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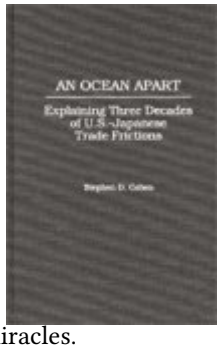
in the Humanities & Social Sciences

Stephen D. Cohen. *An Ocean Apart: Explaining Three Decades of U.S.-Japanese Trade Frictions.* Westport, Conn.: Praeger, 1998. xi + 256 pp. $65.00 (cloth), ISBN 978-0-275-95686-8.



Reviewed by Timothy J. McKeown (Department of Political Science University of North Carolina, Chapel Hill)
Published on H-US-Japan (May, 1999)

In *An Ocean Apart*, Stephen Cohen has taken up the task of sorting through the disparate and conflicting claims made by observers of U.S.-Japanese trade conflicts, judging which arguments are more nearly correct, and recommending some concrete measures to lessen the conflict. It is an ambitious and important task–though given its complexity, one might well wonder whether any single author or book could ever accomplish such objectives.

Cohen's analysis proceeds from a very explicit point of view, though one not easily characterized as pro-American or pro-Japanese. As he sees it, many U.S. firms have a "primary inability" to compete with Japan in third country markets or even in the U.S. market. Those U.S. firms that can compete have a great deal of difficulty in securing access to the Japanese market. Unfortunately, his aversion to statistics is so complete that he presents no quantitative information on the extent of either problem or its variation over an extended period. The source of these difficulties is supposedly found not in U.S. laziness or Japanese predation, but rather in "a managerial, policy, and attitudinal mismatch [that] has shaped U.S.-Japanese economic relations in the three decades beginning in the late 1960s." (Just why the problem is thought to have originated then and not earlier is not clear.) Structural differences in Japanese and U.S. approaches to trade policy are "badly underestimated." We are not and never have been on the edge of convergence, and because our differences are deeply rooted, they are likely to persist. Thus, from Cohen's perspective, the most useful approach to coping with continuing U.S.-Japanese trade conflicts is to recognize their systemic sources, avoid simplistic and jingoistic remedies, encourage adjustments in both countries that will have the effect of lessening their conflicts, and avoid expecting any miracles.

After setting forth his arguments about the deeply rooted nature of bilateral trade friction in the first chapter, the book proceeds to offer a short summary of the history of bilateral trade conflicts, a presentation of an unapologetically pro-Japanese analysis, and then a similarly unapologetically pro-U.S. argument. Though these discussions are terse, they will be helpful in introducing the uninitiated to the debate. Different veteran observers might choose to recount these arguments in different ways, but they seem to this reviewer to perform ably the task of presenting two complicated, multi-faceted critiques.

Cohen then offers an assessment of both perspectives, highlighting eight common and contentious claims made by one or the other camp. The level of discussion is similar to what one encounters in reading an op-ed piece in an American newspaper. The analysis does not pretend to be comprehensive, but concentrates on making a few simple points about each subject. Many of his conclusions seem sensible (e.g., his criticisms of the fixation in some circles with the bilateral trade deficit), but the discussions that cover macroeconomic issues and commercial policy are casual and sketchy. Cohen may have wished to spare his readers a long and more technical discussion of the underlying economic theory, but the cost of doing so is that his analysis of such subjects as the consequences of U.S. budget deficits, what (if anything) to do about Japanese capital exports, and whether the Japanese economy is now on a permanently lower growth trajectory is thin and unconvincing.

Most of the rest of the book is an attempt to offer an analysis of how this conflict over bilateral trade

arose. Chapters on the domestic foundations of each country's trade performance, their divergent international economic policy strategies, and the bilateral negotiating process are offered in an attempt to explain the sources of the bilateral trade imbalance and the ensuing political frictions.

Here Cohen tends to emphasize cultural factors and the fit between national ideologies and the position of each country in the international system. The discussion of domestic foundations emphasizes historical circumstance and cultural factors, business strategies, and manufacturing skills. Readers in the United States will find the discussion of Japan informative, but will probably be less impressed by the coverage of the United States. I doubt that they will agree that U.S. isolationism up to the post-World War I period was "similar to Japan before the black ships' arrival" (p. 142). They will be surprised to read that U.S. policy since the 1960s has tilted toward equity as part of the government's pursuit of a more just society (p. 145)–especially if they are familiar with studies such as Ed Wolff's[1] or James Galbraith's.[2] These authors document substantial increases in inequality in the U.S. economy since the late 1970s. They will also have questions about the discussion of U.S. macroeconomic policies that begins by stressing how providing low interest rates has been "a minor concern at best" and then blames the economic ills attendant on fighting the Vietnam War partly on an "overly accomodative" monetary policy (p. 151). On this and other points statistical data and statistical analysis would have been helpful in clarifying and substantiating many of Cohen's arguments, but it is not forthcoming.

Fiscal, exchange rate, and monetary policy receive less consideration. The economic theory that receives the most attention is that associated with the Berkeley Roundtable on the International Economy and the Massachusetts Institute of Technology 1986 Commission on Industrial Productivity. These theories tend to focus on the firm or the sector, and they emphasize managerial discretion and organizational factors at least as often as price signals when determining firm behavior. It would be helpful to learn how the microeconomics of the firm are affected by the macroeconomic outcomes shaped by state policy, but this issue is not addressed.

A surprising omission from Cohen's book is the relative lack of discussion of the domestic politics of trade or macroeconomic policy in either country. Although he recognizes that within each nation there are sometimes strong differences of opinion on how to deal with the bilateral conflict, he does not consider whether national differences in the political party systems or in the design of governmental institutions have any consequences for each country's policy choices. A connection between a period of prolonged rule by one party and a more far-sighted and less ad hoc style of policy-making (as well as the accumulation of experience and expertise within the bureaucracy) seems highly plausible. So does the weakening of such characteristics if one-party rule declines. The ability of Japanese politicians to create and persist in trade policies that bring substantial hardships to Japanese consumers and create deadweight losses for the entire Japanese economy is difficult to understand if one believes that the Japanese party system is truly competitive and that voters' opinions matter. This is particularly a problem for protectionism in such areas as foodstuffs, where a decline in protection might actually enhance the international competitiveness of Japanese industrial exports.

It would also be interesting to read an analysis of how the end of the Cold War has affected or will affect bargaining between the U.S. and Japan. Cohen's silence on this topic can perhaps be interpreted as an implicit claim that it will make no difference. But if security concerns during the Cold War led both countries to suppress their most conflictual demands and ways of pursuing those demands, it is far from obvious that the new security environment will have the same restraining effect.

Another omission from Cohen's discussion is the so-called "Wintel" (i.e. Windows and Intel) revolution in business as a result of widespread computerization along Wintel lines and the rise of the Internet. Although the 1990s in the United States are commonly characterized as a time when U.S. industry finally became "lean and mean" and adapted to computers and the Internet far more quickly than Japanese industry, this line of argument is not investigated by Cohen. More generally, the book reads as if it were written in light of the experience of the 1970s and 80s; more recent developments are apparently assumed not to alter the conclusions based on the earlier period. While there is a very modest discussion of whether the 1990s have meant substantial changes for the Japanese economy (pp. 100-1), there is no corresponding question and answer about the U.S. economy. Overall, the author seems more sensitive to developments in the Japanese economy and society than he is to parallel developments in the United States.

The concluding paragraph, which features a quotation from a character in a 1989 film in which a Japanese

character describes the U.S. economy as producing little of importance except "music and movies," claims that the American industrial revival in the 1990s would need to "progress long and far" before popular images of American ineptitude and Japanese prowess are altered. It is clear that Cohen has followed developments in Japan since 1990, but his discussion unfortunately is not concerned with whether flagging Japanese economic performance and changes in the Japanese party system portend qualitative changes in U.S.-Japanese trade politics. Likewise, his comparison of the export performance of the U.S. economy in the 1990s to earlier decades is cursory. Readers who are unsure whether the relative positions of the two countries has changed in the last decade will not find much in this book that will help them to answer this question.

It is probably impossible to do justice to all of these topics in a book that is less than 250 pages long and written for someone with little or no background in these trade conflicts. Cohen's book thus represents a useful starting point for an examination of the bilateral trading relationship, but more needs to be said, especially from a perspective that is inclined to probe the domestic politics and economics in each country more closely.

Notes

[1]. Wolff, Edward N. 1995. *Top Heavy: A Study of the Increasing Inequality of Wealth in America.* New York: Twentieth Century Fund Press.

[2]. Galbraith, James K. 1998. *Created Unequal: The Crisis in American Pay.* New York: Free Press.

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Citation: Timothy J. McKeown. Review of Cohen, Stephen D., *An Ocean Apart: Explaining Three Decades of U.S.-Japanese Trade Frictions.* H-US-Japan, H-Net Reviews. May, 1999.

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