

# 7

## The Impact of Policy Ideas: Revisionism and the Clinton Administration's Trade Policy toward Japan

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IN SOME SIGNIFICANT WAYS, the conduct and outcome of the U.S.-Japan Framework negotiations represent a break from the past. During these negotiations, which began in 1993 and ended with the agreement on autos and auto parts in June 1995, the U.S. government deviated from its traditional focus on removing barriers to imports into the Japanese market and for the first time made the achievement of concrete *results* the centerpiece of its trade agenda with Japan. And for the first time the Japanese government said no and meant it. After three years of highly contentious interactions, including the failed summit of February 1994, one could even hear expressions of concern for the very viability of the bilateral relationship.

In this chapter, I assess the extent to which we need to incorporate new policy ideas in order to explain the U.S. decision to shift to an emphasis on results, a trade-policy approach that it applied only to a single country, Japan. I argue that rationalist accounts, based solely on material incentives and structures, are of limited usefulness in explaining this policy shift. Instead, I contend, we cannot understand what happened without recognizing the impact of new policy ideas: the fundamental reconceptualization of the Japanese economy that had become institutionalized in the U.S. government by early 1993. This rethinking of Japan drew on the body of thought known as revisionism, which held that the Japanese economic system was fundamentally different from other capitalist systems, that

*I thank the other authors in this volume for their useful comments and criticisms, and especially Gerry Curtis for his trenchant and detailed suggestions. This chapter is part of a larger book project on the role of revisionist ideas in U.S.-Japan trade relations; in that book I will flesh out the arguments made here and will also analyze the way in which the Japanese government developed its policy response. In this chapter, I focus almost entirely on the U.S. policy process.*

its inherently closed nature gave a significant advantage to its firms, and that these characteristics allowed Japanese firms to engage in “predatory” or “adversarial” trade practices.

Revisionist ideas influenced U.S. trade policy on two distinct levels. First, the adoption of these assumptions magnified the level of threat that the Japanese economy posed for the United States. Revisionism defined the “Japan Problem” not in terms of economics or trade but as a threat to fundamental American national interests. The revisionist logic also called for a very different trade-policy approach. Revisionists argued that efforts to remove barriers to trade or to liberalize the market *process* in the Japanese economy were doomed to fail. The revisionist strategy followed logically from these premises: The best or perhaps only way to increase market access was to focus on *outcomes*.

In the first section, I sketch two rationalist accounts of this policy shift and assess the strengths and weaknesses of each. In the second section, I discuss the need to include nonmaterial variables—new policy ideas—to explain changes in interests and policy choices. In the third section, I sketch the rise of revisionist thinking and its impact on the way key actors in the U.S. government viewed Japan. I then trace the decision-making process during the first months of the Clinton administration; it is then, I contend, that new policy ideas had a visible impact on policy choices. In the final section, I outline how the U.S. policy approach fared in bilateral negotiations with Japan—in a word, badly, since Japan was able to quash every suggestion of concrete results. By 1996, U.S. policymakers had again begun to rethink U.S. interests in the bilateral relationship, and succeeded in striking a better balance between economic and security concerns. In the conclusion, I assess the current status of revisionist assumptions and draw implications for future U.S. trade policy.

## THE THEORETICAL CONTEXT: RATIONALIST APPROACHES

Rationalist explanations of international politics, whether focused on the structure of the international system or on the demands of domestic interest groups, provide powerful but incomplete explanations of U.S. trade policy during the Framework period. Although rationalist accounts differ according to which unit of analysis is chosen—the state for international relations (IR) theorists, institutions and interest groups for theorists of domestic politics, individuals for rational-choice scholars—they are similar in the sense that the analyst assumes a given set of interests for that actor and assumes that it will act to pursue those interests. In interacting with the surrounding environment, actors may be instrumentally rational, simply pursuing their interests, or strategically rational in terms of acting to change the behavior of others or the environment itself. And as the environment changes, so too does the

behavior of the given actor; significantly, however, the goals and the character of the actor are assumed to remain essentially the same.

Proponents of neorealism and its variants, still the core systemic IR approach, would explain U.S. policy during the Framework period in terms of the major changes in the structure of international politics in the late 1980s. The end of the cold war in 1989, the most significant change in the structure of the international system since World War II, meant that the requirements of bipolarity and the waging of the cold war no longer dominated U.S. interests. With the military value of the U.S.-Japan security relationship diminished, the United States was no longer willing to play down its long-standing economic complaints about Japan for fear that economic frictions would damage the overall relationship. Furthermore, the end of the cold war led the United States to broaden its definition of security to encompass the importance of economic power in creating and maintaining political power; this shift also led to a greater emphasis on the economic side of the relationship (Mastanduno 1991, 1998). Finally, the United States was faced with the rising power of Japan at the precise moment that its own power seemed to be inexorably declining, leading neorealists to predict that bilateral tensions and conflicts would inevitably rise (Mastanduno 1991; Huntington 1993; Waltz 1993). Now Japan, as the second largest economy in the world and one with tremendous growth prospects, represented a mounting structural threat. The United States, enjoying its "unipolar moment," still had to worry about future shifts in power in the international system, making some degree of conflict with Japan almost inevitable (Huntington 1993; Layne 1993).

The neorealist argument makes a compelling case, at least in general terms: In the post-cold war era, some increase in tension in the U.S.-Japan relationship probably was inevitable, and in particular a growing U.S. focus on previously restrained economic problems can be understood. The Clinton administration's characterization of the relationship in 1993 as a "three-legged stool" in which the only weak leg was the economic relationship is consistent with these predictions.

I argue, however, that neorealism misses some of the most important aspects of U.S. behavior in this period. First, in its history the United States has been faced with other large or rising economic powers, has run substantial trade imbalances with many different countries, and has been economically dependent on others, but it has not always fallen into economic conflict and confrontation. It seems to me that the threat posed by the Japanese economy stemmed not merely from its size and growth rate but also from America's understanding of the *nature* of the Japanese economy—the reconceptualization of Japan as predatory and adversarial. As I argue below, the alarmism of revisionism thus magnified and redefined America's understanding of the "Japanese threat" to a degree not captured by structural realism.

Second, a structural argument does not explain the *specific content* of the choices that were made. In other words, the United States could have pursued many other policies, each of which would have furthered its national interests, ranging from using its stronger power position to coerce Japan into opening its markets to improving its own relative power resources through internal industrialization efforts. Neorealists may contend that their theories are designed to explain broad outcomes rather than the specifics of policy choices. Even granting that point, in this case the bilateral relationship (described by some as America's most important in the world) would have taken a very different turn if any of these other choices had been made. Thus, the specific content of policy choices did in reality make a huge difference. We should expect our theories to provide a fuller understanding of those choices.

Third, while changes in the international system may have predisposed the United States to greater economic conflict with Japan, they did not make that conflict inevitable. In this sense, neorealism provides us with at most a "permissive cause," albeit perhaps a necessary one: Structural changes relaxed important constraints on policy but did not in any direct way determine the policy changes that occurred. In tracing the actual policy-making process, it becomes clear that different policymakers attached different meanings to the same external realities. While some looked at Japan and thought only in terms of economic threat, others maintained a more "traditional" view of Japan, that the security tie remained the cornerstone of the relationship even after the cold war and that economic tensions therefore still needed to be managed. In other words, the exigencies of the international system, so clear and unambiguous to IR scholars, were by no means so clear and unambiguous to the policymakers who had difficult choices to make.

The policy process thus boiled down to a battle of assumptions, each based on different conceptions of the Japanese economy and its meaning for U.S. interests. While traditional views were overruled when the Clinton administration outlined its initial policy approach, this outcome was by no means inevitable. Traditional views remained strong throughout this period and in fact reasserted themselves after the Framework Talks ended. Shifts in the balance between these different assumptions at various points would have made a great deal of difference in the way the relationship evolved; at times even different personalities in certain positions would have made a difference. In other words, not much here was preordained; rather, outcomes were contingent on the shifting nature of the policy process and the strength of different policy assumptions.

A second variant of rationalism, theories that stress domestic-level determinants of foreign policy, can also explain some aspects of the shift in U.S. trade policy (Moravcsik 1997). In the case of the 1993 policy shift, domestic analysts would point to the growing discontent and anger directed at Japan that was

simmering in the United States throughout the 1980s and reached boiling point in the early 1990s. With the trade numbers so out of whack and getting worse (from the American point of view), the U.S. government was under great pressure to act. At the same time, some major U.S. industries, including autos and semi-conductors, were pressing for more aggressive action to deal with competition from Japan. The Bush administration was under intense pressure to fix the "Japan Problem." This pressure was especially strong from the Democrat-controlled Congress, including the Super 301 provision of the 1988 Trade Act. The interest-group approach also argues that it was the election of a Democratic president in late 1992 that paved the way for a new policy approach. Indeed, at the time of Bill Clinton's election, analysts were close to unanimous in predicting a significant ratcheting up of trade pressure on Japan.

A domestic-interest explanation can account for some of the rise in U.S. trade pressure on Japan seen in the 1980s and 1990s. American politicians certainly recognized the political gains to be made from capitalizing on public anger and resentment against Japan. American trade pressure on Japan has a long postwar history but took a quantum leap in the last half of the 1980s, described by some as a policy of "aggressive unilateralism" (Bhagwati and Patrick, 1990; see also Janow 1994; Schoppa 1999; Destler 1995). And in its final years, the Bush administration was beginning to take a more aggressive stand on Japan trade policy. This was perhaps best symbolized by George Bush's January 1992 summit trip to Japan, in which he took along top American auto executives in a quest for "jobs, jobs, jobs."

Again, however, the interest-group approach misses key aspects of the larger picture. None of the firms or industries involved pushed for a broader redefinition of national interests or a reconceptualization of the nature of the Japanese economy; rather, each group followed a narrower, more self-interested approach. In addition, the exact form and content of American demands on Japan were not entirely predictable from the nature of interest-group pressure. That is, there were a wide variety of policy options that were being pushed by different U.S. groups, all of which would have entailed a tougher line toward Japan, which would have placated public or sectoral pressures. The United States, for instance, could have pushed for a more aggressive removal of external trade barriers or further reductions in structural impediments, perhaps with an increase in sanctions for noncompliance, such as Super 301. And many analysts assumed that the new Clinton administration would appeal to the Democrats' traditional base, labor, by calling for straightforward trade protection. Thus, as important as domestic political interests were, it seems to me that they too are not sufficient to explain the Clinton shift to a focus on numbers. While a more aggressive U.S. policy toward Japan was perhaps made inevitable by changes in domestic politics, the specific choice of a target-oriented approach was not.

Each of these orthodox explanations has considerable explanatory power—and just enough supporting evidence exists that proponents of any of these bodies of theory may not feel compelled to question their approach. But in my opinion, all fail to explain the content and timing of the shift to a numbers-oriented approach. Although they may be important permissive causes, removing previously existing constraints and opening up a “space” for new policy initiatives, I do not believe that they provide a full enough explanation for a shift to numbers. It is also necessary to incorporate an independent role for new ideas and policy beliefs.

### THE THEORETICAL CONTEXT: IDEAS AND THE DEFINITION OF INTERESTS

A growing group of IR scholars has in recent years questioned some of the essential assumptions of the rationalist approach.<sup>1</sup> One of the central battlegrounds has become the question of how actors come to define their interests and preferences, and how these definitions change over time. For rationalists, interests are not problematic: they can be inferred from the nature of actors or from their objective situation. Thus, for the neorealist, state interests are assumed to stem from the anarchical nature of international relations, while those who apply game-theoretic models infer interests and strategies from the nature of the situation or “game” being played. Interests can change over time, of course, but are assumed to change only as objective factors change: the shift in power relations due to the end of the cold war, a new era of budget tightness, the introduction of a new technology by a rival firm, and so forth. Again, the new set of interests corresponding to these new circumstances is inferred and asserted rather than “problematized” and made the focus of the analysis.

But are interests so straightforward? Alexander Wendt provides perhaps the clearest example of the limits of rationalist reasoning when he asks why five hundred nuclear weapons in the hands of the United Kingdom are not considered to be threatening to most, whereas the prospect of North Korea obtaining even one is considered a significant threat to regional and international stability. From a neorealist point of view, this situation makes little sense. If objective conditions, such as the balance of power capabilities, are all that matter, then it should be the United Kingdom that represents the more dangerous threat (or for that matter, the current preponderance of U.S. power). Something besides material factors is at work here (Wendt 1992).<sup>2</sup>

Over the past decade, IR scholars have tried to take seriously the independent impact that nonmaterial factors, such as new policy ideas, may have. These scholars question the assumption that interests can be taken as given or that they are completely reducible to material factors. Rather, the ideas approach argues that

interests are also influenced by nonmaterial factors that help to shape how an actor *understands* his or her situation and interests. North Korea is considered a greater threat not because it has more objective capabilities but because it is perceived to be a rogue state willing to upset the status quo. Japan's security-policy commitment to nonaggression is not simply a reflection of constitutional constraints or domestic politics but has become a part of the country's national identity, even "culture" (Berger 1996). Furthermore, ideas scholars take seriously the question of how interests change—again, not simply because material factors change (although these scholars recognize that such changes may be important). Rather, actors are portrayed as also being motivated by nonmaterial factors, such as ideas and values, that can shape and reshape their definition of interests. As Judith Goldstein and Robert Keohane put it, the rationalist approach is beset by "empirical anomalies that can be resolved only when ideas are taken into account," and so "policy outcomes can be explained only when interests and power are combined with a rich understanding of human beliefs" (1993, 13). Finally, these scholars argue that ideas are not simply tools that actors use to justify or rationalize actions they desire to take for other reasons; rather, ideas have an independent effect on how actors define their situations and interests, and thus provide an actual motivation for behavior.<sup>3</sup>

Ideas scholars have attempted to specify the conditions under which new policy ideas are most likely to be adopted and implemented. Peter Hall, in *The Political Power of Economic Ideas: Keynesianism across Nations*, argues that successful ideas usually must first be compelling on three different policy dimensions. The first, economic viability, holds that ideas must have the "apparent capacity to resolve a relevant set of economic problems" (1989, 371). This condition is more likely to be met when "old" or "traditional" ideas are perceived to have failed, thus creating demand for some new way of thinking. New policy ideas are likely to be successful when they offer a novel approach that can explain many of the anomalies unexplained by traditional thinking and a new solution that promises to alleviate the policy crisis. The second and third conditions mentioned by Hall are that ideas must have both administrative and political viability; that is, they must be consistent with the "long-standing administrative biases of the officials responsible for approving [policy change]" and that they are "more likely to become policy if [they] also [have] some appeal in the broader political arena" (1989, 373–374).

As I discuss in the next section, by 1993 the arguments put forth by the revisionists had succeeded in meeting all of Hall's criteria. Most importantly, they presented a new and simple solution to a seemingly intractable problem and held out the promise of remedying years of "policy failure" when traditional trade remedies seemed to have had no effect. Revisionist ideas had most definitely achieved political viability in the United States by the 1980s, increased their administrative

viability gradually through the 1980s, and achieved substantial administrative viability by the time Clinton was elected.

Scholars of ideas have also come to a consensus that the institutionalization of ideas is more likely when they are championed by a set of actors who have a commitment to those ideas. That is, ideas that meet all Hall's conditions may eventually be accepted, but the pace and depth of their acceptance will be quicker if pushed by motivated actors. Various scholars have referred to these sets of actors as "epistemic communities," "expert communities," and "norms entrepreneurs,"<sup>4</sup> but their common feature is that they have an "ideational" commitment that goes beyond narrowly defined self-interest. As Martha Finnemore and Kathryn Sikkink put it, this "ideational commitment is the main motivation when entrepreneurs promote norms or ideas because they believe in the ideals and values embodied in the norms, even though the pursuit of the norms may have no effect on their well-being" (1998, 898). In this case, the rise of the impact of revisionist ideas was also due to a relatively small group of actors, the revisionists, including not only the more noted academic and journalistic figures but also individuals from the business community and parts of the executive branch of government.

In the following section, I briefly sketch the origins of this revisionist community, the growing viability of its ideas, and their eventual impact on U.S. trade policy. I argue that this impact can be seen on two distinct levels: the reshaping of America's definition of interests, stemming from its reassessment of the threat posed by the Japanese economy, and the narrower but still significant impact on the specific policies that were chosen by the Clinton administration.

## THE RISE OF REVISIONIST IDEAS

Revisionist ideas did not simply appear in 1993 but had been evolving for two decades or more. These ideas had gained gradual acceptance in the United States as a whole, and particularly within the government. One task, then, is to explain why revisionist ideas had a visible policy impact in 1993 and not earlier. In Hall's terms, the ideas pushed by the revisionists had gained gradual economic and political viability by the end of the 1980s, but remained only partially institutionalized in the Bush administration and thus had only a sporadic affect on U.S. trade policy. By the end of the Bush administration, however, revisionism was on the verge of achieving administrative viability, setting the stage for a major shift in policy under a new administration.

The concept of revisionism has taken on many forms and definitions, so any attempt to define it will be controversial. For the purposes of this chapter, I focus on revisionist ideas related to the nature of the Japanese economy: the view of

Japanese capitalism as being inherently different from other capitalist systems, the view of the economy as being inherently closed and thus offering a significant advantage to domestic firms, and the belief that these attributes made the Japanese system a predatory or adversarial one, thus making normal exchange relations detrimental to U.S. interests. In essence, then, revisionists held that the Japanese economy was different, closed, and adversarial.<sup>5</sup>

It is very difficult to pinpoint the exact origins of revisionist thinking, in part because it derives from a number of schools of thought and experience. Revisionist views certainly built on a long tradition of “Japanese exceptionalism,” the view that Japan and its society were inherently different, even unique, and thus not understandable in terms of Western analytical categories. These views have long existed in Japan as well as the West.

Two parts of the revisionist position—that the Japanese economy was both different and closed—were widely accepted by the mid-1980s. A long line of scholars of the Japanese political economy has pointed to unique aspects of its organization and processes. A seminal academic publication was Chalmers Johnson’s 1982 work on Japan’s industrial policy, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975*. Here, the argument was that the Japanese government had done things differently and in many ways had done things better, a clear call for the West to learn from Japan’s example of successful industrial policy. While Johnson’s book certainly had a major impact on the academic debate about Japan, it is more difficult to assess its impact on the broader U.S. debate, especially in government and business circles. I suspect that impact was significant. It is my sense that many Americans already had a feeling that Japan was somehow different, but in a way that they could not quite put their finger on. Johnson’s book was helpful in clarifying a lot of these thoughts. It must be stressed, however, that in this early work Johnson was not making the argument that the Japanese economy was inherently closed, and he certainly did not argue that it represented a threat to the United States or that drastic trade remedies, such as numerical targets, were required. All that would come later.

In subsequent years, Johnson and an increasing number of American academics published work focusing on unique aspects of the Japanese economy that either gave firms an advantage or worked to insulate the Japanese market: the role of the bureaucracy in guiding Japan’s economy; features of Japan’s industrial organization, such as the *keiretsu* industrial groups and industry associations; specific corporate structures and practices, such as cross-shareholding and labor practices; and government policy, including industrial policy, regulations, and lax antitrust enforcement. At the same time, there was a virtual explosion of “pop” publications on Japan devoted to finding the real “secret” of Japan’s success.

Perceptions of the Japanese economy as different and closed also had roots

among business people and government officials who had had long and direct contact with the Japanese economy. On the government side, Clyde Prestowitz discusses a number of individuals in government who through their direct dealings with Japan had developed a clear sense that the Japanese economy did not operate the way that other capitalist economies did and who thus came to see trade problems with Japan as requiring unique solutions (Prestowitz 1988). This was particularly true of the trade-related agencies, the Department of Commerce and the Office of the U.S. Trade Representative (USTR); as early as the first Reagan administration many of these officials were arguing, in vain, for a more activist policy to gain access to the Japanese market.<sup>6</sup> A few officials at this time began to consider the need for market-share agreements; the first concrete evidence I know of is a memo drafted by USTR in the fall of 1984 that listed numerical targets as a possible policy option.

These officials were also deeply influenced by American business people who had had direct experience (mostly bad) in the Japanese market. (Indeed, a number of the key officials mentioned by Prestowitz had brought such experience to their government positions.) They argued that their difficulties in cracking the Japanese market were not due to lack of American competitiveness or effort; rather, a growing number pointed to the inherently closed nature of the Japanese economy. Thus, even if overt barriers to imports were lowered or removed, it would still be extraordinarily difficult to penetrate the Japanese market. In their complaints to the U.S. government, they focused their criticisms on not only regulations and other policy measures but also business organization and practices that impeded access to the Japanese market.

Finally, the U.S. public and, in particular, Congress needed little convincing of the closed nature of the Japanese economy. Examples of American firms being shut out of the Japanese market abounded. The argument that Japan's economy was inherently closed was the most logical explanation for the seemingly intractable trade deficit. The public was also well aware of the economic costs of trade with Japan, since numerous industries were visibly being hurt by Japanese competition, leading to industrial dislocation and pain. In the early 1980s, Congress spent more of its time trying to protect the U.S. market from import competition than it did trying to open the Japanese market.

The view of the Japanese economy as different and closed was not uncontested, however. On the academic front, the mainstream of American neoclassical economists held to the belief that the Japanese economy was not nearly as different as the revisionists argued. That is, while Japan might have some unique aspects and institutions, so did every capitalist economy. The orthodox economist view was that these differences were marginal enough so that the system operated on essentially the same principles as capitalism did worldwide. In terms of the

trade issue, economists were divided over how to define the problem and what to do about it. Many were willing to acknowledge that the Japanese market was a very difficult one to enter. But the orthodox view remained that if barriers to imports could be identified and removed, then “normal” market forces would operate and imports into Japan would increase. Another strand of orthodox thinking was that sector-specific barriers were less a problem than macroeconomic factors or exchange rates. Here, the orthodox prescription was to raise Japan’s demand for imports by increasing aggregate demand, for instance through the government’s fiscal or monetary policy or by manipulating the yen-dollar exchange rate. Finally, certain economists argued that the trade imbalance with Japan was not a cause for alarm. If anything, inexpensive imports were a positive thing, giving consumers greater choice, increasing competition, and lowering prices. In any case, the bilateral imbalance was not an issue, since the United States could not expect to run surpluses with all nations; what was important was America’s overall economic competitiveness.

Opinion within the business community was not completely unified, either. Revisionist ideas about Japan were limited to the relatively few firms that had extensive experience in the Japanese market. Even some of them had in fact been able to succeed in that market. The consensus within the business community was that Japan’s was a difficult, but not impossible, market to crack; as yet there was not full agreement that the Japanese economy was inherently closed or that drastic trade-policy remedies were required.

Most importantly, revisionists’ assumptions about the closed nature of the Japanese economy had not been completely accepted within the government. Two sets of arguments, one economic, one political, made up what can be called the traditionalist view of Japan. Prestowitz describes very clearly how isolated revisionist assumptions were in the U.S. government. In fact, even within the trade agencies, Commerce and USTR, revisionist ideas were often limited to the line officials who dealt directly with Japan; the political appointees tended to take a more traditional view—what Prestowitz refers to as a “free-trade ideology.” More importantly, the views of the neoclassical economists were clearly dominant in the Department of the Treasury, which was thus the biggest obstacle that revisionists in the trade agencies had to overcome. Treasury held to economic orthodoxy in all ways: that the bilateral imbalance was not the issue, that if barriers could be removed imports would increase, and that the manipulation of exchange rates or aggregate demand would lead to large changes in the trade imbalance.

Another important set of actors, organizations dealing with the political and military relationship, took a neutral position in the debate about the Japanese economy. In essence, these actors, the Departments of State and Defense and the National Security Council (NSC), could not have cared less about the U.S. trade

imbalance or relative economic gains; in their view, the positive benefits of military cooperation with Japan far outweighed any economic costs. Especially in the cold-war context, these officials had no desire to raise economic issues higher on the agenda or to allow economic frictions to spill over to damage the security side of the relationship. Japan was a political ally, not an economic enemy.<sup>7</sup>

U.S. policy toward Japan in the early 1980s, then, was dominated by two strands of traditionalist thinking. On the political side was the view that Japan was so central to America's security interests that trade tensions should not be allowed to detract from the bilateral partnership. On the economic side the view was that gaining access to the Japanese market, although difficult, was not impossible; so long as the United States could identify specific barriers to entry, these barriers could be removed through negotiations, and market forces would then lead to an increase in imports. Since the Japanese economy was seen as operating on the same principles as other economies, the traditional view held that standard economic policies, such as manipulating exchange rates and growth rates, would lead to redressing the trade imbalance.

Attitudes in the United States, and particularly in the U.S. government, underwent a major change in the mid- and late-1980s. The view that the Japanese economy was uniquely closed became orthodoxy in most parts of the government. More importantly, the third strand of revisionist thinking—that the Japanese economy was a predatory one that thus posed a threat to U.S. interests—also became part of mainstream assumptions.

The shift in attitude was first fueled by the massive trade surpluses that Japan racked up beginning in the mid-1980s. Although orthodox economists could explain this rise as something caused by economic forces—the growing U.S. budget deficit and the still misaligned exchange rate—their explanation was not always convincing on a public or political level. By the late 1980s, it seemed clear to many that orthodox solutions were simply not working. The long record of trade negotiations with Japan seemed to have yielded many agreements but only meager results. Likewise, long-standing efforts to get the Japanese government to increase domestic demand and major efforts to manipulate the value of the yen, in particular in 1978 and again in the 1985 Plaza Accord, seemed to have had only a minor impact on the deficit. Despite a decade of efforts, all predicated on the assumption that the Japanese market operated more or less like any other, Japan's trade surplus continued to hit peak after peak.

With the orthodox policy approach facing a severe period of "policy failure," the revisionist position offered an attractive alternative that quickly grew in resonance and appeal. According to the revisionists, the problem with the traditionalist approach was its core assumption that the Japanese economy operated on the same principles as other capitalist systems. Rather, Japan's unique blend of

bureaucratic dominance, close business-government relations, structural differences (such as the *keiretsu*), close collusion and cooperation among firms, and other factors made the economy impervious to imports. Orthodox prescriptions would not work because Japan was not an orthodox economy.

America was also coming to the uncomfortable realization that Japan was becoming an economic superpower at the precise moment that U.S. power was declining. By the mid-1980s, Japan had become the second largest capitalist economy and had amassed huge financial resources. Its industries had achieved dominance on all rungs of the industrial ladder. More importantly, the Japanese economy seemed to be a juggernaut that would only continue to gain momentum: If it did not already dominate future and high-technology industries, it soon would. At the same time, the U.S. economy seemed to be maturing and reaching the limits of its growth, leading to a profound crisis in confidence—what Bhagwati refers to as the “diminished giant syndrome” (1990, 11). With relative power so clearly shifting, IR analysts focused their attention on “relative gains,” the notion that an increase in economic gains by a potential adversary may lead to an increase in its military power (Mastanduno 1991). The United States needed to do something to redress its deteriorating power position.

Fears about a relative loss of economic strength ran deepest in the defense community. Analysts and officials expressed concern not only about a weakening of America’s industrial base but also about its growing dependence on Japan, in particular for crucial advanced technologies. The growing view was that the structure of Japan’s economy and the policies followed by its government were allowing Japan to dominate world markets in high technology. These concerns were especially evident on the acquisitions side of the Defense Department, where officials supported a strong response to counter Japan’s industrial targeting of critical technologies.

The Semiconductor Agreement (SCA) of 1986 was one manifestation of America’s growing worries about becoming dependent on Japan in a critical industry. The concern was that if Japan were allowed to continue to increase its competitiveness it would very quickly undermine and destroy America’s semiconductor base, an essential component of the military’s new generation of advanced weaponry. The immediate concern was that Japan was dumping chips onto the U.S. market, a tactic it had often used successfully in the past. The semiconductor industry joined forces with the military community in pushing for an ambitious response, with the goals of putting an end to dumping and strengthening the U.S. industry by increasing U.S. government policy support and forcing open the Japanese market.

The SCA is also important for my story because it was the first to mention a numerical target for import penetration of the Japanese market. It seems to me that

this inclusion of numerical targets did not represent a permanent shift in U.S. trade policy. My sense is that the call for numbers was an exception, reflecting the strategic importance of the industry and the perception that quick action was vital to America's national security. Some participants doubt that the United States would have pushed as hard as it did without the strong stance taken by Defense. It should also be remembered that the main impetus for the SCA was to end Japan's dumping of chips and that gaining access to the Japanese market was a secondary goal. Participants in the negotiations also argue that the request for numbers was driven less by the view that a numerical target was the best way to gain access to the Japanese market and more by the need to close the deal quickly; in addition, the idea of numerical targets was something the Japanese side had indicated that it would accept. Significantly, numerical targets were not considered for any other industry at the time.

The rise in bilateral economic tensions in the late 1980s can thus be attributed to a basic objective factor: the relative shift in economic power. But I believe there was more to it than that. The United States was concerned not only over the fact of Japan's rising power, but also over the *purpose* of that power.

It is here that I believe revisionist ideas had a very deep impact on how Americans understood Japan. Revisionist thought underwent a considerable coalescence in the late 1980s; indeed, it was only in 1989 that the term was first coined, in an article in *Business Week*. Important journalistic works included books by Karel van Wolferen and James Fallows, as well as the writings of Chalmers Johnson, who was soon anointed the "godfather" of this new conception of Japan. Although these publications reflected ideas that had been developing over a long period and in many parts of American society, they were important in that they solidified revisionist thought and struck a very strong chord in the United States. They cemented the view that Japan was different and closed, and also succeeded in portraying the Japanese system as one that was designed—intentionally or not—to achieve industrial dominance, and that this carried grave implications. Their deeper significance was that they sharpened the view that the Japanese economy was predatory and adversarial, and therefore a threat to U.S. interests. In essence, they helped to redefine the "Japan Problem" as less an economic or trade issue than a fundamental threat to American interests.

A further implication drawn from the revisionist position was that because Japan's purposes were so at odds with America's, Japan was therefore not a dependable or trustworthy partner. It is my sense that the revisionists themselves stopped short of actually making this charge—their focus was more on the differences that divided the two countries—but other analysts adopted this position quite clearly (see, for instance, Huntington 1993). Over time the perception grew that the problem was not simply that the United States was dependent on a

foreign country but that it was dependent on *Japan*.

By the late 1980s, revisionist conceptions of Japan had clearly achieved political viability. Within Congress, as has been discussed at length by others, trade policy with Japan was a highly contentious and emotional subject. Members of Congress were increasingly frustrated by the seeming failure of traditional approaches to Japan and were thus extremely receptive to new views of Japan that were simple and that promised to fix the "Japan Problem." This political receptivity also reflected a noticeable shift in the mood of the public, which increasingly blamed Japan for the persistent trade imbalance, unemployment, and industrial dislocation.

The revisionist view of Japan as adversarial was also becoming entrenched in the business community. This was due to not only the continuing frustrations of firms that had direct dealings with Japan but also the growing number of industries that were going head to head with the Japanese in new and high-technology industries. Revisionist ideas were coming to dominate the discussions and statements of such groups as the American Chamber of Commerce in Japan, the American side of the U.S.-Japan Business Roundtable, and the Advisory Committee on Trade Policy and Negotiations (ACTPN).

The interests of firms were limited to economic and trade issues, so they stopped short of arguing for a redefinition of broader national interests. Their views did, however, lead them to begin to espouse a radically new trade policy approach—numerical targets. This approach was advocated most strongly by the ACTPN, which in 1989 approached the Bush administration calling for a radical change in policy. The "revisionist turn" in this group of firms no doubt reflected its negative experiences with Japan; in this sense one cannot ignore the importance of materially defined interests. But what I find most significant is that these firms had arrived at a new *definition* of the "Japan Problem," one that stressed the revisionist view that Japan was different, closed, and adversarial. And it was this new definition—the revisionist definition—that led them to espouse a novel approach. Their subsequent attempts to influence the policy process took the form of persuading policymakers to adopt this redefinition of Japan.<sup>8</sup> The ACTPN's proposals were rejected outright by the Bush administration, however. In a much publicized meeting, Carla Hills, Bush's trade representative, appeared to be receptive to its ideas at first, but very soon thereafter came back with a categorical rejection of its premises about Japan. ACTPN officials insist that this is further evidence that the top Bush administration officials were indeed still wedded to the "ideology of free trade."

Thus, in spite of the fundamental shift in American views of Japan outlined above, the Bush administration remained internally divided between "old" and "new" thinking. Revisionist ideas had been adopted within certain organizations

and at certain levels; but the key decision makers, the political appointees, by and large held to traditionalist assumptions. Within the economic agencies, orthodox views were still strong at the political-appointee level. This was especially true at Treasury but also, as the ACTPN experience indicates, within the trade agencies. And in the security-related organizations, while there was growing concern over Japan's technological capabilities, traditionalist voices were also still quite strong. Within Defense, for instance, the policy side of the department, which was in charge of managing the Japan relationship, stuck to traditionalist assumptions about the value of the security tie and thus was in direct conflict with the acquisitions side, which focused on technological issues. Even with the winding down of the cold war, traditionalists argued that the U.S.-Japan relationship needed to be revised, not weakened. At the top levels of the Bush administration, the focus continued to be on the centrality of the political and security partnership.

Bush administration trade policy toward Japan also reflected this internal division. By 1992, the administration had shifted its trade policy to what might be called a two-track policy. On the one hand, the United States still sought to increase access to the Japanese market by removing impediments and structural barriers to imports or competition. In other words, efforts like the Structural Impediments Initiative (SII) were aimed at liberalizing the market *process* in Japan, based again on the assumption that imports would then increase. On the other hand, administration officials also began to stress the need for greater "results" from trade agreements, by which was meant that for trade agreements to be considered successful, there had to be some evidence of progress. This new approach was reflected in a number of trade agreements and was especially symbolized by the January 1992 "auto summit," in which the United States and Japan fought over whether and how to mention numbers in the final agreement. In my view, however, the Bush people were not arguing for results in terms of guaranteed targets but rather were reacting to criticisms that decades of trade agreements had been completely empty, yielding no benefits at all. The notion of government-guaranteed numerical targets was not a main focus of Bush's trade policy. Even in the 1992 auto agreement, administration officials were willing to accept purely private-sector statements of intent to increase purchases rather than push for a government guarantee of targets.<sup>9</sup>

By the 1992 election, then, the stage had been set for the adoption of new ideas and new policy directions. Orthodox assumptions were being increasingly challenged and contested, while "new thinking" about Japan was growing in acceptance at the popular and political level and had substantially permeated the bureaucracy, as well. Yet even at this point a change in policy was not inevitable. We must consider here an important counterfactual question: Had President Bush been reelected, would the United States have pursued a more concrete emphasis

on numbers, including a Japanese government guarantee of market share? My evidence suggests that Bush officials were in fact ready to continue with a rules-based approach to Japan (most likely a modified version of the SII). Despite a convergence of factors, both material and ideational, in favor of a new approach to Japan, it was still not certain that the United States would take this step.

### INSTITUTIONALIZING NEW POLICY IDEAS: THE CLINTON MOMENT

It was the election of Clinton that paved the way for the full institutionalization of the new ideas about Japan. The key changes came at the level of political appointees, all of whom shared the new conceptions of Japan. Among Clinton's top officials there was not a single individual who espoused a traditional view of the Japanese economy or the U.S.-Japan relationship. Many had come to these new views through direct experience with Japan in the private sector, through Congress, or through academic studies—including Robert Rubin at the National Economic Council (NEC), Lloyd Bentsen at Treasury, and Laura Tyson at the Council of Economic Advisers; even Warren Christopher at State had been involved in the "textile wrangle" negotiations, which had evidently shaped his perceptions of Japan. Others, such as Mickey Kantor at USTR and Ronald Brown at Commerce, were open and more than receptive to the new interpretation of Japan. In addition, the key deputies assigned the task of shaping Japan policy all held strong nontraditional views of Japan: Bowman Cutter at the NEC, Samuel (Sandy) Berger at the NSC, Joan Spero at State, Roger Altman at Treasury, and later Charlene Barshefsky at USTR and Jeffrey Garten at Commerce.

The adoption of new ideas also occurred at the highest level: The president himself slowly began to espouse the new conceptions of Japan. As governor of Arkansas, Clinton had taken a benign attitude toward Japan (in part due to his interest in attracting Japanese investment to his state). Even during the 1992 presidential campaign, his pronouncements on Japan were low key, reflecting a conscious decision to play down any issue that detracted from his main message of Bush's mishandling of the domestic economy. During the campaign, however, there were signs that Clinton had developed a sense that the Japanese economy was inherently different and would have to be dealt with using new and different policies. (To some extent, these views were reinforced by the steady stream of information channeled to Clinton by his top campaign advisors on Japan; in part it reflected the candidate's own experiences, perceptions, and political calculations.)

The new administration was thus relatively unified, top to bottom, around a new conception of the Japanese economy. Unlike the Bush administration, in

which revisionist-leaning career officials had had to contend with the more traditional views of top political appointees, there was now greater receptivity at the highest levels of the government. In fact, it turned out that revisionist thinking was even stronger at the political-appointee level, as key Clinton advisors insisted on a new approach, including numerical targets, that went beyond even what career officials had been advocating.

The policy assumptions held by these new officials were quickly translated into concrete policy. With the state visit of Prime Minister Miyazawa Kiichi scheduled for April 1993, the administration put together a Deputies Committee, jointly chaired by the NSC and the newly created NEC, to hammer out a new Japan policy.<sup>10</sup> Beginning in late February, this group held a series of intense meetings and discussions that quickly laid the basis for a new policy approach. The group's new assumptions about Japan were clear at its initial meeting. One of the first actions taken was the rejection of a set of policy papers, drafted by State in the final days of the Bush administration, that espoused a traditional view of the U.S.-Japan relationship. In its place, the group decided to formulate a new policy based on new assumptions about Japan.

The deputies found themselves united in their perception of Japan as a potential threat to U.S. economic interests. Concerns about America's dependency on Japan and the consequences of Japan's growing economic power had reached a peak in 1992, and alarmism permeated thinking early in the Clinton administration.<sup>11</sup> Although none went so far as to define Japan solely in terms of a threat, all in the group shared the sense that the U.S.-Japan trade relationship was in a state of crisis and that there was an urgent need for the United States to take decisive action to meet the growing challenge from Japan. In addition, all agreed that past U.S. policy had grossly overemphasized the political and security sides of the relationship. The metaphor chosen was that of a three-legged stool in which only one leg, the economic relationship, was badly in need of repair. The weight of opinion was thus solidly in favor of redefining the trade relationship with Japan. Even the most traditional of agencies, Defense and State, although still concerned for the military and political sides of the relationship, evidently agreed with the need to emphasize economic problems.

There was also a remarkable degree of consensus that Japan was a unique and inherently closed economy. This assumption led directly to the judgment that all past negotiations with Japan had failed precisely because they had focused on trying to strengthen rules or improve the workings of market forces—a futile effort, according to the new ideas about Japan. Not only had past negotiations failed; the prevalent view was that further negotiations based on improving market processes or rules would also be futile.

The Deputies Committee thus came to the conclusion that any policy toward

Japan had to be “results oriented.” Although the group disagreed over tactics, it arrived at a clear consensus on an underlying focus on results, including not just a desired outcome but also the involvement of the Japanese government in guaranteeing that outcome.

Here, then, is one case in which new policy ideas had a visible and concrete effect on an important policy decision. In a very short period—from late February to April 1993—a new set of ideas about Japan was adopted and implemented, resulting in a dramatic departure in U.S. trade policy from a focus on rules, processes, and opportunities to a focus on outcomes. While many factors made this possible, it is difficult to explain the shift without incorporating the impact of new policy ideas. Furthermore, these new ideas did not stem directly from materially defined interests but rather were based on a new way of *conceptualizing* the Japanese economy—the revisionist view of the Japanese economy as different, closed, and adversarial.

#### THE FRAMEWORK AND ITS AFTERMATH

Once it had decided on its new policy approach, the administration turned to what it thought would be the easy part: getting the Japanese to accept this new approach to trade negotiations.<sup>12</sup> The United States soon learned, however, that for economic ideas to be acceptable they had to be not only domestically viable (which they were) but also *internationally* viable; that is, they had to be acceptable to foreign economic partners that would be affected by the implementation of the new ideas.

America’s new policy approach, based on revisionist ideas, was definitely *not* acceptable to Japan. From the first negotiating session onward, the Japanese government embarked on a concerted and ultimately effective campaign to resist and refute the U.S. push for numerical targets.<sup>13</sup> It is significant that Japan’s hard-line stance relied less on material threats and tactics than on refutation of the *assumptions* behind America’s new policy and attacks on the legitimacy of its new demands. The Japanese government mounted an impressive information campaign designed to undermine the credibility of revisionist ideas—and of the revisionists themselves. Japan also appealed to international norms at the multi-lateral level, in particular those that emerged from the long negotiations to create the World Trade Organization. Through these strategies Japan sought to portray American demands for indicators as evidence that the United States was pushing for a “managed trade” agenda and to delegitimize these demands as a new form of protectionism. Incredibly, Japan portrayed itself as standing for the principle of nongovernment involvement in the economy and as supporting free trade; given the role the government had played in the economy in the

post-World War II period, many found these arguments highly ironic. These strategies, however, turned out to be highly effective. By the end of 1995, the United States found itself virtually isolated in its policy approach to Japan.

In the face of determined Japanese resistance, the U.S. government's initial consensus on the need for numbers began to crumble. Even as the Framework negotiations got under way in September 1993, the administration found itself divided over the question of how formal and explicit any new results-oriented agreement would have to be. What emerged was a battle between "moderate" and hard-line groups. The former, led by Cutter at the NEC, expressed a willingness to embrace a much looser approach that would include benchmarks and measures but that would also accept a less formal and explicit role for the Japanese government in terms of enforcing the achievement of results. Opposing this group, however, was a hard-line faction, led by Kantor at USTR, that continued to want the Japanese government to make an explicit commitment to results and wanted to make the new agreements enforceable and sanctionable. The U.S. position throughout the Framework Talks never coalesced around either of these distinct policy approaches. Rather, it reflected a shifting compromise between the two extremes that changed as the balance of power between the factions changed. The United States found itself with conflicting, inconsistent positions that were difficult to articulate, much less defend. As a result, when faced with criticisms from Japan and others that the U.S. sought "managed trade," Clinton administration officials were never able to convincingly deny these charges—in part because some officials did in fact prefer managed trade.

There is some evidence that the moderate faction came close to prevailing, particularly on the eve of the February 1994 summit between President Clinton and Prime Minister Hosokawa Morihiro. These efforts, however, were undermined at the last minute by the hard-line faction, culminating in the failure of the summit. By mid-1994, the more moderate approach had been discredited, and the United States pressed the Japanese government to commit itself explicitly to achieving concrete results. This approach continued through the climax of the auto talks in mid-1995.<sup>14</sup>

In the aftermath of the auto confrontation, the U.S. government backed away from a focus on concrete results and has since sought to strike a better balance between trade and security concerns. This shift is explainable in part—but only in part—by further changes in the policy ideas described above. First and foremost, the United States was faced with an uncomfortable objective reality: Given the Japanese government's hard-line bargaining position of automatically rejecting any demands that smacked of market shares or managed trade, the United States was left with little choice but to back away from a numbers orientation. Even if it might have been desirable, achieving anything close to numerical targets or managed trade was simply not possible. As one USTR official put it, "Those days are over."

The shift toward balance was also, however, driven by a redefinition of the threat posed by the Japanese economy. First, by the end of 1995 U.S. government officials were no longer worried about being overtaken economically by Japan. As evidence mounted that Japan's economic slump was deeper and more protracted than anyone had imagined, officials began to focus more on the problems and shortcomings inherent in the Japanese system. (In fact, U.S. policymakers began to worry more about the weakness of the Japanese economy, not its strength; the threat from Japan was now that its economy would collapse, taking the world down with it.) With fears of Japanese industrial dominance gone, there was less impetus to devise a radical Japan policy.

In addition, over time revisionist ideas became less prevalent in the upper echelons of the administration. By 1997, every political appointee involved in the original formulation of Japan policy had left the administration (the exception being Barshefsky). For the most part, their replacements held less extreme views of the Japanese economy. As a result, there is no longer the assumption that the U.S. approach to Japan must be results oriented. The debate over Japan policy has thus become more balanced and more open, and now includes the view that a rules- or process-level approach to opening the Japanese market may in fact be appropriate.

Finally, the domestic political mood began to shift after the end of the auto talks. With the economy now in full recovery, the U.S. public was visibly less concerned about any "threat" from Japan. By 1996, the bilateral trade numbers had also begun to turn around. And with no major industry raising urgent complaints about Japan—at least none that came close to matching the political importance and potential explosiveness of those from the auto industry—the political importance of Japan trade policy began to recede. As a result, the level of political pressure dissipated, and the Clinton administration felt free to declare victory and walk away from its earlier trade approach to Japan. In 1997, citing the turnaround in the sectoral and overall trade numbers—even if caused mostly by the incipient recovery in the Japanese economy and the slowdown in the United States—American officials could claim credit for the wisdom of their past trade policies.

As a result, the more traditional voices in the U.S. government, especially in Defense and State, became more vocal in reasserting the centrality of the political side of the relationship. These officials were motivated in part by changes in the regional security environment, in particular the attempt by North Korea to develop nuclear weapons and growing worries over the future role of China. They were also becoming increasingly concerned over the cost of the auto dispute on overall relations with Japan. Although they did not try to directly influence the handling of trade negotiations, they were increasingly aware that the political and security legs of the relationship were being neglected. The so-called Nye Initiative, which sought to achieve a better balance between America's economic and

security interests, was one outgrowth of these fears. It was the rape of a Japanese schoolgirl by U.S. servicemen stationed in Okinawa Prefecture in September 1995, however, that provided the final incentive for the United States to strike a better balance between economic and security concerns in its Japan policy. The Washington security community was deeply concerned because the strength of the reactions to the rape in Japan made it clear that the stability of the U.S. military presence there could not be taken for granted.

At the time, many analysts expressed concern over the fragility of the relationship and predicted a further deterioration of security cooperation, especially now that there was no common threat holding the alliance together. The opposite in fact occurred: Spurred on by the mutual realization that the security relationship could no longer be taken for granted, both governments made a conscious effort to improve the security and political legs of the stool. These efforts culminated in the U.S.-Japan Joint Declaration on Security of April 1996, in which both sides reaffirmed the centrality of the alliance. More recent events in the region have deepened recognition of the need for a stable U.S.-Japan security relationship. In particular, the concern over a collapse scenario in North Korea makes the need for cooperation—in all realms—absolutely vital.

In short, changes in the security realm are fundamental and likely to be long lasting. Even without a clear common enemy, the two sides have been able to deepen and strengthen their security ties. The U.S. approach to Japan in the near future is thus unlikely to return to an overemphasis on the economic leg of the relationship.

### SOME CONCLUSIONS AND IMPLICATIONS

Tracing the impact of policy ideas is always a difficult task, in particular because there is always some overlap between “objective” factors and more abstract ideas. This particular policy episode is also a “hard case” in that rationalist accounts can explain much of the dynamics of the U.S. decision-making process. Even so, I believe that a focus on the impact of revisionist ideas is important despite their relatively short period as the main driving force behind U.S. trade policy toward Japan. I find it very difficult to explain the content and timing of the Clinton administration’s shift to a focus on numerical targets without analyzing this reconceptualization of Japan and the way it changed American perceptions of the Japanese economy and its meaning for the United States. On a specific policy level, the adoption of revisionist assumptions led the administration to the logical conclusion that some sort of numbers- or results-oriented trade agreement was necessary. This policy decision had deep consequences for the bilateral relationship in that it ushered in one of the most contentious trade battles the two nations have

ever experienced. On a deeper level, the revisionist argument that the Japanese economy represented a fundamental threat to U.S. interests had an impact, I believe, on how the United States *defined* Japan and its interests in the bilateral relationship. Even though the rise in Japan's economic power was an objective one, the revisionist view of Japan as adversarial increased the perceived threat and spurred a stronger response than objective factors alone would have led us to predict.

Where do revisionist ideas stand now, and do they still matter? In my conversations with numerous U.S. career officials and political appointees it seems to me that the revisionist argument that the Japanese economy is different and inherently closed still prevails. This is especially true of officials in the trade agencies, the majority of whom still hold to the belief that the Japanese economy is structurally closed. The difference is that today the prevailing feeling is that it does not matter that much, at least not in the way that it did in 1993. The sense of the Japanese economy as adversarial and an economic threat to the United States has been buried by the decade-long Japanese recession.

This perception that Japan no longer presents a threat to the United States, however, may only last as long as the U.S. economy remains strong. In a pessimistic scenario of a significant slowdown in the U.S. economy and a return to rapid growth in Japan, it is highly likely that pressure for a strong response will reemerge. In my estimation, however, this new pressure will *not* take the form of a results orientation; the Japanese government has succeeded in deterring this approach as a viable policy option. The quandary for revisionist thinkers in the U.S. government is thus a significant one: Most recognize that traditionalist policy tools are no more likely to prove effective in redressing the trade imbalance today than in 1993, and yet the revisionist argument for numbers is one that simply will not be accepted by Japan. The United States is thus left with "second best" policy tools that many doubt will be effective: further encouragement of deregulation in Japan, strengthening of antitrust enforcement, and the like.

In this chapter, I have not claimed to explain every aspect of policy change in the period under review. Yet it is very difficult to understand the past decade of trade relations without reference to the rise and subsequent overshadowing of revisionist ideas within the U.S. government. In the end, this may be a case in which ideas were compelling enough to achieve domestic viability, leading the United States to make an important change in its policy, but not to achieve *international* viability.

#### NOTES

1. This increasingly popular "constructivist turn" has now created the main dividing line in the field of IR between "rationalist" and "constructivist" approaches (Checkel 1998; Katzenstein, Keohane, and Krasner 1998). A huge range of philosophies and approaches

has been lumped together under the term “constructivism,” including at the far extreme critical theorists and postmodernists who argue that there is “no firm foundation for any knowledge” and who thus reject the very notion of a political science that is not fatally biased (Katzenstein, Keohane, and Krasner 1998, 677). Katzenstein, Keohane, and Krasner make a useful distinction between these more abstract versions of constructivism and those scholars whom they label the “conventional constructivists”—scholars who are highly critical of some rationalist assumptions but who otherwise have much in common with the rationalists. The conventional constructivists do not reject the idea of theory building, and in fact have been trying over the past decade to make their approach more “positivist.” These scholars do not reject the importance of power and power relations, nor do they entirely reject the notion of rationality; that is, the assumption is that actors often, if not usually, act rationally (as utility maximizers). The difference is that the conventional constructivists focus their analysis on those crucial times when material factors fail to explain important things, in particular those “liminal” periods when actors shift their definition of interests. Thus, they are interested in “how preferences are formed and knowledge generated, prior to the exercise of instrumental rationality” (Katzenstein, Keohane, and Krasner 1998, 681), or “what happens *before* the neo-utilitarian model kicks in” (Ruggie 1998, 867; italics in original).

It also seems to me that the conventional constructivist approach should be very attractive to those engaged in “Japan studies” or “area studies” more broadly defined. After all, in the pure rationalist world logically there should not be such a thing as “area studies,” since variables ideally operate in the same way regardless of the country or region involved. In that sense, the study of Japan per se becomes unnecessary or little more than an illustrative case study of rationalist theory developed elsewhere (Waltz 1979; Ramseyer and Rosenbluth 1993). Conventional constructivists, on the other hand, retain much of the methodology of the rationalists, but their focus on interest and identity formation makes them more sensitive to important internal attributes that distinguish different actors—for instance, a country’s often unique historical evolution, including the path-dependent development of domestic institutions and the evolution of culture and worldviews. This approach is also willing to admit the importance of contingency and chance, including an appreciation of the importance of individuals and the impact of their actions. Methodologically, as well, the conventional-constructivist approach depends on rich empirical analysis and process tracing rather than mere correlation of independent and dependent variables (Checkel 1998). *These are precisely the types of specific knowledge that area specialists are in the best position to provide and the methodologies with which they are most familiar.* Indeed, the “constructivist turn” is currently visible in recent publications on Japan, and more is undoubtedly on the way. See Berger (1996), Gurowitz (1999), and Schoppa (1999).

2. One answer may be provided by Stephen Walt, who attempts to expand the neo-realist focus on material factors to include such things as the perception of intentions, the “balance of threats” (Walt 1987). Although Walt originally intended to stick with a rationalist core, his analysis quickly takes us into the realm of ideas and conceptions rather than materially defined factors.

3. The current literature on ideas straddles the rationalist-constructivist divide. Goldstein and Keohane (1993) has taken a step beyond rationalist assumptions but has not

gone far enough for some constructivist critics. In particular, the authors have been criticized for remaining too faithful to their rationalist roots and for spending too much time analyzing the role of “principled beliefs,” which specify what is considered right or wrong, and “causal beliefs,” which pertain to more specific beliefs about cause-and-effect relationships. Constructivists argue that these authors need to spend more time considering the impact of “worldviews”—broader concepts such as Christianity or sovereignty, that “define the universe of possibilities for action” (Goldstein and Keohane 1993, 8); this would allow the authors to take more seriously the role that ideas can play in shaping the *identity* of actors (Blyth 1997; Ruggie 1998). Other useful reviews include Jacobsen (1995), Woods (1995), and Yee (1996).

4. These terms are from, respectively, Haas (1992); Mendelson (1998); and Finnemore and Sikkink (1998).

5. The term “revisionism” has been applied more broadly, ranging from general arguments that Japan is somehow “different” to specific arguments that Japanese political and economic institutions differ to arguments that Japan has successfully pursued a unique set of economic and industrial policies. Individuals recognized as revisionists have now parted company on some key issues, making the definition of the term even more problematic.

6. In speaking with a number of former officials, it seems to me that there were many more officials who went unmentioned in Prestowitz’s book, often lower in terms of position, who held similar beliefs.

7. It should be noted that these organizations were not monolithic in their view of the Japanese economy. In State, for example, an increasing number of officials were beginning to adopt a revisionist conception of Japan. This was most evident in the Economic Bureau, which was responsible for overall economic and trade relations. And while the East Asia–Pacific Bureau and its Office of Japan Affairs continued to stress the importance of the overall relationship with Japan, revisionist ideas were gradually gaining currency there, as well.

8. In my opinion, the ACTPN was not an interest group as traditionally defined. The group was so broad and varied in interest and motivation that it is difficult to treat it as a traditional interest group. More importantly, not all members of the ACTPN stood to gain from a numerical-target approach, and not all believed this to be the best way to approach Japan.

9. The Bush administration did, however, renew the SCA in 1991, including the official mention of a 20 percent “target,” understood to mean a goal rather than a commitment by the Japanese government.

10. The existence of the Deputies Committee (also referred to as the Deputies Group) and its deliberations were widely reported at the time. See, for instance, Ennis (1993), Craib (1994), and *Inside U.S. Trade* (26 February 1993, 26 March 1993, 7 May 1993, 14 May 1993, 21 May 1993). Members of the group also described the Committee’s role in the policy-making process and discussed many of the group’s assumptions and deliberations in later Congressional hearings. See especially testimony to the Senate Finance Committee (22 July 1993) and testimony to the House Foreign Affairs Committee (21 July 1993).

11. These concerns were voiced most strongly by Deputies Committee member Roger Altman in his Congressional testimony to the Senate Finance Committee on July 22, and reiterated by other Committee members Spero and Barshefsky. Although the Japanese economy

had slipped into recession in 1990, beginning with the crash of its stock market, the prevailing view was that this would prove to be a short-lived phenomenon and that the Japanese economy would soon recover. It was further assumed that Japanese industry would emerge from the recession “leaner and meaner,” and thus more competitive, than before.

12. In my broader research project, I characterize U.S. demands as an attempt to define and implement a new international norm—a new “standard of appropriate behavior”—regarding the way the international trading community should treat Japan. In this case, the United States sought a new norm that defined Japanese capitalism as unique and adversarial, thus requiring a unique approach (Uriu 1999).

13. See Uriu (1999) for details of the debate within the Japanese government. In brief, I argue that the Japanese position was based on both material and normative interests, on the one hand the perceived benefits of deterring future U.S. trade demands but also on a deep commitment to adhering to the principles of multilateralism that were eventually embodied in the World Trade Organization (WTO). Although rational calculations formed the core of the Japanese approach, the principled position, deeply held by some bureaucrats, succeeded in hardening Japan’s position even beyond what effective deterrence required. Japan’s response also had an important ideational dimension: The government recognized that, given the revisionist premises underlying the U.S. demand for negotiated import targets, to agree even to discuss such targets would amount to an admission that those premises were in fact correct. Accepting import targets would only legitimize these revisionist assumptions and ultimately would spur the United States to make further, more difficult demands. This concern over the interpretation of ideas increased Japan’s determination to maintain its hard line to the bitter end.

After an initial period of divisiveness, the government hammered out a consensus hard-line position. The key to this position was a cross-bureaucratic alliance in which hard-liners from the Ministry of International Trade and Industry (MITI) and the Ministry of Foreign Affairs were able to overcome “traditional” thinking in the government and thus shift Japan’s position more firmly to “no.” Of particular importance was a group of Foreign Ministry bureaucrats who had gained experience negotiating the WTO and who firmly agreed with MITI’s position that the “era of bilateralism” had to be ended. With the election of Hosokawa Morihiro as prime minister in 1993, this faction found an important ally: Hosokawa himself came into office determined to make changes in the traditional ways of doing things, and this included a desire to make the U.S.-Japan economic relationship a more equal one.

14. Many U.S. officials now claim that the U.S. government never asked for numbers in the auto talks. This is a point that is hotly contested by Japanese participants, who insist that in private talks U.S. negotiator Garten in fact did ask point-blank for numbers. The U.S. proposal on autos was also widely reported in the U.S. trade journal *Inside U.S. Trade* and discussed in other sources (Karube 1996). Garten is the only official who refused to be interviewed for this project. It is possible that the United States in fact never *officially* presented a numbers demand on autos, but the combination of its publicly stated goals of achieving targets and the widely reported private suggestions of numbers gave the Japanese government enough evidence that the United States was at least *tacitly* insisting on numbers. Certainly this was the working assumption of virtually every Japanese policymaker with whom I have spoken.

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