations proposed by Japan in the policy area of the World Bank and IMF. An examination of the fate of these two institutions provides additional support for the perspective that they operate in policy areas with different degrees of feasible outside options.

The ADB was established in 1966. Yasumoto (1983) notes that “Japan [has adopted] an unusually active, initiative-taking stance ... [playing] a leading and critical role in the establishment and subsequent administration of the Asian Development Bank” (p. 3). Not only is Japan the largest shareholder and contributor to the Bank, but it also provides 11% of the staff and has held the presidency since the Bank’s inception. Woo Cumings (1995) also points to direct Japanese leadership at the policy level, noting that “in recent years Japanese nationals have headed strategic planning as well as program units” (p. 241). This may seem a moot point given that the ADB is a regional institution and Japan is the largest economy in Asia. However, the membership of the ADB includes the United States as well as fifteen European countries representing the core leadership of the Bretton Woods institutions. Japan’s willingness to commit to an active leadership role in the ADB is indicative of how Japan might act in other international organizations if not otherwise constrained.

Japan maintains considerable influence over ADB policy, and as a consequence, development projects tend to adhere

more closely to Japanese economic views compared to those of the West. “The ADB’s Asian directors [like Japan] tend to take a realistic view born out of the development experience in their respective countries” (Woo-Cumings 1995, 245). This has produced conflicts with ADB creditors espousing more orthodox perspectives, most notably the United States. The ADB provides a multilateral channel through which Japan can provide development assistance according to a philosophy closer to its own compared to that of the World Bank.

Unlike the ADB, the Asian Monetary Fund was proposed during the height of the Asian financial crisis but never came into existence. According to Sakakibara (2000, 180–82), the Japanese Ministry of Finance began serious work on the AMF proposal following the IMF-sponsored Thai support meeting held in Tokyo on August 11, 1997. He asserts that an “Asian sense of solidarity” pervaded this meeting and became a key factor in his decision to promote the AMF plan. The Thai bailout package exposed IMF underfunding and served as a model for the AMF by demonstrating that pooling abundant Asian reserves could be an effective strategy in dealing with financial crises. The AMF would also obviate tedious and time-consuming consensus building in the future by automating commitments.

The US Treasury acted immediately after obtaining information on the AMF and actively opposed it. According to Sakakibara, then-Deputy Treasury Secretary Larry Summers called him directly at his residence at midnight and angrily began, “I thought you were my friend” (2000, 185). During a heated two-hour conversation, Summers allegedly criticized the plan for excluding the United States and allowing for action autonomous of the IMF. The United States saw the enforcement of IMF conditionality as crucial to resolving the Asian crisis, and perceived the AMF as encouraging needless moral hazard and duplication of IMF functions.

The AMF presented a conundrum for Japanese officials. Japanese actions during the Asian crisis, including the AMF, reflected frustration with its inability to obtain desired outcomes with the IMF. As part of the new Miyazawa initiative, Japan took the unusual step of providing a small amount of bilateral balance of payments lending to Malaysia, a country that had rejected IMF orthodoxy and imposed capital controls. After the crisis, Japan also initiated the Chiang-Mai initiative (CMI), which would provide limited amounts of bailout lending to Asian economies in crisis. However, Japanese policy has, by and large, sought to tie AMF and CMI financing to IMF lending rather than create an alternative source of conditionality. This was one of the factors that ultimately undermined the AMF. If the AMF were to be merely a supplemental financing mechanism with no independence vis-à-vis the IMF, a regional institution would be unnecessary, and supplementing the resources of the IMF would do.

Nonetheless, the AMF proposal produced a rare moment when a regional alternative to the IMF appeared credible. This emergence of a potential outside option brought about adjustment on the side of the IMF. Sakakibara (2000, 186) suggests that the United States enticed Asian nations away from the AMF using promises of increased IMF quotas. These quota adjustments occurred in 1998 to the benefit of Asian nations, including Japan, which finally secured an independent number two position above that of Germany. In addition, Japan benefited from the opening of the IMF regional office for Asia and the Pacific in Tokyo, which, one observer notes, "is quickly developing into the locus of regional IMF activities such as economic surveillance" (Rowley 1997).

Alternative explanations

Before concluding this section, I will address several alternative explanations. Although each contains some element of truth, none of these alternatives provides a full account of the evidence.

First, a neorealist scholar of international relations might argue that Japan's comparative success in the World Bank reflects underlying power asymmetries in the respective institutional areas. Put another way, Japan's influence in international institutions may simply reflect discrepancies between Japan's economic power in the area of development and balance of payments lending. In terms of Overseas Development Administration (ODA), Japan was the number one donor for much of the 1990s, dramatically increasing its aid at a time when other developed nations were beset by aid fatigue. Comparatively speaking, Japan's position in international finance has weakened after the bursting of the bubble, leaving the United States in a position of hegemony (Simmons 2001). Although there is probably some truth to this explanation, it fails to account for several elements of the empirical evidence. For one, if institutions merely reflect underlying economic strength, Japan should have been much more influential in the World Bank during the 1990s, and its voting share should have exceeded or come closer to that of the United States. In addition, the timing of events would also appear to be inconsistent with a realist account. Japan's financial strength peaked in the early 1990s and declined rapidly thereafter, while levels of foreign aid remained strong until very recently. However, Japan's voting strength in the IMF rose gradually from 4.18% in 1980 to 5.6% in 1990 to 6.15% in 1998. Voting shares in the World Bank rose more quickly, although Japan did not become the number one donor until 1992.

Second, one might argue that Japan's influence in each of the Bretton Woods institutions is a function of *effort*. Perhaps Japan has tried more tenaciously to secure influence in the

World Bank than in the IMF. Again, there is some truth to this hypothesis. Japan's efforts to secure greater representation in the World Bank appear to have come slightly earlier in the 1980s compared to similar efforts vis-à-vis the IMF (Rapkin et al. 1997). The lag, however, is not greater than a few years and hardly explains discrepancies that subsequently continued for more than two decades. Reflecting the importance Japan placed on representation in the IMF, then-prime minister Hashimoto Ryutaro issued a statement in 1989 that Japan would find it difficult to finance the institution unless given "the proper ranking to reflect our economic power."¹⁹ Despite this explicit threat to reallocate resources, Japanese representation in the IMF continued to lag behind that in the World Bank. In addition, effort provides very little leverage over the distinct fates of the ADB and the AMF, which were both promoted vigorously by Japanese financial officials. Finally, explanations based on effort suffer from an endogeneity problem—if Japanese officials realize that securing preferred outcomes in the IMF are prohibitively difficult, their efforts will naturally be redirected towards the World Bank.

Third, a critic might argue that the observed phenomena are due to historical accidents or purely incidental factors. As in any case study, nonsystemic factors undoubtedly had a large impact on the policy outcomes analyzed—e.g., the personalities and styles of Summers and Sakakibara surely made a difference in how the Asian Crisis was handled. However, a more systematic analysis of cross-national voting shares yields similar results—shares in the World Bank have exhibited greater flexibility over time than shares in the IMF for all member states (Lipsy 2008). It should also be noted that the salience of outside options in bargaining has been established in a wide range of theoretical and empirical applications (Muthoo 1999; Voeten 2001; Iversen and Rosenbluth 2006; Johns 2007).

Conclusion

Japan has increasingly become a major player in the international organizational architecture, although significant challenges remain. In relative terms, Japan's economic and geopolitical weight is likely to have peaked in the early 1990s. As such, Japan's representation in financial institutions is no longer likely to present a glaring discrepancy with economic reality. However, Japan's inability to secure a permanent seat on the UN Security Council will likely remain problematic into the future. Whereas institutional rigidity is a great obstacle for rising powers, it is a boon for declining powers. Much as the United States did after World War II, Japan will have much to gain from further institutionalizing its influence and leadership while it still remains in a position of preeminence.

Japan's experience in facing institutional rigidities also holds important lessons for how existing organizations can accommodate new rising powers such as China and India. It is likely that Asia will become an increasingly critical center of economic and geopolitical activity in the coming decades. Power transitions can be notoriously destabilizing for the international system, often producing geopolitical tensions (Organski 1958; Kennedy 1987) or economic turbulence (Kindleberger 1986). If major international organizations allow for smooth power transitions, such destabilization may be mitigated. On the other hand, if such institutions are overly resistant to change, the international organizational architecture may prove to be brittle.

Notes

- 1 Cohen 1977, p. 90
- 2 For example, Japan nominated but ultimately withdrew Sakakibara Eisuke for the managing directorship of the IMF in 2000. Finance Minister Miyazawa Kiichi noted that: "The nomination of Dr. Sakakibara reflected Japan's position that the IMF, as a truly global financial institution, should determine its Managing Director based on a

candidate's ability to lead this institution in the right direction and not based on his/her country of origin." (IMF External Relations Department, "Mr. Yoshimura's Statement on The Withdrawal of the Nomination of Dr. Sakakibara For Managing Director of the IMF," March 14, 2000).

- 3 This is, in part, because the IMF quota formulas incorporate measures besides GDP, including share of world trade and reserves. However, the quota formulas themselves have historically been subject to negotiation among major quota holders, and actual quota shares do not necessarily reflect outcomes of the quota formulas. For an excellent discussion, see Boughton 2001.
- 4 Singer, et al. 1972 (v. 3.02).
- 5 See Fearon 1998.
- 6 I will use IBRD and World Bank interchangeably in the subsequent text.
- 7 There is also a very small fixed component distributed equally to all members of 250 voting shares to each member.
- 8 The exact threshold has been adjusted over time to maintain the veto of the United States as its voting share declined. Currently, it is at 85%.
- 9 Among others, see Horsefield 1969; Garritsen de Vries 1985, 511–43; Rapkin et al. 1997; Boughton 2001, 849–75.
- 10 Among others, one may point to the Asian Development Bank, Inter-American Development Bank, Central American Bank for Regional Integration, African Development Bank, Islamic Development Bank, European Bank of Reconstruction and Development, Council of Europe Development Bank, Caribbean Development Bank.
- 11 "Because of the insufficient adjustment of quota shares during the previous General Reviews of Quotas, the present quota does not necessarily reflect changes of the economic realities of member countries. Appropriate adjustments of quota shares should be an integral part of the coming Eight Review of Quotas." Statement by Mayekawa Haruo (Alternative Governor of the Fund and the Bank of Japan), *Summary Proceedings of the IMF-World Bank Annual Meetings*, 1981, p. 59. "I would like to emphasize that an extensive adjustment of quota shares among member countries would be an indispensable precondition in implementing the eight quota increase, in order that

member countries shall cooperate with the Fund in accordance with their relative economic positions in the world economy and thus allow the Fund to function smoothly." Statement by Watanabe Michio (Governor of the Fund and the Bank of Japan), *Summary Proceedings of the IMF-World Bank Annual Meetings*, 1982, p. 59.

- 12 Rapkin et al. 1997, 178.
- 13 Ibid. 177–178.
- 14 Using this ratio controls for changes in distribution shares caused by the entry of new member states. Raw voting shares behave similarly. Nominal GDP is used rather than purchasing power parity (PPP) because this is the input used by the IMF in its quota formulas.
- 15 By 1989 and 1990, policy statements from Japanese officials reflected dissatisfaction with Japan's position in the IMF but not in the World Bank. See statements by Ryutaro Hashimoto, *Summary Proceedings of the Annual Meeting of the IMF and World Bank*, 1989 and 1990.
- 16 Interviews with current Japanese Ministry of Finance officials indicate that Japan now considers its representation in both institutions (as of 2005) to be adequate.
- 17 See, for example, Joseph Stiglitz, "The Insider—What I learned at the world economic crisis." *The New Republic*, 2000.
- 18 Sakakibara, 2000 (my translation).
- 19 Hobart Rowen, "Japanese Intensify Push for Higher IMF Ranking," *Washington Post*, 26 September 1989.

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