

ROBERT M. URIU

CLINTON AND JAPAN

The Impact of Revisionism on US Trade Policy



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Preface

More than a decade has passed since US–Japan trade relations was one of the most important, and most controversial, of US foreign policy issues. In the post-9/11 world, with American attention preoccupied with issues of war and terror, it may be hard for younger readers to imagine a time when issues involving international trade openness and access to the Japanese market were deemed to be prime foreign policy problems. Also, given the very positive US–Japan relationship today, marked as it is by security cooperation and the near disappearance of bilateral trade frictions, it may be hard to imagine a time when such frictions were the source of so much anger and resentment.

However, the passage of time cannot erase the intensity of the anger and resentment that characterized the relationship just a decade ago, especially for those who were involved in those events. During the 1980s and 1990s there was an incredible amount of tension in the relationship, with talk of a growing Japanese economic threat, views that Japan was America's new international rival, concerns over a 'Japanese invasion,' and the like. In Japan, a growing sense of resentment over American trade complaints and a rising dislike of Americans led many to seek to place the blame on American incompetence or dishonesty. Some scholars who studied Japan and who happened to agree with the Japanese side of the story were dismissed as 'Japanapologists' or 'agents of influence.' Conversely, critics of Japan—notably the so-called 'revisionists' who are at the core of this book—were at times accused of hating the Japanese or, worse, being motivated by racism. (Both sets of charges, I firmly believe, were without merit—that is, their differences were mostly academically and intellectually honest ones.) In this context, I vividly recall one senior scholar warning me that doing a book on the revisionists was too risky for an (then) untenured professor. I decided to ignore this advice. In any case, today, for better or for worse, the topic is no longer as controversial as it once was (better, perhaps, for US–Japan relations, but probably worse regarding interest in the topic).

I got the idea for my first book when one of my professors did not have a satisfactory answer to one of my questions. The idea for this book came when I could not come up with an adequate answer to one of my own student's questions. That question came during a discussion of the different views of the Japanese economy, pitting traditionalists who conceived of the market there as essentially capitalist in nature and Japan as an important ally, versus the revisionists who portrayed that economy as different, inherently closed, and Japan as a growing economic threat to the US. The student asked something along the lines of, 'Traditionalists and revisionists are both talking about the same Japanese economy, but come to polar opposite conclusions. They can't both be right. They all seem to be smart people, so how can one side (or the other) be so totally off?' I don't remember my answer then, but my answer now would start with, 'it all depends on one's initial assumptions'

In this case these two schools of thought started with entirely different *assumptions* about how the Japanese economy really worked, and what that implied for the US. Because their analysis and interpretation of the issues was based on these incompatible initial conceptions, quite naturally their diagnoses and prescriptions differed wildly. This book is about how these new, revisionist assumptions about the Japanese economy rose, coalesced, and were adopted by the US government in the 1990s, and then subsequently had a visible impact on American trade policy toward Japan.

Much of the material for this book was obtained through more than 100 in-depth interviews of the relevant policy makers on both sides of the Pacific. In conducting these interviews I was reminded very much of the Kurosawa samurai-era movie *Rashōmon*, in which the story of a crime is told four separate times, from the point of view of an accused criminal, his two victims, and a hidden bystander. Each protagonist, however, paints a completely different picture of the same events, and in doing so manages to portray themselves and their behavior in the best possible light. Some were being deceitful, but seemed to have convinced themselves of their versions of events; even the bystander telling a version that seems closest to the 'truth' managed to interpret events through self-serving lenses. In the end, one is not sure whom to believe; we simply have to filter each version according to who is telling the story.

So, too, with those involved in US-Japan trade relations. In speaking with officials from both governments, I often had the feeling that I was in the middle of my own version of the movie, with each person talking about the same events, but voicing diametrically opposite interpretations.

It struck me that this enormous gap in assumptions was real and often not reconcilable. And this gap definitely affected how policies were constructed and implemented, and how the two countries conducted their negotiations.

This impression became even more vivid during 1996–7, when I served as a Director of Asian Affairs in the National Security Council (NSC). Although I do not (and cannot) discuss the policy issues I dealt with during my service in the Clinton White House, that opportunity gave me an insider's view of how Clinton administration officials made policy. I was also able to meet many of the officials who made Clinton's Japan trade policy and had the privilege of working directly with some of them. Most importantly, I was able to put myself in their shoes, and thus I think am better able to understand how American officials conceived of the issues. I have tried to impart some of the character and color of how decisions were being made in the Clinton White House.

One thing that I discovered during my time in the Clinton White House was how competent and knowledgeable about Japan most top US government officials were, and how much direct experience with Japan actually existed in government circles. It is common to hear professors of all orientations criticize policies that they disagree with by arguing that US policy makers 'don't understand Japan,' lack experience, or are simply incompetent. What I found was that officials on all sides of the debate in fact *did* understand Japan—it was just that each side understood Japan differently.

Another thing that struck me during my interviews was how open and forthcoming all of the American officials were; all were very eager to tell their story, of course from their own point of view. I was even more impressed with how open and forthcoming the Japanese government officials were. In my previous research, on industrial policy toward troubled industries, I found that it was often very difficult to get Japanese officials to divulge any 'inside' information. This time, however, these officials were not only eager to tell their side of the story, but they were quite forthcoming in providing even more information that I had asked for. Quite early it dawned on me that the reason for this was simple—in the Framework talks, Japan was successful in beating back US trade demands, perhaps permanently. As a result, many of these officials were proud of what they had accomplished, and almost bursting to tell their version of events.

I am especially grateful to the many individuals who agreed to sit for interviews. I made it a blanket policy to not quote *any* of these individuals

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by name, in an effort to get at the 'inside story.' I should also note that I made it absolutely clear to each interviewee that the interviews were strictly for academic purposes, and had nothing to do with my duties at the NSC. On this note I should also stress that none of the information discussed in this book was derived from restricted sources or documents—I was not a participant in the policy deliberations described in this book, and I pointedly did not access any related classified materials. Furthermore, all of the events that I discuss in detail occurred before I entered the NSC. The views expressed in this book are completely my own, and do not reflect the views of the NSC or the Clinton administration.¹

The research for this book was carried out under two main grants. One was an International Affairs Fellowship from the Council on Foreign Relations, which allowed me the opportunity to enter the NSC. The second was a Fulbright Fellowship for research in Japan, where I conducted the interviews for the second half of the book. I also received smaller grants from the Social Science Research Council and from my current institution, the University of California, Irvine.

In the course of researching and writing this book—a process that took far too long a time, I realize—I have accumulated many intellectual and personal debts. All or parts of the manuscript have been read by Hugh Patrick, Gerry Curtis, Ellis Krauss, T. J. Pempel, and other unnamed readers from Oxford University Press. I have received comments from these scholars and many others, including Merit Janow, S. Linn Williams, Kenji Hayao, Patti MacLachlan, Taka Suzuki, Jennifer Holt Dwyer, Michael Green, Kojo Yoshiko, Hiwatari Nobuhiro, Saori Katada, John Odell, Richard Katz, and I am sure others who I failed to record. I also thank my family—my wife Noriho and my sons Masato and Kazuto—for being so patient with me. It has become my standard New Year's resolution over the past few years to 'finish the book,' so now I can finally think of a new resolution.

I dedicate this book to three individuals who have had the biggest impact on my development. First is Hugh Patrick, my main mentor during the time I spent as a student and assistant professor at Columbia University. For my first book and for this one Hugh provided me with

¹ Despite these disclaimers, the NSC legal staff has objected to some of the material in this book, notably the discussion of the deliberations inside the Clinton White House, on the grounds that my status as a former NSC official *implies* direct knowledge of or participation in the secret deliberations, hence 'release of such information would compromise the deliberative process.' This discussion, of course, lies at the very heart of this book. These objections were finally resolved only in January 2007.

more than 25 pages of single-spaced comments, all of which were pointed and helpful. He is the kind of mentor that every student hopes to get; he is also the scholar and mentor who I have tried—but failed—to emulate.

I also dedicate this book to my parents, Kay and Alice, who have never stopped nurturing me. I was lucky to grow up in a stable and supportive household where doing your best was always the highest value. Truly, I would not be the person I am today without their love and guidance. I will always be grateful. On a sad note, my father passed away in mid-2008. Although he knew that I have been working on this book, I am saddened that he never had the chance to see the finished product.

*Robert M. Uriu
Irvine, California*

List of Interviews (selected)

National Security Council / National Economic Council

Bowman Cutter
Michael Froman
Sandra Kristoff
Robert Kyle
Stanley Roth
Nancy Soderberg
Bob Suettinger

Department of State

William Clark
Rust Deming
Jim Foster
Ellen Frost
Lawrence Greenwood
Ed Lincoln
Robert Manning
Jonathan McHale
William Rapp
Bob Reis
Joan Spero
Laura Stone

Department of Defense

Paul Giarra
Michael Green
Robin Sak Sakoda

List of Interviews (selected)

Department of the Treasury

Roger Altman
Timothy Geithner

Department of Commerce

Phil Agress
Kevin Kearns
Marjory Searing

Office of the US Trade Representative

Wendy Cutler
Glen Fukushima
Merit Janow
Charles Lake
James Southwick
S. Linn Williams
Ira Wolf

Other Clinton Administration Officials

Raymond Ahearn
Barry Carter
Robert Fauver
Ira Magaziner
Ezra Vogel

Ministry of International Trade and Industry

Fujiki Toshimitsu
Hirai Hirohide
Hirose Naoshi
Oi Atsushi
Okamatsu Sozaburo
Sakamoto Yoshihiro
Shibota Atsuo
Takatori Akinori
Terasawa Tatsuya
Toyoda Masakazu

Ministry of Foreign Affairs

Horinouchi Hidehisa
Ito Naoki
Ono Keiichi
Oshima Shotaro
Shikata Noriyuki
Sasae Kenichiro
Takeuchi Yukio
Tanigawa Hiromichi
Ueda Naoko
Watanabe Akio
Yamanouchi Kanji

Business, Politics, Academia, and Journalism

Arthur Alexander
Daniel Bob
Steve Clemons
Kenneth Courtis
Richard Cronin
Peter Ennis
Ishihara Nobuo
Iwatake Toshihiro
Kashiyama Yukio
Karube Kensuke
Kimura Tadakazu
Komori Yoshihisa
Miki Tatsu
Michael Mochizuki
Don Oberdorfer
Robert Orr
Elizabeth Terry
Nathaniel Thayer

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List of Abbreviations

AAMA	American Automobile Manufacturers Association
AAPA	Automobile Parts and Accessories Association
ACCJ	American Chamber of Commerce in Japan
ACTPN	Advisory Committee for Trade Policy and Negotiations
BRIE	The Berkeley Roundtable on the International Economy
CEA	Council of Economic Advisors
CIA	Central Intelligence Agency
DARPA	Defense Advanced Research Projects Agency
DC	Deputies Committee
DITI	Department of International Trade and Industry
ESI	Economic Strategy Institute
G-7	Group of Seven
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
IR	International Relations
ITC	International Trade Commission
JAMA	Japan Automobile Manufacturers Association
JEI	Japan Economic Institute
JFY	Japan Fiscal Year
LDP	Liberal Democratic Party
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOSS	Market-Oriented, Sector-Specific
NAFTA	North American Free Trade Agreement
NEC	National Economic Council
NPT	Non-Proliferation Treaty

List of Abbreviations

NSC	National Security Council
NTT	Nippon Telegraph and Telephone
OECD	Organisation for Economic Co-operation and Development
SCA	Semiconductor Agreement
SIA	Semiconductor Industry Association
SII	Structural Impediments Initiative
STR	Special Trade Representative
UAW	United Auto Workers
USTR	United States Trade Representative
VER	Voluntary Export Restraint
VIE	Voluntary Import Expansion
WTO	World Trade Organization

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PART I

Setting the Stage

The Rise of Revisionism