

Ambassador Mizukoshi's Speech

(March 21, Geopolitical Cartographer)

I. Introduction

- A. Greetings and Acknowledgements**
- B. Purpose of the Speech**
- C. Overview of Japan's Historical Journey**

II. Japan's Historical Context

- A. The Meiji Restoration and Foreign Pressure**
- B. Key Reforms and Modernization Efforts**
- C. From the Russo-Japanese War to WWII**

III. The Post-War Development of Japan

A. Post-War Reconstruction (1945-1952)

1. Initial Challenges and Occupation by the Allied Forces
2. Rebuilding Efforts, Economic Policies, and Democratic Transformation under Occupation of the Allied Forces

B. Sri Lanka's Role in Japan's Reintegration to the International Community: The San Francisco Peace Conference

1. President J. R. Jayewardene's Support for Japan
2. Impact of Sri Lanka's Support to Japan's Independence

C. The Economic Miracle and Comprehensive Reforms (1952-1990)

1. Key Factors Behind the Rapid Economic Growth and Transformative Governance
2. Japanese Politics after Independence from the occupation

IV. Drawing Lessons for Sri Lanka

- A. Utilizing External Pressure**
- B. Building up Competitive Industries**
- C. Overcoming Corruption**

V. Conclusion

Section I: Introduction

1. Greetings and Acknowledgements:

His Excellency, Ranil Wickremesinghe, the President of Sri Lanka and the Patron of the Geopolitical Cartographer,
Prof. Maithree Wickremesinghe, First Lady of Sri Lanka,
Hon. Ali Sabry, Minister of Foreign Affairs,
Hon. Nandalal Weerasinghe, Governor of Central Bank,
Excellencies, distinguished guests, esteemed colleagues, and friends.
Ayubowan, Wanakkam, and Good evening,

I first would like to thank Geopolitical Cartographer, especially Dr. Wignaraja and Mr. Rishan de Silva, for organising this event. It is a great honor for me to be here today with all of you. I am also very happy to see such a big crowd which indicates the high interest in this theme.

2. Brief Introduction to the Purpose of the Speech:

Today, I stand before you to share a story, not just any story, but the story of a nation that rose from the ashes of war to become one of the world's leading economies. This is the story of Japan, my homeland, from the transformative Meiji Restoration through the turbulent times of World War II, culminating in what is often termed the 'Economic Miracle.'

3. Overview of Japan's Journey from the Meiji Restoration to the Economic Miracle:

Our journey through history is a testament to resilience, innovation, and foresight. Beginning in the late 19th century, under the pressure to open the country from Western powers, Japan embarked on a path of rapid modernization and industrialization, fundamentally altering its society and economy. This journey was not without its challenges, as the scars of World War II testify. However, the occupation by victors of WWII was the Japan's 2nd chance of transformation. The post-war era opened the doors to an unprecedented period of economic growth and prosperity, a phase often referred to as the 'Japanese Economic Miracle.'

4. Relevance of Japan's Experiences to Sri Lanka's Current Economic Situation:

Why recount this tale in Sri Lanka today? Because in the heart of Japan's historical narrative lie universal lessons of overcoming adversity, embracing change, and fostering growth. Sri Lanka, at this juncture of economic hardship, stands where Japan once stood. Today, as Sri Lanka is trying to overcome the worst economic crisis in its history, I wish to draw parallels, illuminate paths, and inspire ideas that can potentially guide Sri Lanka toward a future of prosperity and stability.

Section II: Japan's Historical Context

A. The Meiji Restoration and Foreign Pressure

In 1868, Japan embarked on a dramatic transformation from a **feudal society**, a society run by samurais into a modern nation-state. This period of change, known as the Meiji Restoration, began with the restoration of imperial rule and led to profound changes in Japanese society, economy, and governance.

It is essential to note that many reforms in Japan occurred against the backdrop of foreign pressures to open the country to foreign trade, symbolized by the arrival of a large modern US Navy fleet, so to speak Commodore **Perry's Black Ships**. While external pressures gave rise to a nationalistic and exclusionary sentiment to expel the foreigners, Japanese leaders strategically decided to embrace **Western advancements** in technology and democratic institutions, keeping the "Japanese spirit" and learning from Western technology. This allowed Japan to modernize the country without losing its unique identity.

B. Key Reforms and Modernization Efforts:

Several groundbreaking policies were introduced during the era of the Meiji Restoration.

The abolition of the feudal system dismantled the power of the samurai class, paving the way for a more centralized government, meritocracy and classless society. The Meiji leaders established a conscript army, replaced feudal domains with prefectures, and introduced a Western legal system and **new constitution**, laying the groundwork for a parliamentary democracy.

In terms of economic modernization, the government actively promoted **industrialization**. This included the establishment of a modern banking system, the construction of **railroads** and telegraph lines, and the adoption of Western technologies. The government fostered high quality silk industry for export and encouraged zaibatsu, or powerful business conglomerates, which played a crucial role in Japan's industrial growth.

In education, a national system was established, inspired by American and French models, which emphasized universal **education and literacy**. This was a revolutionary change, as it provided the general population with access to education, fostering a more informed and capable workforce.

C. From the Russo-Japanese War to WWII:

The modernization initiated during the Meiji Restoration culminated in Japan's pinnacle of success with the victory in the **Russo-Japanese War** of 1905. However, the heightened nationalism among the Japanese people and a sense of superiority over other Asian ethnicities following this victory contributed to a shift toward excessive **nationalism and militarism**. Subsequently, Japan pursued colonization in the Korean Peninsula, further aggression in China, and escalated tensions with Western nations seeking equal opportunities for trade and investment in China. Amidst this nationalistic trend, Japan overestimated its capabilities, lost strategic judgment, and, fueled by a sense of invincibility, carried out the ill-advised attack on Pearl Harbor, leading to its involvement in **World War II**.

The consequences of the war were devastating. Japan's economy was left in **ruins**, and the societal impact was immense, leading to widespread poverty and suffering. The aftermath of World War II required a reevaluation of Japan's role on the global stage and a commitment to peace and reconstruction. This turbulent period in our history serves as a stark reminder of the cost of conflict and the importance of peace and stability for national prosperity.

Section III: The Post-War Development of Japan

A. Post-War Reconstruction (1945-1952)

1. Initial Challenges and Occupation by the Allied Forces:

In the aftermath of World War II, as Japan became under occupation by the victors of the World War, Japan faced daunting challenges. Our cities were devastated, our economy was in tatters, and our society was marked by profound suffering. Under occupation by the Allied Forces led by **General McArthur** of the US Army, Japan began the arduous process of rebuilding.

2. Rebuilding Efforts, Economic Policies, and Democratic Transformation under Occupation of the Allied Forces:

Under the occupation, Japan embarked on a transformative journey, witnessing profound reforms that went beyond the conservative norms of the pre-war era.

Let me explain in detail Japan's experience in the occupation period from 1945-1952. During the occupation, the US forces did not resort to direct rule but resorted to indirect rule. Occupation by indirect rule means that, under the occupation, the Government of Japan continued to exist with the Prime Minister, Cabinet Ministers, and bureaucrats, and the policies were implemented basically through the Japanese Government, not directly by the Allied Forces and there have been constant consultations between the Allied Forces and the Government of Japan. Such a system was possible, because after the surrender, Japan cooperated with the occupation without resistance. The Government of Japan was headed by Prime Ministers, such as Yoshida Shigeru, who had been pursuing peace before World War II in conflict with the military government at the time and had the determination to transform Japan into a more democratic and peace-loving country.

The Goal of occupation for the Allied Forces at the beginning of the occupation period was to bring about change in Japanese society so that the militarism that prevailed before and during the War would never be revived and Japan would never become a threat again to the US and its allies. For that purpose, the allied forces not only abolished the Japanese military forces but also tried to make economic and social changes to make Japan a less authoritarian and more egalitarian society with a robust middle class with democratic ideas.

Thus, they forced the Japanese Government to implement farmland reform, meaning the distribution of farmland from landlords to peasants,

creating a mass of smallholder farmers.

They promoted labor union activities and ordered the break up of zaibatsu, the large industrial and banking conglomerates like Mitsui and Mitsubishi. The Allied Forces thought these conglomerates were supporting the military during the war and wanted to weaken their power.

With these measures along with the introduction of property tax and inheritance tax, Japan became a country with the least gap between the haves and have-nots. The introduction of the new constitution with universal suffrage, has generated a feeling among people that everyone is equal, and everyone has an equal opportunity for success if you only work hard. Some of you may have watched Japanese teledrama “Oshin”. Oshin is a story of a girl born in a very poor peasant family and obliged to work as a maid in a very young age. But with her desperate efforts, she succeeds in her life to become a successful owner of a large supermarket chain. The drama was very popular in Japan because it was a story that could happened to any Japanese who lived in this period. These reforms led by the U. S. forces, perhaps unintentionally created a huge mass of very educated and motivated workforce and space for young entrepreneurs to start businesses.

During the occupation period, after WWII, Japan was bankrupt and suffering from super-inflation and a high rate of unemployment. A few years after the start of the occupation with the intensification of the Cold War, the United States shifted its objective of occupation from demilitarization to reconstruction of the Japanese economy to prevent infiltration by communists.. It was in such context that the US dispatched Joseph Dodge, a Chairman of an American bank and strong believer of free market mechanism to Japan to advise on overall economic policies. His recommendations which are named “the Dodge Plan” centered on balancing the national budget combatting the super inflation and reducing government subsidies. His role was similar to the role that the IMF mission plays for the Sri Lankan economy at this moment.

On tax policy, **Carl Shoup**, Professor of Economics of Columbia University lead a delegation to Japan. He recommended several principles for the tax system in Japan such as fairness of the burden, centrality of income tax, introduction of wealth tax, and inheritance tax. It is worth reflecting on

how such recommendations by foreign experts helped Japan under occupation to lay the basis of fiscal and tax policy, which paved its way to the economic miracle after its independence.

B. Sri Lanka's Role in Japan's Reintegration to the International Community: The San Francisco Peace Conference

1. President J. R. Jayewardene's Support for Japan:

A pivotal moment in Japan's reintegration into the international community was the **San Francisco Peace Conference** in 1951. Here, the late Sri Lankan President J. R. Jayewardene played a crucial role. His words of support for Japan, advocating forgiveness and encouraging the inclusion of Japan in the post-war global order, were instrumental. President Jayewardene said, 'We in Asia, who have been the victims of aggression, do not wish to inflict upon Japan any suffering.' His speech created a momentum for independence of Japan against the opposition of Soviet Union.

This episode symbolizes the enduring bonds between Japan and Sri Lanka, highlighting how compassion and understanding can triumph over past grievances, setting the stage for mutual prosperity and lasting peace.

In my opinion, the reason behind President Jayawardena's wise decision was his deep understanding of Japan at the time. He stopped by Japan for a week before going to San Francisco, exchanged views with then Prime Minister Shigeru **Yoshida**, and saw with his own eyes the government and people of Japan, struggling to transform into a democratic and a peaceful nation. He saw the potential of Japan to become a country which will contribute to bringing prosperity to Asia. With such insight, he led the discussions in San Francisco with very convincing arguments.

2. Impact of Sri Lanka's Support to Japan's Independence:

President Jayewardene's support was more than a diplomatic gesture; it was a catalyst that helped pave the way for Japan's acceptance and reintegration into the international community.

After the entry into force of the San Francisco Peace Treaty in 1952, Japan returned to the international community as a peaceful nation and provided the first economic assistance to the Colombo Plan in 1954, and began providing economic assistance to developing countries, Asian countries in particular. For Sri Lanka, there were numerous important infrastructure projects carried out with Japan's assistance such as **Sri Jayawardene Hospital, Sri Lanka Rupavahini Corporation, and Colombo Port**. President Jayawardena's support to Japan stands out as a shining example of what a wise and strategic diplomatic act can achieve.

C. The Economic Miracle and Japanese Politics after Independence (1952-1990)

1. Key Factors Behind the Rapid Economic Growth and Transformative Governance:

The post-American occupation era from 1952 marked the onset of Japan's **Economic Miracle**. The government's strategic role in steering the economy through policies such as tax incentives or the use of development banks in strategic industrial sectors was instrumental in fostering competitive industries such as automobile or petrochemical industries.

Also, the role of the private sector to increase their productivity and efficiency through investment and the Japanese management system, such as 5S (sort, systematize, sweep, sanitize, self-discipline) or Quality Circle was instrumental in enhancing the competitiveness of Japanese companies.

The Economic Miracle brought about not just economic prosperity but a holistic **transformation of Japanese society and culture**. This transformative period witnessed the creation of a large middle class, improved living standards, and the dawn of a new consumer culture. Japanese people who had lost self-confidence after the defeat in World War II regained confidence through achievements such as Tokyo Olympics in 1964 and construction of Shinkansen, the fastest train in the world at the time which started operation 9 days before the opening of Olympics.

People believed that each of them could contribute to the development of the country and achieve something better.

2. Japanese Politics after Independence from the occupation

Turning to Japanese politics, Japan was governed consistently by business-friendly conservative parties, first by the Liberal Party led by Shigeru Yoshida, succeeded by the Liberal Democratic Party, which was created in 1955 by the merger of the Liberal Party and Democratic Party, to be another conservative party. The rule by the Liberal Democratic Party lasted until this day except for a short period of rule by the center-left coalition cabinet. This long rule of the Liberal Democratic Party was possible because it was able to sustain the high growth of the economy and succeeded at raising the standard of living of ordinary people creating a large middle class and developing basic infrastructure for the people.

However, the long rule by the same party brought about collusion between the politicians, bureaucracy, and the business world. Members of the LDP were always in great need of campaign funds because they had to compete among themselves in a multiple-seat constituency electoral system, which means several MPs were elected from one constituency.

People were shocked when **Mr. Kakuei Tanaka**, former Prime Minister, the leader of the largest faction of LDP, and the most powerful politician in Japan was arrested in 1976 for the Lockheed Bribery Scandal. He was bribed by a Japanese trading company for the choice of aircraft to be purchased by a Japanese Airline company.

What is fortunate about Japan is that prosecutors and judges have historically been highly independent from politics, and they arrest even the most powerful politicians when they have the evidence. Every time there is a big scandal there has been an effort to improve the electoral system or regulation of political funds.

While corruption may not be entirely eradicated, there were significant progress made throughout its post-war history.

Section IV: Drawing Lessons for Sri Lanka

For Sri Lanka, there are several lessons to be learned from Japan's experience, but I would like to highlight three key points.

1. Taking advantage of External Pressure:

Firstly, taking advantage of external pressure. Looking back at Japan's history, most reforms in Japan that were achieved would not have been possible without pressure from the international community. The reformist leaders of Japan, whether during the Meiji restoration period or under occupation after WWII, had made wise for the future of the country decisions under foreign pressure.

Today, Sri Lanka is trying to reform the economic system under the agreement with the IMF. Reforms such as tax reform, electricity reform, or SOE reform may be challenging and not always popular to citizens. However, viewing the utilization of such external pressure for the betterment of the country should not be seen as a weakness but as a testament to the wisdom of leaders. India which went into financial crisis in 1991, went through structured adjustment of the IMF and World Bank. The economic reforms which have achieved at the time transformed India into a fast-growing economy. From an international perspective, agreements with the IMF serve as backing for Sri Lanka's commitment to pursuing rational and consistent economic policies. Japan would not have supported the debt restructuring negotiation of Sri Lanka without agreement with IMF, which assures the consistency of Sri Lankan economic policy.

2. Building up Competitive Industries

Sri Lanka is now at a crossroads. This economic crisis can be utilized as a golden opportunity to transform and grow. Japan's experience of the economic miracle shows that it is important to formulate its industrial policy to foster a competitive export industry. What can be the strong and competitive industries for Sri Lanka? Sri Lanka's literacy rate and quality of education are high. People in this country have good hands to make products. Apparel and IT industries can be further promoted as national strengths, for example.

Sri Lanka's economy has stabilized under the IMF programme. The

inflation was contained to single digit and the GDP growth turned positive from the 3rd quarter of the last year. I commend the immense efforts of the current government and the people of Sri Lanka to bring about this economic stability in a very short time. However, without a competitive export industry, once Sri Lanka lifts its import restriction, there is a possibility of foreign currency shortage without a competitive export industry. Therefore, after achieving the stabilization, it is essential to build up a competitive industry that can push sustainable development of the country. In building up industries, Sri Lanka may learn lessons from Japan's industrial policies. It is important not to protect a declining industry with government budget out of favoritism but to ensure a smooth transition from uncompetitive sector to more competitive sectors.

3. Overcoming Corruption:

I would like to touch upon corruption problems because it is a challenge both for Japan and Sri Lanka. Observing Sri Lankan politics since I came here, I would like to point out two aspects of problems of corruption in Sri Lanka.

First, corruption is a source of distrust of leaders of the country by the people, and it discourages people from being responsible citizens of the country when leaders are corrupt. It gives convenient excuses to tax payers for tax evasion.. Secondly, it is very harmful when Sri Lanka wants to attract foreign investment. Foreign investors want a transparent and predictable business environment. The shareholders also insist on it.

Japanese companies are nowadays strictly observing the compliance obligation and therefore never offer kickbacks. If that kind of culture remains in Sri Lanka, there is no prospect for Japanese investment coming into Sri Lanka. I am saying this because I would like to see more Japanese investment in Sri Lanka to support economic growth. I hope, in Sri Lanka, ongoing anti-corruption reforms from various countries, including Japan, to develop effective anti-corruption mechanisms. We would like strongly support Sri Lanka's effort in this field and we are funding the UNDP project for the enhancement of the Commission to Investigate Allegations of Bribery or Corruption (CIABOC).

There are many other lessons that can be drawn from Japanese experiences and we are ready to provide opportunities for Sri Lankan people to learn from them through JICA and other means.

Conclusion

Japan's experiences of turning the crisis into an opportunity for success that I related today hopefully will give hints and generate insights into overcoming adversity, embracing change, and fostering growth. As Sri Lanka stands at a crossroads of economic challenges, I encourage all of us to draw inspiration from Japan's transformative journey as well as the crucial role that Sri Lanka played in the independence of Japan.

As Japan looks back on its journey of modernization and the transformative reforms that led to the prosperity of Japan, I am hopeful that Sri Lanka, drawing from these lessons, can chart its course toward a future of resilience, innovation, and prosperity.

In the spirit of enduring friendship, let us work together towards a shared vision of progress, and may the bonds between Japan and Sri Lanka continue to strengthen and prosper.

Thank you.

(END)