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John Kunkel. *America's Trade Policy Towards Japan: Demanding Results.* London: Routledge, 2003. xvi + 236 pp. $114.95, cloth, ISBN 978-0-415-29832-2.

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U.S.-Japan Trade Conflict Revisited

John Kunkel's book reviews U.S. trade policy towards Japan in the period from the early 1980s to the mid-1990s. He argues that the move to a results-oriented trade policy was primarily the consequence of a crisis in the U.S. trade policy regime, the "enduring institutions, laws and shared norms mediating state-society relations" (p. 3). The emergence of Japan as an economic challenger to the United States in the 1970s and early 1980s undermined a trade policy regime that had its origins in the Reciprocal Trade Agreements Act of 1934.

Under the "1934 regime," Congress had ceded primacy in trade policy-making to the executive branch. The executive used this authority after the end of the Second World War to promote trade liberalization, primarily through process-oriented, multilateral trade negotiations. Free traders were dominant in trade policy formulation; meanwhile, non-economic interests frequently were paramount in bilateral foreign relations. The "1934 regime" lost legitimacy, however, in the first half of the 1980s when the macroeconomic mismanagement of the Reagan administration (which produced currency appreciation, budget deficits, and low rates of savings) generated sharply higher trade deficits.

Although most commentators who understood rudimentary economics recognized that it was the U.S. administration's economic policies that were responsible for the overall trade deficit, Japan's persistent trade surpluses, its low levels of imports of manufactures, and obvious trade barriers opened the way for it to become the principal target of the new Congressional trade policy activism. The opening shot was a barrage of bills in 1981-82 that demanded strict reciprocity from U.S. trade partners in return for access to the U.S. market. Congress was further emboldened by the continued deterioration in the trade deficit in the mid-1980s; by 1985 there were over one hundred trade-restricting bills on the Congressional calendar, many of which specifically targeted Japan. The administration caved in to this pressure in September 1985, embracing Section 301 of the 1974 Trade Act, as amended by Congress in the

1984 Trade Act, as a means of promoting "fair trade."

The bulk of Kunkel's book traces the battle between free traders and what he terms "hardliners"--advocates of the pursuit of aggressive bilateralism against Japan--for control of trade policy in the Reagan, George W. H. Bush, and Clinton administrations. He does an effective job in detailing how the "hardliners" gained ascendancy as some of the arguments of the "Gang of Four" revisionists (Chalmers Johnson, James Fallows, Clyde Prestowitz, and Karel von Wolferen) on the peculiarities of Japan's economic structure won support, not only from figures in the business world and in the administration, but also, more surprisingly, from some mainstream economists. The ascendancy of the hardliners was reflected in an increasingly results-oriented trade policy, and the subordination of other foreign policy objectives to economic issues in relations with Japan. Although the 1986 Semiconductor Trade Agreement, with its (disputed) target of securing 20 percent of the Japanese market for U.S. producers, remained the exception and was anathema to many trade officials in the Reagan and Bush administrations, it helped to maintain pressure on the Japanese government to demonstrate that other market-opening measures had generated improved access for U.S. exporters.

This will be a familiar story for those who either lived through these years or have consulted any of the large number of books that deal with U.S. trade policies during this period. For these readers, the major contribution of Kunkel's book will come from the material reported from interviews with many of the major players in trade policy in this period. They throw additional light on the bureaucratic battles within the three administrations over trade policy towards Japan and how administrative innovations such as the National Economic Council facilitated coordination of policy. Students unfamiliar with the story will find this book to be an excellent overview of the move to a results-oriented trade policy.

Rather less satisfactory is the book's relatively brief discussion of the demise of Japan-bashing in the second Clinton administration. Kunkel notes the increasing frustration of officials on both sides of the Pacific with the seemingly interminable negotiations that often produced little substantial change. Moreover, the prolonged Japanese recession in the 1990s did much to dampen U.S. concerns over the Japanese challenge. He gives relatively little attention, however, to the significance of the new dispute settlement mechanisms that emerged from the successful completion of the Uruguay Round negotiations and the establishment of the WTO (the Kodak-Fuji case is dismissed in only three lines in the book), and the impact of the WTO both on Japan's trade strategies and on the capacity of the US to pursue action against alleged "structural impediments."

This neglect is symptomatic of a more fundamental weakness in the book. Little attention is given to the Japanese side of the story. It seems from the quotations (no list of interviewees is provided) that Kunkel met with only a couple of Japanese officials. The perceptions of Japanese players in the dispute and the evolution of the strategies adopted by the Japanese government receive only the briefest of treatment. The book also makes little use of sources that were published after 1998, e.g., Saadia Pekkanen's work on the legalization of Japanese trade strategies.[1]

Note

[1]. For instance, Saadia M. Pekkanen, "Aggressive Legalism: The Rules of the WTO and Japan's Emerging Trade Strategy," ***The World Economy*** 24 (2001): pp. 707-737.

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