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When norms clash: international norms, domestic practices, and Japan's internalisation of the GATT/WTO

ANDREW P. CORTELL AND JAMES W. DAVIS*

Introduction

Almost twenty years old, the constructivist turn in international relations scholarship has succeeded in demonstrating the effects of norms, both in guiding the interactions of states with one another as well as influencing the domestic political debates that give rise to foreign policy outcomes.¹ More recently, scholars have begun to study empirically the interactions between international and domestic normative systems. The origins of many international norms have been located in national understandings of what constitutes appropriate behaviour in a given issue area. The reverse, however, is also held to be true. Many national-level norms have been adopted after first finding their articulation in international institutions.

Often the internalisation of international norms is unproblematic because there are no pre-existing national-level understandings informing appraisals of appropriate behaviour in a particular issue area. In many cases, however, internationally promulgated norms clash with pre-existing national understandings and generate strong domestic opposition. The uneven pace and extent of norm diffusion across the international system has produced calls for scholars to examine domestic level mechanisms and processes for an explanation.²

* We thank Theo Farrell and several anonymous reviewers for their useful insights on previous drafts, and Yumiko Shimabukuro for valuable research assistance.

¹ For analyses of international politics that stress the role of norms in constituting the international system and thereby guiding state behaviour, see Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999); Martha Finnemore, 'Norms, Culture, and World Politics: Insights from Sociology's Institutionalism', *International Organization*, 50:2 (1996), pp. 325–47; John G. Ruggie, *Constructing the World Polity: Essays on International Institutionalization* (New York: Routledge, 1998); and Friedrich V. Kratochwil, *Rules, Norms and Decisions* (Cambridge: Cambridge University Press, 1989). For constructivist analyses that stress the importance of national cultures and norm-governed domestic processes in producing foreign policy outcomes, see Elizabeth Kier, 'Culture and French Military Doctrine before World War II', Alastair Ian Johnston, 'Cultural Realism and Strategy in Maoist China', and Michael Barnett, 'Identity and Alliances in the Middle East', in Peter Katzenstein (ed.), *The Culture of National Security* (New York: Columbia University Press, 1996); Audie Klotz, *Protesting Prejudice: Apartheid and the Politics of Norms in International Relations* (Ithaca, NY: Cornell University Press, 1995); Andrew P. Cortell and James W. Davis, Jr., 'How do International Institutions Matter? The Domestic Impact of International Rules and Norms', *International Studies Quarterly*, 40:4 (1996), pp. 451–78.

² See, for example, Jeffrey T. Checkel, 'The Constructivist Turn in International Relations Theory', *World Politics*, 50:2 (1998), p. 332. Also Beth A. Simmons and Zachary Elkins, 'The Globalization of Liberalization: Policy Diffusion in the International Political Economy', *American Political Science Review*, 98:1 (2004), pp. 171–89.

Although a number of excellent empirical studies have demonstrated how internationally recognised norms have replaced pre-existing domestic understandings in a variety of states, most have focused on weak and developing states in the Third World or the successors to the former communist states of Eastern Europe.³ Because these states have strong material incentives for adopting the preferred standards of an international system dominated by the industrialised democracies of the West, they would appear to constitute a rather ‘weak test’ for the argument that international norms can change state behaviour through processes of internalisation.

By contrast, the constructivist literature has been largely silent on cases where the embrace of an international norm is likely to be most difficult: in advanced industrial democracies with a history of national attachment to a competing norm. This is unfortunate, as the failure of leading institutional theorists to examine their claims in cases where powerful states have strong material incentives to reject international norms has been used by some Realist scholars to reject the entire research programme.⁴ As Stephen Krasner repeatedly reminds us, a focus on state power often provides a sufficient explanation for institutional isomorphism. If the preferred norms of the most powerful actors in the international system are those that come to be seen as salient in the domestic politics of weaker states, Realism may offer a compelling answer for why.⁵

This article offers an empirical study of a state’s embrace of an international norm that required it first to distance itself from longstanding national understandings of appropriate behaviour. Specifically, we examine Japan’s relationship with the trade liberalisation norm embodied in the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). Japan was chosen because it is a highly industrialised, stable democracy with a longstanding tradition of adherence to mercantilist principles.

Japan joined the GATT in 1955 and by the 1970s had reduced its tariffs to among the lowest in the world. Nonetheless, for much of this period, Japan maintained numerous non-tariff barriers, institutions, and other practices that protected national industries and contravened the fundamental objective of the GATT system: the liberalisation of trade. This outcome reflected the widespread legitimacy of an alternative set of principles in the Japanese polity. Japan’s collective beliefs emphasised

³ Jeffrey T. Checkel, ‘Norms, Institutions, and National Identity in Contemporary Europe’, *International Studies Quarterly*, 43:1 (1999), pp. 83–114; Martha Finnemore, ‘International Organizations as Teachers of Norms: The United Nations Educational, Scientific and Cultural Organization and Science Policy’, *International Organization*, 47:4 (1993), pp. 565–97; Frank Schimmelfennig, Stefan Engert and Heiko Knobel, ‘Costs, Commitment and Compliance: The Impact of EU Democratic Conditionality on Latvia, Slovakia and Turkey’, *Journal of Common Market Studies*, 41:3 (2003), pp. 495–518.

⁴ See John J. Mearsheimer, ‘The False Promise of International Institutions’, *International Security*, 19:3 (1994), esp. pp. 25 and 42; and Mearsheimer, ‘A Realist Reply’, *International Security*, 20:1 (1995), pp. 82–93, esp. pp. 91–2. See too Michael C. Desch, ‘Culture Clash: Assessing the Importance of Ideas in Security Studies’, *International Security*, 23:1 (1998), pp. 141–70. A more balanced Realist analysis of the potential value added of institutionalist explanations of international outcomes is offered by Robert Jervis, ‘Realism, Neoliberalism, and Cooperation: Understanding the Debate’, *International Security*, 24:1 (1999), pp. 42–63.

⁵ See Stephen D. Krasner, ‘Power Politics and Transnational Relations’, in Thomas Risse-Kappen (ed.), *Bringing Transnational Relations Back In: Non-State Actors, Domestic Structures and International Institutions* (Cambridge: Cambridge University Press, 1995), pp. 257–79. Also Stephen D. Krasner, *Defending the National Interest* (Princeton, NJ: Princeton University Press, 1978).

the importance of mercantilist-inspired state-building priorities and practices to Japanese security.

Since the 1980s, however, changes in the country's policy agenda and domestic institutions indicate that the domestic salience of the GATT's trade liberalisation norm has increased, whereas that of competing domestic norms has decreased. Japan thus represents an ideal case for examining the ways in which international norms displace national norms and subsequently infuse domestic policy debates. By investigating the process or processes that produced Japan's increasing embrace of the liberalisation norm, we aim to identify conditions that may produce (or mediate the effects of) such processes in other cases.

We are not engaged in theory testing. Rather, our goal is limited to hypothesis formation. Because our knowledge of the mechanisms whereby international norms become salient in domestic politics is limited, our analysis is flexible and process oriented. It is flexible in that the empirical analysis is not structured by *a priori* expectations generated from developed theory. It is process oriented insofar as it seeks to identify sequences of events rather than macro-correlations that appear to bring about the domestic salience of international norms.⁶

Suspecting that there may be multiple causes or mechanisms producing changes in domestic normative understandings, we adopted an inductive approach to hypothesis formation. When the goal of research is to identify the variety of different patterns giving rise to a particular outcome, efforts to develop structures of logically linked causal statements on the basis of initial assumptions can prematurely narrow the focus of empirical observation and lead the analyst to overlook patterns or processes that otherwise might have been observed. We do not reject deduction as an approach to theory development and testing. Rather, we assert that a move to deductive hypothesis generation is premature given the underdeveloped state of theory on the causes of domestic normative change.⁷

The discussion proceeds in four steps. First, we briefly review the literature linking international norms to domestic foreign policy debates and highlight the importance of internalisation – or domestic salience – to analyses of the effects of international norms on state behaviour. Second, we develop a method for measuring salience in the domestic political arena. In a third section, we investigate Japanese domestic politics in an effort to uncover possible causes for increasing salience of the GATT/WTO trade liberalisation norm in domestic political debates. Finally, we offer a set of conjectures on the diffusion of international norms in democracies

⁶ For a critique of efforts to explain complex historical phenomena on the basis of macro-correlations, see Clayton Roberts, *The Logic of Historical Explanation* (University Park, PA: Pennsylvania State University Press, 1996), esp. pp. 1–15. See too the discussion of explanation by mechanisms in Jon Elster, *Nuts and Bolts for the Social Sciences* (Cambridge: Cambridge University Press, 1989), pp. 3–10.

⁷ Our thinking on these points has been influenced by the writings of Andrew Bennett and Alexander George. See Andrew Bennett and Alexander George, 'Process Tracing in Case Study Research', paper presented at the MacArthur Foundation Workshop on Case Study Methods, Belfer Center for Science and International Affairs, Harvard University, 17–19 October 1997; Bennett and George, 'Developing and Using Typological Theories in Case Study Research', paper presented at the 38th Annual Convention of the International Studies Association, Toronto, 18–22 March 1997; and James W. Davis, *Terms of Inquiry: Reflections on the Theory and Practice of Political Science* (Baltimore, MD: Johns Hopkins University Press, forthcoming), ch. 6.

with a tradition of adherence to competing ideas and propose steps for further research.

The importance of domestic salience

Scholars working in the liberal and constructivist perspectives maintain that international norms will be considered more legitimate and their associated prescriptions less onerous when they mirror or support values, practices or beliefs developed in the domestic sphere.⁸ Such domestic understandings, which comprise collective beliefs about right and wrong, or means and ends, help to determine the actions considered legitimate or possible in a policy area. As Peter Hall writes, '[p]olicy making takes place within . . . the context of a prevailing set of political ideas. These include shared conceptions about the nature of society and the economy, various ideas about the appropriate role of government, a number of common political ideals, and collective memories of past policy experiences. Together, such ideas constitute the political discourse of a nation. They provide a language in which policy can be described within the political arena and the terms in which policies are judged there.'⁹

National-level collective beliefs and prevailing domestic norms also provide the policy-making context within which a particular international institution or norm will take on meaning. International norms that are inconsistent with prevailing social beliefs and values are unlikely to enjoy high levels of domestic salience because their prescriptions do not accord with national understandings regarding appropriate behaviour. When an international norm's domestic salience is limited, its invocation in support of a given policy is unlikely to have much domestic effect. In such cases, the national discourse provides a 'theory of rejection'.¹⁰

The relationship between international and domestic normative structures is not static. Although the literature acknowledges that domestic belief systems are not immutable, it has yet to offer a comprehensive explanation for a domestic norm's displacement in the face of an alternative international norm. Nonetheless, a number of important steps have been made in this direction.

Three types of explanations have been developed to explain national normative change. One approach emphasises the role of hegemonic power in reconstructing a state's internal institutions to reflect a new norm's prescriptions. The success of the hegemon in socialising the target state has been argued to rest on whether domestic elites are receptive to the hegemon's norms, but the precise conditions that make domestic elites susceptible to the socialising efforts of the hegemon have yet to be

⁸ Andrew Moravcsik, 'Explaining International Human Rights Regimes: Liberal Theory and Western Europe', *European Journal of International Relations*, 1:2 (1995), pp. 157–89 at 158; Checkel, 'Norms, Institutions, and National Identity in Contemporary Europe'.

⁹ Peter Hall, 'Conclusion: The Politics of Keynesian Ideas', in Peter Hall (ed.), *The Political Power of Economic Ideas: Keynesianism Across Nations* (Princeton, NJ: Princeton University Press, 1989), p. 383.

¹⁰ Javier Corrales and Richard Feinberg, 'Regimes of Cooperation in the Western Hemisphere: Power, Interests, and Intellectual Traditions', *International Studies Quarterly*, 43:1 (1999), pp. 1–36 at 24.

articulated.¹¹ A second perspective highlights the socialising actions of transnational actors, who engage, shame, and entrap state leaders.¹² This work, as Thomas Risse observes, succeeds in demonstrating that transnational actors matter, but rarely addresses ‘the more interesting questions – when and under what conditions do they matter?’¹³ A third set of explanations focus on the domestic actors involved in normative shift.¹⁴ But whereas scholars have devoted significant attention to describing the range of behavioural logics guiding domestic actors, our understanding of the national level factors conditioning efforts to effect normative change remains underdeveloped.¹⁵

Based on a comprehensive review of scholarship on norms in international relations, Martha Finnemore and Kathryn Sikkink proposed a ‘Life Cycle’ model of norm emergence, diffusion, and internalisation. Recognising that new norms rarely emerge in a normative vacuum but must instead displace pre-existing normative standards and conceptions of interest, they suggest that in early stages of the life cycle the adoption of a new norm will be highly contested in the state’s domestic politics.¹⁶ However, once a critical mass of states adopts an international norm, other states ‘begin to adopt new norms more rapidly, even without domestic pressure for such change’. At this stage of the life cycle, ‘the primary mechanism for promoting norm cascades is an active process of international socialization intended to induce norm breakers to become norm followers. . . . In the context of international politics, socialization involves diplomatic praise or censure, either bilateral or multilateral, which is reinforced by material sanctions and incentives.’¹⁷

Although their model appears to conform to the empirical record,¹⁸ Finnemore and Sikkink do not offer a compelling theoretical justification for shifting the level of analysis from states’ domestic politics to the international system in accounting

¹¹ G. John Ikenberry and Charles A. Kupchan, ‘Socialization and Hegemonic Power’, *International Organization*, 44:3 (1990), pp. 292–3.

¹² Martha Finnemore and Kathryn Sikkink, ‘International Norm Dynamics and Political Change’, *International Organization*, 52:4 (1998), pp. 887–917; Thomas Risse and Kathryn Sikkink, ‘The Socialization of International Human Rights Norms into Domestic Practices: Introduction’, in Thomas Risse, Stephen C. Ropp and Kathryn Sikkink (eds.), *The Power of Human Rights* (Cambridge: Cambridge University Press, 1999).

¹³ Thomas Risse, ‘Transnational Actors and World Politics’, in Walter Carlsnaes, Thomas Risse, and Beth A. Simmons (eds.), *Handbook of International Relations* (London: Sage Publications, 2002), p. 268.

¹⁴ Checkel, ‘Norms, Institutions, and National Identity in Contemporary Europe’; Jeffrey T. Checkel, ‘Why Comply? Social Learning and European Identity Change’, *International Organization*, 55:3 (Summer 2001), pp. 553–88; Theo Farrell, ‘Transnational Norms and Military Development: Constructing Ireland’s Professional Army’, *European Journal of International Relations*, 7:1 (2001), pp. 63–102; and Amitav Acharya, ‘How Ideas Spread: Whose Norms Matter? Norm Localization and Institutional Change in Asian Regionalism’, *International Organization*, 58:2 (2004), pp. 239–75.

¹⁵ Farrell provides a notable exception, but concludes his study of the spread of democratic norms regarding civilian control over the military with a call for further case study research (‘Transnational Norms and Military Development’, p. 92).

¹⁶ Finnemore and Sikkink, ‘International Norm Dynamics’, pp. 897–8.

¹⁷ *Ibid.*, p. 902.

¹⁸ For empirical support of their model they cite Francisco Ramirez *et al.*, ‘The Changing Logic of Political Citizenship: Cross-National Acquisition of Women’s Suffrage Rights, 1890–1990’, *American Sociological Review*, 62 (1997), pp. 735–45; and Laurence Whitehead, ‘Three International Dimensions of Democratization’, in Laurence Whitehead (ed.), *The International Dimensions of Democratization: Europe and the Americas* (Oxford: Oxford University Press, 1996), pp. 3–25.

for the effects of norms at later stages in the life cycle. It may be true that ‘states and state elites fashion a political self or identity in relation to the international community’, and seek ‘legitimation, conformity, and esteem’.¹⁹ But it is unclear why the widespread acceptance of an international norm in and of itself should serve to strengthen the position of elites *vis-à-vis* other domestic actors who remain committed to long-standing national practices, or render domestic politics irrelevant.

In an effort to redress these shortcomings, we conducted an analysis of Japan’s eventual embrace of the international trade liberalisation norm despite a long-standing commitment to economic nationalism. From the standpoint of Finnemore and Sikkink’s model Japan presents a deviant case. Japan was a laggard amongst the industrialised democracies when it came to trade liberalisation. For decades Japanese elites actively resisted precisely the sort of systems-level dynamics that for Finnemore and Sikkink best explain normative change.

Measuring norm salience

Before proceeding to empirical analysis we developed a measure to capture variations in the salience or legitimacy of a norm in the national arena.²⁰ As used here, a norm is defined as a ‘prescription for action in situations of choice’.²¹ Norms can be said to be salient when they are presumptively accepted as a guide to appropriate behaviour.²² Salient norms give rise to feelings of obligation and when violated engender regret or a feeling that the deviation or violation requires justification. When a norm is salient in the national arena, its invocation by relevant actors legitimates a particular behaviour or action, creating a *prima facie* obligation, and thereby calling into question or delegitimizing alternative choices. In this sense, norms serve as *reasons* for action rather than *causes*, and any explanation that seeks to invoke norms must do more than point to the existence of norms on the one hand, and norm-consistent behaviour on the other.²³

Domestic salience is a continuous variable with values ranging from limited to high and can be measured in terms of the country’s policy agenda and institutions. Although discourse is often used as a measure of a norm’s domestic strength, a focus on the state’s policy agenda provides a more objective and replicable measure.

¹⁹ Finnemore and Sikkink, ‘International Norm Dynamics’, pp. 902–3.

²⁰ See Andrew P. Cortell and James W. Davis, ‘Understanding the Domestic Impact of International Norms: A Research Agenda’, *International Studies Review*, 2:1 (2000), pp. 65–87; Risse and Sikkink, ‘The Socialization of International Human Rights Norms into Domestic Practices’.

²¹ Abram Chayes and Antonia Handler Chayes, *The New Sovereignty: Compliance with International Regulatory Agreements* (Cambridge, MA: Harvard University Press, 1995), p. 113.

²² For similar approaches, see Richard H. Fallon, ‘Reflections on Dworkin and the Two Faces of Law’, *Notre Dame Law Review*, 67 (1992), p. 116; Herbert Lionel Adolphus Hart, *The Concept of Law*, 2nd edn. (Oxford: Clarendon Press, 1994), pp. 56–57 and 88–117; and Gregory Caldeira and James Gibson, ‘The Legitimacy of the Court of Justice in the European Union: Models of Institutional Support’, *American Political Science Review*, 89:2 (1995), pp. 356–76 at 357.

²³ Friedrich V. Kratochwil and John Gerard Ruggie, ‘International Organization: A State of the Art on an Art of the State’, *International Organization*, 40:4 (1986), pp. 753–75 at 766–9.

The hortatory and justificatory statements of state officials and societal leaders that constitute a society's discourse are difficult to measure in an objective manner and thus raise a number of difficult methodological questions, including what types of statements matter, how many statements are sufficient, and which domestic actors' statements matter.

The state's policy agenda is operationalised in terms of government officials' statements in the domestic political arena about what steps the country should take, or intends to take, in the international trade and associated policy areas. Since such statements often include justifications or explanations for the agenda, they provide insight into the domestic standing of the norm through a communicative rather than a behavioural measure. Precisely because a range of policy choices can be consistent with a given norm, and because it is the political elite who make the concrete decisions on how to interpret a norm in a given context, a focus on policy agenda provides a better indication of the norm's 'meaning' in a particular political context than would an analysis of the broader societal discourse or policy choice more generally. Understanding the meaning of a norm, especially the exceptions or reservations that elites acknowledge as limiting or conditioning its operability, is essential for efforts to assess its standing in the national arena.

The domestic salience of an international norm can be said to be *high* when an examination of the state's policy agenda and institutions reveal the norm's objectives, prescriptions, and proscriptions to be largely uncontested and routinely invoked to justify specific policy choices. The state's policy agenda will privilege the issues central to the international institution associated with the norm. The norm will be enmeshed in the state's institutions through regulations that reinforce practices associated with the norm or allow domestic groups to complain about violations of the norm and identify and eliminate contradictory practices. Moreover, a state unit might be created to monitor and enforce domestic compliance. In effect, the domestic salience of an international norm increases the more it is incorporated in national institutions, and mechanisms exist to reproduce and reinforce its objectives domestically.

Salience is *moderate* when the state's policy agenda and institutions incorporate the norm's prescriptions, but institutions enabling countervailing normative claims continue to exist. The policy agenda will reflect this ambivalence, as elites continue to debate the merits of the norm and raise reservations and arguments limiting its applicability across a range of issue areas. The norm may be embedded in a state institution, but adequate procedures for monitoring and enforcing compliance are absent.

Salience is *limited* when the norm remains nominally on the policy agenda. This development may result from the state's decision to join the international institution that produced the norm or oversees it, or acceptance of the international convention or treaty that promulgates the international norm. This action is likely to be an exception in light of the full range of issue areas associated with the international norm. Such an examination will uncover a host of institutions reinforcing competing norms, the absence of the international norm's institutionalisation into domestic agencies' practices, laws or administrative procedures, and contradictory initiatives on the policy agenda. In this case, the country's policy agenda and institutions serve to reinforce a competing national norm or norms, leading elites to question the validity of the international norm in the national arena.

The evolving salience of the GATT/WTO's liberalisation norm in Japan

This section explores the evolution of Japan's embrace of the GATT's trade liberalisation norm. This international institution and its normative tenets have been defined, codified, strengthened, and refined through a series of international negotiations and treaties beginning with the creation of the GATT in 1947 and leading to the establishment of the WTO in 1995. Although the WTO and its predecessor comprise numerous normative obligations,²⁴ the central normative component of this economic order is contained in the Preamble of the GATT: 'the substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce'. Policies consistent with liberalisation include the reduction of tariff barriers and the elimination of subsidies, quotas, and other less transparent forms of discrimination against imports such as regulations. As the GATT evolved and expanded into the WTO, the liberalisation norm has been applied to new areas of trade, most recently the service and agricultural industries.

The empirical material focuses on the 1970s to the present, since Japan's embrace of mercantilism during the earlier postwar period has been well documented. To allow for reproduction of the results, guard against translations biased in favour of the argument forwarded here, and increase the prospects of inter-coder reliability, independent English language translations of the original Japanese material are cited whenever possible. The longitudinal study shows that the liberalisation norm reached high salience in Japan in the 1990s, but only after three periods of intense political activity on the part of domestic agents interested in effecting change: one in the early 1980s, one in the mid-1980s, and one in the mid-1990s. Although the norm attained high salience by the end of the twentieth century, the case study does not claim that Japan has become a liberal state similar to the United States.²⁵ Its claims are more limited: the salience of the GATT/WTO liberalisation norm in Japan has increased along several measures.

Limited salience: pre-1970

During the postwar period Japan further developed an identity in the economic sphere forged during the Meiji period (1868–1912).²⁶ Dating back to the arrival of

²⁴ For an overview of the GATT's central norms and rules, see Jock A. Finlayson and Mark W. Zacher, 'The GATT and the Regulation of Trade Barriers: Regime Dynamics and Functions', in Stephen D. Krasner (ed.), *International Regimes* (Ithaca, NY: Cornell University Press, 1983), pp. 273–314. On the WTO, see Joost Pauwelyn, *Conflict of Norms in Public International Law: How WTO Law Relates to other Rules of International Law* (Cambridge: Cambridge University Press, 2003); and Asir Qureschi, *The World Trade Organization: Implementing International Trade Norms* (Manchester: Manchester University Press, 1996).

²⁵ On this issue see, Kozo Yamamura, 'The Japanese Political Economy after the "Bubble": Plus Ça Change?', *Journal of Japanese Studies*, 23:2 (1997), pp. 291–331; Mark Tilton, 'Regulatory Reform and Market Opening in Japan', and Lonny E. Carlile and Mark C. Tilton, 'Is Japan Really Changing?' in Lonny E. Carlile and Mark C. Tilton (eds.), *Is Japan Really Changing its Ways? Regulatory Reform and the Japanese Economy* (Washington, DC: The Brookings Institution Press, 1998).

²⁶ This discussion draws on: Richard Samuels, *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan* (Ithaca, NY: Cornell University Press, 1994); Ronald Dore, *Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy* (Stanford, CA: Stanford University Press, 1986); and Bai Gao, *Economic Ideology and Japanese Industrial Policy: Developmentalism from 1931 to 1965* (Cambridge: Cambridge University Press, 1997).

Commodore Perry's 'black ships', elites believed that Japan would remain vulnerable to foreign domination so long as the country's economic development and military security lagged behind that of the West. Japanese elites identified the country's security with its level of industrialisation, particularly its ability to substitute manufactured imports with domestic production. Put otherwise, strong, domestic industries became the means by which the country would 'catch up' with the West and overcome its late-developer status more generally. Mercantilist practices and values soon became part of the country's latecomer identity; the domestic economy was protected from foreign imports and export industries were promoted and protected.

A panoply of procedures and practices, some explicit and others implicit, institutionalised this strategy. Among these were the 1949 Foreign Exchange and Foreign Trade Control Law (which 'enacted the principle of interdiction of any external economic transaction not explicitly authorized by law, decree or administrative act'),²⁷ the Export and Import Trading Act of 1952 (which permitted Japanese firms to form cartels for the purpose of exports), the Small and Medium Enterprise Law of 1957 (which allowed business mergers to reduce excessive competition), the Department Store Law of 1956 (which gave local chambers of commerce the ability to prevent the opening of large stores), the Basic Law for the Modernization of Small and Medium Sized Enterprises of 1963 (which delineated a series of standards for products, plants and quality control), and administrative guidance (which enabled Ministry of International Trade and Industry (MITI) officials informally to regulate economic activity).

On joining the GATT in 1955, Japan maintained a reservation to Article 12, allowing it to continue its import quota control system. No additional measures were taken to implement the treaty in the sense of revising contradictory domestic laws or transforming the treaty into national law.²⁸ At the same time, 14 of the then 34 member countries invoked Article 35 against Japan, thereby denying Japan the benefits of their reduced tariffs.²⁹ This action reflected these countries' fear that Japanese exports would overwhelm their industries. In an effort to end the use of this article, the government justified liberalisation "as a necessary cost" or "sacrifice" that Japan had to pay in order to secure membership in the international club of major industrialized countries'.³⁰ Tariffs were removed selectively and incrementally so that sectors of the economy could be protected and promoted. The domestic reaction to this process is instructive regarding the status of liberalisation in the polity. As Chalmers Johnson writes, '[i]t is hard to recapture today the crisis atmosphere that existed in Japanese industrial circles during 1961. The press prattled on endlessly about "the second coming of the black ships", "the defenselessness of the Japanese islands in the face of attack from huge foreign capitalist powers", and "the readying

²⁷ Michele Schmiegelow, 'The Reform of Japan's Foreign Exchange and Foreign Trade Control Law: A Case of Qualitative Economic Policy', in Schmiegelow (ed.), *Japan's Response to Crisis and Change in the World Economy* (Armonk, NY: M.E. Sharpe, 1986), p. 2.

²⁸ Yuji Iwasawa, 'Constitutional Problems Involved in Implementing the Uruguay Round in Japan', in John H. Jackson and Alan O. Sykes (eds.), *Implementing the Uruguay Round* (Oxford: Clarendon Press, 1997), pp. 146–7.

²⁹ Article 35 enables one contracting country to nullify GATT benefits to another contracting country.

³⁰ Ryutaro Komiya and Motoshige Itoh, 'Japan's International Trade Policy, 1955–1984', in Takashi Inoguchi and Daniel Okimoto (eds.), *The Political Economy of Japan*, vol. 2: *The Changing International Context* (Stanford, CA: Stanford University Press, 1988), p. 185.

of the Japanese economy for a bloodstained battle between national capital and foreign capital".³¹

From limited to moderate salience: 1975–1990

These liberalisation initiatives were followed by those emerging from the Kennedy Round negotiations (1964–1967). The government reduced tariff rates, in some cases beyond those agreed to at the Kennedy Round, and by 1975 reduced the number of import quotas from 122 to 27.³² Following these actions, the country's imports from the European Community (EC) and the United States doubled. Nevertheless, other signs remained problematic as far as Japan's major trading partners were concerned. For example, by 1977, Japan's trade surplus was \$6 bn with the United States and \$4 bn with the EC, and industrial country products accounted for just 20 per cent of all Japanese imports, which paled in comparison to 53 per cent of US imports and 66 per cent of West Germany's.³³ Japan's trade partners felt that its imports of manufactured goods were low relative to its GNP and as a percentage of its total imports. Accordingly, they demanded that Japan open its market to foreign goods, asking that 92 specific non-tariff barriers be dismantled.³⁴ As Japan's surpluses grew, the pressure on the country became coupled with threats of retaliation in the form of protectionist restrictions against its exports. This pressure and its penalty were worrisome to Japanese public and private sector officials for at least two reasons.³⁵ First, the United States and the EC represented significant markets for Japanese products. In 1976, 10.8 per cent and 23.6 per cent of Japanese exports went to the EC and the United States respectively.³⁶ Second, access to these markets was important since Japan was recovering from the economic downturn caused by the first oil shock.

Foreign pressure led many within the polity to seek a shift in the country's trade strategy.³⁷ The strongest proponent of the liberalisation norm was the Keidanren (the Japan Federation of Economic Organizations), which feared a protectionist response from the country's trade partners unless Japan reduced its trade surplus. This organisation, a federation of more than 100 major industrial associations and nearly 1,000 individual firms, is the largest peak business association in Japan.

³¹ Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford, CA: Stanford University Press, 1982), p. 251.

³² Komiya and Itoh, 'Japan's International Trade Policy', p. 191.

³³ 'Cracking down on Japan', *Newsweek*, 21 November 1977, p. 75.

³⁴ 'Japan: GATT concessions', *Economist*, 21 January 1978, p. 83.

³⁵ On domestic debates at this time see, Tatsuro Uchino, *Japan's Postwar Economy: An Insider's View of its History and its Future*, trans. Mark Harbison (Tokyo: Kodansha International, 1983); and Kiyohiko Fukushima, 'The Japan-US Trade War that Neither can Win', *Japan Echo*, 4:4 (1977), pp. 44–57.

³⁶ *Statistical Yearbook for Asia and the Pacific* (Bangkok: United Nations Economic and Social Commission for Asia and Pacific, 1984), p. 291. Author calculation.

³⁷ On the role of foreign pressure on Japanese foreign economic policy, see Kent Calder, 'Japanese Foreign Economic Policy Formation: Explaining the Reactive State', *World Politics*, 40:4 (July 1988), pp. 517–41; Akitoshi Miyashita, 'Gaiatsu and Japan's Foreign Aid: Rethinking the Reactive-Proactive Debate', *International Studies Quarterly*, 43:4 (1999), pp. 695–731.

The Keidanren's interest and efforts in changing the country's trade strategy also reflected a transformation of its membership. A growing number of Japanese firms had increased their dependence on overseas markets and as the number of global Japanese firms increased, the Keidanren increased its support for liberalisation at home as a means to reduce frictions with Japan's major trading partners. The chairman of the Keidanren's Committee on Foreign Trade captured the organisation's position: 'If we ignore foreign criticisms of Japan . . . there is the serious danger that the forces of protectionism [will be] set loose to destroy the liberal trading system. What we must appreciate more than anything else is the fact that freeing our market to foreign imports is in our own interest in the sense that the Japanese people can have access to the products of the best quality available in the world at the cheapest prices.'³⁸ To do so, the federation sought to draw the government's attention to the fact that piecemeal, reactive tariff cuts or other concessions would be insufficient to reduce a trade conflict given the increasing magnitude of the country's trade surplus. Instead, the Keidanren argued in 1983 'that the current trade-related regulatory systems should be internationalized by accepting foreign standards and by abandoning double inspection and testing'.³⁹ It sought to influence the government in many ways in the early 1980s: meeting with the relevant ministries; cooperating with the ruling Liberal Democratic Party's (LDP) Special Committee for International Economic Measures; and ultimately organising a series of meetings, involving nearly 250 trade specialists to discuss and recommend specific remedies to trade-related regulations.⁴⁰

While the governments of Prime Ministers Takeo Fukuda (1976–1978) and Masayoshi Ohira (1978–1980) lowered tariffs and removed some non-tariff barriers, a shift in the salience of liberalisation did not occur until the Suzuki government (1980–1982). This government concluded, in the words of its foreign minister, 'that if things are to be left unattended, there will be some serious problems with Japan's major trade partners'.⁴¹ Reflecting the perceived immediacy of the crisis, Prime Minister Zenko Suzuki told the Keidanren in December 1981 that his government 'will positively tackle the problem of reducing Japan's swollen trade surplus in the interest of curbing overseas protectionist moves and upholding the principle of free trade'.⁴² The government submitted the Tokyo Round agreements to the Diet for ratification and made 'extensive revisions to its domestic laws and regulations, in order to bring them into conformity with the agreements. For example, the Customs Tariff Law and the Cabinet Orders concerning countervailing and anti-dumping duties were amended to implement the Subsidies Agreement and the Anti-Dumping Agreement'.⁴³ Additionally, the government created several new institutional units to promote imports and to identify government policies that hindered imports. Most

³⁸ *Keidanren Review*, no. 77 (October 1984), p. 4 quoted in Hidetaka Yoshimatsu, *Internationalization, Corporate Preferences and Commercial Policy in Japan* (New York: St. Martin's Press, 2000), p. 197.

³⁹ Yoshimatsu, *Internationalization*, p. 191; Kozo Uchida, *Keidanren to Nihonkeizai no 50nen* (Keidanren and the 50 years of the Japanese Economy) (Tokyo: Nihon Keizai Shimbunsha, 1996).

⁴⁰ Yoshimatsu, *Internationalization*, pp. 190–1.

⁴¹ *Japan Economic Newswire*, 7 December 1981.

⁴² *Jiji Press Ticker Service*, 17 December 1981.

⁴³ Iwasawa, 'Constitutional Problems Involved in Implementing the Uruguay Round in Japan', pp. 144 and 147.

significant among these was the Office of the Trade Ombudsman (OTO). The OTO's (subsequently, Office of the Trade and Investment Ombudsman) writ was to resolve market access complaints, lodged by domestic or foreign entities, in accordance with 'six criteria: reduction of government intervention in the market; conformity with international standards; acceptance of foreign test data; clarification and quantification of standards; simplification and acceleration of testing procedures; and development of Japanese standards in a transparent environment'.⁴⁴ Given the OTO's explicit import promotion objective, this institutional innovation served to replicate and reinforce the liberalisation norm in the national arena.⁴⁵

Suzuki's successor, Yasuhiro Nakasone, took additional steps that helped to reinforce the liberalisation norm's moderate salience. On taking office, Nakasone was convinced that Japan faced a critical juncture. As he queried to the Japanese public: 'Will the Japanese economy – and our own businesses – be safe in the face of the increasingly tough US and EC demands on Japan for export curbs and increased imports?'⁴⁶ Fearing the possible deleterious effects of the *status quo*, Nakasone embraced trade liberalisation. For example, Nakasone stated before the Diet in February 1984 that he had been 'made even more aware than ever of the enormity of international expectations of Japan as our status within the international community has improved. To this end, the government is first working to achieve those good international relations so indispensable to Japan. This means striving for balanced expansion in trade, promoting further market opening, import promotion, export moderation in certain products, and preparations for the start of a new round of multilateral trade negotiations, as well as striving strenuously to maintain the free trade system in the face of a rising international tide of protectionism.'⁴⁷

To curb the then intensifying protectionist sentiment of the US Congress, Nakasone appeared on national television in April 1985. He urged the Japanese population to embrace imports and announced a series of initiatives that would appear in the Action Program for Improved Market Access. While Nakasone hoped that his actions would placate the United States, they had a second, more fundamental goal. As one Japanese government official explained, '[t]he aim (of import promotion) is not to make them (the Japanese) buy – the amount is negligible – but to stop them from opposing the idea of increasing imports'.⁴⁸ In this vein, the Action Program's report argued that government intervention should henceforth be on the basis of 'free in principle, limit as exceptions', the converse of existing practices. It also recommended several institutional changes, including the strengthen-

⁴⁴ Tadashi Saito, 'Role of Japan's Office of Trade and Investment Ombudsman', *Japan Economic Institute Report*, 24 September 1993, p. 4.

⁴⁵ The OTO received 88 complaints in its first year; by April of 1999 the OTO had heard 592 complaints, made improvements in response to 197 of them, and cleared up misunderstandings on 125 others in a way that promoted imports. Japanese firms lodged 359 of these complaints. For current details see the OTO's home page at: <http://www.cao.go.jp/access/english/oto_main_e.html>, and Saito, 'Role of Japan's Office of Trade and Investment Ombudsman'.

⁴⁶ Yasuhiro Nakasone, 'Toward a Nation of Dynamic Culture and Welfare', *Japan Echo*, 10:1 (1983), pp. 12–8 at 12.

⁴⁷ 'Text of Nakasone's Policy Speech', *Jiji Press Ticker Service*, 7 February 1984. For a similar statement see 'Text of Prime Minister Nakasone's Policy Speech', *Jiji Press Ticker Service*, 12 September 1986.

⁴⁸ Chikara Higashi and G. Peter Lauter, *The Internationalization of the Japanese Economy*, 2nd. edn. (Boston, MA: Kluwer Academic Publishers, 1990), p. 104.

ing of the OTO, the creation of transparent government procurement procedures, and the amendment of 31 laws affecting standards and certifications for 88 products.⁴⁹ While the programme placed trade liberalisation squarely on the agenda, it did not go as far as Nakasone had hoped in transforming the Japanese system, since several of the Diet's *zoku* or special interest factions reduced the programme's scope and immediacy.⁵⁰

Recognising that he could not achieve fundamental reform through normal policy channels, Nakasone soon established the Advisory Group on Economic Structural Adjustment for International Harmony, or the often-called Maekawa Commission after its chairman, Haruo Maekawa the former governor of the Bank of Japan.⁵¹ Reflecting Nakasone's selection of the commission's 17 members, the Maekawa Report, released in April 1986, sought 'to orient the economy toward international harmony . . . [through] basic transformations in the nation's trade and industrial structures.'⁵² It recommended the greater opening of Japan's market to agricultural and manufactured imports and the 'thorough promotion of deregulation', abiding by the idea of 'freedom in principle, restrictions only as exceptions' introduced by the Action Program as well as new rules negotiated at the GATT. 'With regard to products subject to quantitative import restrictions', the Maekawa Report stated, 'efforts should be made to improve market access under the future perspective for making the Japanese market more open, while taking account of developments in the relevant consultations and negotiations including the GATT new round'.

This report placed deregulation on the policy agenda, a significant step given the country's tradition of using regulations not simply to restrict market entry or protect individual firms or sectors, but also to set prices and establish permissible economic activity more generally.⁵³ While LDP governments between 1989 and 1993 established committees to explore the elimination of regulations, the number of regulations actually increased between 1985 and 1992 at the rate of 1.4 per cent per year.⁵⁴ Some attribute this to the institutional context; regulation tends to be made at the sectoral level between interest groups and bureaucrats, the two groups most likely to be

⁴⁹ Hidetaka Yoshimatsu, 'Japan's Keidanren and Political Influence on Market Liberalization', *Asian Survey*, 38:3 (1998), pp. 328–46 at 331; Higashi and Lauter, *The Internationalization of the Japanese Economy*, pp. 95–7.

⁵⁰ Higashi and Lauter, *The Internationalization of the Japanese Economy*, pp. 94–5.

⁵¹ Frank Schwartz explains that 'Nakasone had a weak factional base within the LDP, so his policy initiatives would never have seen the light of day had he followed the normal procedure of acting with the approval of the party's Policy Affairs and Executive councils. And considering party discipline to which MPs are subjected, there was little chance of Nakasone's drumming up bipartisan support on a case-by-case basis in the Diet'. In 'Of Fairy Cloaks and Familiar Talks: The Politics of Consultation', in Gary D. Allison and Yasunori Sone (eds.), *Political Dynamics in Contemporary Japan* (Ithaca, NY: Cornell University Press, 1993), pp. 217–41 at 238.

⁵² See The Report of the Advisory Group on Economic Structural Adjustment for International Harmony [Maekawa Report], submitted to the Prime Minister, Mr. Yasuhiro Nakasone on 7 April 1986.

⁵³ For an overview of such regulations, see Aurelia George Mulgan, 'The Politics of Deregulation and Japanese Agriculture', <http://www.pol.adfa.edu.au/resources/japan_agric/home.html>; Shizuo Tazaki and Yasushi Kudo, 'Bogus deregulation package is only sleight-of-hand', *Tokyo Business Today*, December 1993, p. 16; and Tilton, 'Regulatory Reform and Market Opening in Japan'.

⁵⁴ Mulgan, 'The Politics of Deregulation and Japanese Agriculture', p. 4; Carlile, 'The Politics of Administrative Reform', in Carlile and Tilton, *Is Japan Really Changing Its Ways?*, pp. 89–91.

harmed by deregulation.⁵⁵ Lonny E. Carlile and Mark C. Tilton offer a second reason: ‘because Japanese economic regulation mechanisms perform so many social regulation functions, economic regulatory reform frequently has to be accompanied by the construction of compensating arrangements in other policy arenas, thereby greatly expanding and complicating the issues to be tackled in realizing a given regulatory reform initiative’.⁵⁶

The Maekawa Report also expanded the liberalisation agenda to agricultural products. When Nakasone took office, Japan maintained import quotas on 22 agricultural products and the government provided price supports for several others. This strategy, institutionalised by the 1942 Staple Food Control Act and the 1961 Agricultural Basic Law, resulted in high domestic food prices relative to foreign prices and massive subsidies for national farmers. These mercantilist practices continued for several reasons, not least of which was the belief that food self-sufficiency was a matter of national security.⁵⁷ The domestic consensus regarding the legitimacy of Japan’s agricultural policy was strongest with respect to rice: a ban on imports was established in 1969, and the Diet passed resolutions in 1980, 1984, and 1988 against rice market liberalisation.⁵⁸

From moderate to high salience: 1990 to 2000

Agricultural liberalisation remained on the agenda during the tenure of Nakasone’s successor, Noboru Takeshita, thanks to the US decision to file several GATT complaints against Japanese agricultural quotas. When a GATT panel ruled against Japan in late 1987 for its practices on 10 of the 12 products, the government, fearing international isolation, removed quotas on all but the two most politically sensitive.⁵⁹ Even so, the government paid an unprecedented price for its concessions: the LDP lost its majority in the Upper House election in July 1989. Consequently, the government’s strategy at the Uruguay Round negotiations was that ‘basic foodstuffs should be exempt from import liberalization requirements, and argued that countries heavily reliant on food imports need to maintain self-sufficiency in basic foods in the interests of food security’.⁶⁰ This strategy, which was largely geared to leaving intact

⁵⁵ Among others see, Mulgan, ‘The Politics of Deregulation and Japanese Agriculture’; Tadashi Saito, ‘The Hosokawa Government’s Deregulation Initiative’, *Japan Economic Institute Report*, 5 November 1993.

⁵⁶ Carlile and Tilton, ‘Is Japan Really Changing?’, p. 208.

⁵⁷ See *Japan Economic Journal*, 21 February 1984, p. 24; and Iwao Yamaguchi, ‘Don’t Push our Farmers too Far’, *Japan Echo*, 14:1 (1987), pp. 23–6.

⁵⁸ Sakae Tsunoyama, ‘Kome ni ake kome ni kureta jidai’ (The Era that Rose with Rice and Drew to a Close with Rice), *Chūōkōron*, 104, 1 September 1989, pp. 202–25; Yoichi Funabashi, ‘Kome Kuronikuru – “Seiiki houkai” joshō’ (Rice Chronicle – Preface to the destruction of a ‘sacred precinct’), *Sekai*, 496 (January 1987), pp. 282–305.

⁵⁹ Quotas on dairy products and starch were removed at the conclusion of the Uruguay Round negotiations. See Amelia Porges, ‘Japan: Beef and Citrus’, in Thomas Bayard and Kimberly Ann Elliott (eds.), *Reciprocity and Retaliation in US Trade Policy* (Washington, DC: Institute for International Economics, 1994), p. 248. A similar scenario emerged in May 1988 after the United States filed a GATT complaint against Japan’s import restrictions on beef, fresh oranges, and orange juice, and the Florida citrus industry filed a complaint under Section 301 of US trade law.

⁶⁰ David Rapkin and Aurelia George, ‘Rice Liberalization and Japan’s Role in the Uruguay Round: A Two-Level Approach’, in William Avery (ed.), *World Agriculture and the GATT* (Boulder, CO: Lynne Rienner, 1993), p. 61.

the country's import ban on rice, left the Japanese government unable to propose concessions on agricultural trade that might have helped to avoid the breakdown in the GATT negotiations in December 1990.⁶¹

The Keidanren again played a leading role in pressing for change. According to Hidetaka Yoshimatsu, the Keidanren 'spearheaded the campaign for agricultural reform and liberalisation of agricultural trade, and the federation's views have played a catalytic role in beginning the transformation'.⁶² It argued that a failure to liberalise the country's agricultural sector would jeopardise the Uruguay Round and would increase protectionism.⁶³ It also saw liberalisation, which would reduce domestic prices, as a way to increase consumers' standard of living. The Keidanren soon gained important allies in internationalist bureaucrats in MITI and the Ministry of Foreign Affairs. According to Saadia Pekkanen, the country's first victory in the GATT's dispute settlement process in 1988 became a 'turning point' for these bureaucrats' support for the international institution: '[T]he perception was no longer that the rules of the GATT game were stacked against Japan [I]t became clear that international legal rules could be used to Japan's advantage as it attempted to ward off complaints from its trade partners.'⁶⁴ Like the Keidanren, these officials sought to soften Japan's intransigence over agriculture to make certain that the Uruguay Round talks did not collapse, and with it, the new dispute settlement process that could help to protect Japanese interests.⁶⁵

The Keidanren's arguments, which the mass media helped to promote, became more powerful within the national arena when the Uruguay talks reached an impasse in late 1990 and the Japanese economic 'bubble' began to burst earlier that year. Perhaps indicative of the Keidanren's impact, a May 1990 survey of Japanese public opinion showed that '65 percent expressed support for some form of rice liberalization. . . . Support for continuation of the rice import ban fell to 30 percent from almost 50 percent 18 months earlier.'⁶⁶ Reflecting the change in public opinion, the political parties shifted their positions. First, two opposition parties supported rice liberalisation in 1990 and 1992. Second, a number of leading figures in the LDP made public statements supporting a partial opening of the rice market.⁶⁷ Many of these statements linked a shift in Japan's strategy to the successful conclusion of the Uruguay Round. Prime Minister Kiichi Miyazawa captured the emerging consensus in laying out his agenda to the Diet in January 1993:

Japan's economic development owes much to the maintenance of the international free trading system, and there can be no disagreement with the idea that the maintenance of this free trading system is a prerequisite to continued economic development not only in Japan

⁶¹ Rapkin and George, 'Rice Liberalization', pp. 84–7.

⁶² Yoshimatsu, *Internationalization*, p. 189.

⁶³ Yahiro Toshikuni, 'Uruguai Raundo Wo Seikou Saseneba Naranai', (Uruguay Round Must be Successful), *Keidanren Geppō* (August 1990), pp. 32–5.

⁶⁴ Saadia M. Pekkanen, 'International Law, the WTO, and the Japanese State: Assessment and Implications of the New Legalized Trade Politics', *Journal of Japanese Studies*, 27:1 (2001), pp. 57–8. The case in question involved Canada's allegation that Japan's tariff classification had discriminated against the import of Canadian lumber.

⁶⁵ Pekkanen, 'International Law, the WTO, and the Japanese State', p. 54.

⁶⁶ Quoted in Rapkin and George, 'Rice Liberalization', p. 70.

⁶⁷ Several important statements are listed chronologically in Satoshi Isaka, 'International Stakes Prompt Japanese Leaders to Shift', *Nikkei Weekly*, 8 June 1991, p. 9.

but worldwide. If the GATT Uruguay Round negotiations end in discord, that could spur the rise of protectionism and have a grave impact upon the global economy. Japan is thus determined to join together with other leading countries in continuing to work for an early and successful conclusion of the negotiations. While agriculture is an area in which all countries face difficult problems, I intend to make the utmost efforts for a solution based upon mutual cooperation under our basic policy.⁶⁸

Although Miyazawa would still seek special status for rice,⁶⁹ expanding liberalisation to agricultural products was now identified with the national interest. As his successor, Prime Minister Morihiro Hosokawa, explained to the nation, '[i]t bodes well for the world economy's future that the GATT Uruguay Round was finally concluded last December In concluding these negotiations, Japan accepted the draft Agreement on Agriculture according rice special treatment regarding tariffication and subjecting other agricultural products to tariffication. This was a most heart-rending decision made after strenuous consideration in recognition of the broader national interest in the maintenance and strengthening of the free trading system.'⁷⁰

With the policy agenda affirming the legitimacy of the liberalisation norm, several institutions were changed to reinforce practices associated with the norm. On completion of the Uruguay Round, both houses of the Diet ratified the WTO agreement in December 1994 and, by virtue of being 'promulgated', the WTO agreement became incorporated into Japanese law and acquired the force of law. In addition, numerous national laws were revised to accord with WTO practices.⁷¹ Among these, Prime Minister Hosokawa proposed and the Diet approved a revision of the 1942 Food Control Law. As Aurelia George Mulgan concludes, the 1994 'law encapsulated the most fundamental postwar restructuring of the Food Control system governing the domestic trade in staple grains, principally rice. Amongst other things, the revision allows for greater competition in rice collection and distribution. . . . The role of the government in this market has also become smaller.'⁷²

The heightened salience of the trade liberalisation norm in the domestic arena also is evidenced by the prominent role the WTO dispute settlement mechanism occupies on the government's agenda. Japan has appealed to the WTO to protest other countries' unfair trade practices 11 times since 1994, a stark contrast with the five cases filed during the entire GATT period. To facilitate the country's use of the dispute settlement mechanism, MITI set up a new advisory committee to evaluate the consistency of foreign trade practices with the WTO agreements. Although the 'legalization' of Japan's trade strategy is thought to stem from some bureaucrats' conclusion that trade rules can serve their interests *vis-à-vis* other countries,⁷³ the

⁶⁸ Kiichi Miyazawa, Policy Speech to the 126th regular Diet session, 23 January 1993, *BBC Summary of World Broadcasts*. His successor, Morihiro Hosokawa used similar language in his speech to the 128th session of the Diet on 21 September 1993, <<http://www.kantei.go.jp/foreign/128.html>>.

⁶⁹ Japan would import 4 per cent of domestic rice consumption in 1995, increasing to 8 per cent by 2000. It adopted a tariffication scheme in 1999 in accordance with WTO rules.

⁷⁰ Prime Minister Morihiro Hosokawa, Policy Speech to the 129th Session of the Diet, 4 March 1994, <<http://www.kantei.go.jp/foreign/129.html>>.

⁷¹ Iwasawa, 'Implementing the Uruguay Round', pp. 146–8.

⁷² Mulgan, 'The Politics of Deregulation and Japanese Agriculture', pp. 11–12.

⁷³ Saadia M. Pekkanen, 'Aggressive Legalism: The WTO and Japan's Emerging Trade Strategy', *World Economy*, 24:5 (2001), pp. 707–37; and Pekkanen, 'International Law, the WTO, and the Japanese State'.

norm's obligations are having a wider impact. Following the country's loss of a case in 1998 regarding its quarantine practices, Japan removed the offending procedures and sought to institute new regulations that would be consistent with the WTO agreements.⁷⁴

The bursting of the 'bubble' economy and the ensuing economic recession led the Keidanren to redouble its efforts to win the removal of the formal and informal bureaucratic and administrative practices that enable the government to regulate economic activity. At this time, there were over 10,000 rules requiring government permission for, or certification of different economic activities. The Keidanren cast its arguments in terms of the country's material interests, suggesting that deregulation, like liberalisation, would spur the economy's recovery. As Isao Nakauchi, Keidanren vice chairman, explained:

To achieve full economic recovery, supported by structural expansion in domestic demand, we need extensive deregulatory measures that will reform Japan's economic structure and permit the creation of new businesses and industries. Comprehensive deregulation is crucial to the creation of an economic society which is in tune with globalization and which benefits ordinary consumers, alleviating price differentials between domestic and overseas markets and opening up Japanese markets. The issue of deregulation has great significance today, since it is necessary to achieve a transition away from bureaucratic control and central authority toward a uniquely Japanese people-oriented society, led by citizens and private enterprise.⁷⁵

This argument would soon resonate with many as the continuing economic downturn called into question the utility of existing practices and led to a growing belief within the polity that over-regulation had raised the domestic costs of production, decreased the competitiveness of Japanese firms, and therefore, had made economic recovery more difficult.⁷⁶

Unable to rejuvenate an economy, which in the words of the prime minister was in 'dire straits' and 'very grim', the LDP suffered a historic loss in the July 1993 elections.⁷⁷ The first non-LDP prime minister, Morihiro Hosokawa, quickly 'demanded that key ministries specify and implement sweeping liberalization measures as soon as possible'.⁷⁸ Hosokawa established the Advisory Group for Economic Structural Reform, headed by Gaishi Hiraiwa, the Keidanren chairman, to formulate policies for rebuilding the economy. This group's report, which many likened as the Maekawa's successor, noted that 'regulations only strengthen the rigidity of economic society and block future economic restructuring', and included a detailed list of regulations to be eliminated and a blueprint for the deregulation process.⁷⁹ Hosokawa, summaris-

⁷⁴ Pekkanen, 'Aggressive Legalism', p. 734, n. 83.

⁷⁵ 'Corporate efforts to promote deregulation', Text of speech given by Isao Nakauchi, Vice Chairman of Keidanren, at the Foreign Correspondents' Club of Japan, 19 September 1994, <<http://www.keidanren.or.jp/english/policy/po1001.html>>.

⁷⁶ On the views of the polity, see Carlile, 'The Politics of Administrative Reform', p. 91.

⁷⁷ Policy Speeches by Prime Minister Kiichi Miyazawa to the 125th Session of the Diet, 30 October 1992 and 126th Session, 22 January 1993, *BBC Summary of World Broadcasts*. The economic downturn was not the only reason for the LDP's defeat. Other factors included a series of political corruption scandals and a factional split within the party itself. For details, see Gerald Curtis, *The Logic of Japanese Politics* (New York: Columbia University Press, 1999).

⁷⁸ Mulgan, 'The Politics of Deregulation and Japanese Agriculture', p. 5.

⁷⁹ Quoted in Paul Eckert, 'Hiraiwa Report says No Sectors are Sacred', *Nikkei Weekly*, 8 November 1993, p. 1.

ing the central recommendations of the Hiraiwa Report to the nation in his March 1994 Diet speech, pledged that his government would fulfil them:

In laying the foundations for a new era of development, it is imperative that we demolish those systems and practices that are no longer compatible with the needs of the times [I]t is essential that we make a determined effort for economic reform and administrative reform, both for ourselves and so that we can fulfill our responsibilities to the international community. . . . [W]e intend to move toward making non-regulation the norm and regulation the exception in the economic sphere. . . . [W]e need to ensure that the Japanese market is open to the rest of the world in accordance with international trade rules by promoting further deregulation and other measures to improve market access and rectify price differentials, ensuring greater transparency in government procurement procedures, strengthening the Office of the Trade and Investment Ombudsman, and enhancing the import infrastructure.⁸⁰

Upon taking office in July 1994 Prime Minister Tomiichi Murayama continued Hosokawa's deregulatory impulse. In December, Murayama established the Commission on Administrative Reform. This body, recommended by the Hiraiwa committee, comprised representatives from think tanks, academia, labour unions, journalism, and business; its writ was to monitor the progress of deregulation and propose reforms at any time. One unusual aspect of the commission was that 'open debates between government officials, business people, and opinion leaders were held to demonstrate whose arguments on deregulation were reasonable and convincing. . . . This procedure was introduced in the hope that it would reveal the selfishness of government agencies and industries that were reluctant to take deregulation seriously.'⁸¹ Acknowledging the legitimacy of deregulation, Murayama shifted the persuasive burden to those who wanted to maintain regulations. He informed his cabinet in January 1995 that, 'in formulating the deregulation promotion plan, reasons should be given to explain why certain existing institutions or operations must be maintained contrary to the suggestions and requests from inside and outside Japan'.⁸²

The continued economic recession and slow pace of concrete deregulation increased support for further initiatives and led successive governments, headed by LDP and non-LDP politicians, to call for the elimination of restrictive regulations and focus on the benefits from doing so. The goal, as Prime Minister Murayama explained to the Diet in September 1995, was to 'enhance free economic mechanisms in which market principles work more effectively. . . .'⁸³ Similar reforms soon spread to the financial system, as Prime Minister Ryutaro Hashimoto explained to the Diet in 1997, 'to create an open and fair financial system which is attractive to users and can smoothly supply capital to growth sectors beginning with new businesses'.⁸⁴ In August 1998, the new prime minister, Keizo Obuchi explained to the Diet, that he would use 'as a guide the process by which the United States and some European

⁸⁰ Policy Speech by Prime Minister Morihiro Hosokawa to the 129th Session of the Diet, 4 March 1994.

⁸¹ Atsushi Kusano, 'Deregulation in Japan and the Role of Naiatsu (Domestic Pressure)', *Social Science Japan Journal*, 2:1 (1999), pp. 65–84 at pp. 79–80.

⁸² Minutes of 10 January 1995 Cabinet meeting quoted in Kusano, 'Deregulation in Japan', p. 70.

⁸³ Policy Speech by Prime Minister Tomiichi Murayama to the 134th Session of the Diet, 29 September 1995, <http://www.mofa.go.jp/announce/announce/archive_2.html>.

⁸⁴ Policy Speech by Prime Minister Ryutaro Hashimoto to the 141st Session of the Diet, 29 September 1997, <<http://www.kantei.go.jp/foreign/971006-141.html>>.

countries have rebuilt their economies since the 1980s'. He would 'promote measures for deregulation' to 'create a society where foreign companies will move into Japan drawn by our attractive business environment'.⁸⁵

By the end of the 1990s, the legitimacy of the trade liberalisation norm had reached unprecedented heights. While there is still resistance to deregulation, the major political parties supported deregulation initiatives in the 1996 elections, indicating that liberalisation is firmly on the agenda even in this area. In taking stock of the deregulation movement in the late 1990s, Steven Vogel concludes that '[t]he economic crisis now makes it almost impossible to oppose reform outright. Thus, the natural proponents of reform may restrain their enthusiasm, but the opponents must also moderate their dissent. Farmers and unions and regulated industries must focus on shaping the terms of liberalisation rather than opposing it altogether.'⁸⁶

Discussion

A longitudinal analysis of Japan's relationship with a fundamental norm of the postwar international trading system reveals a strikingly slow rate of internalisation. The finding is puzzling both for realist and mainstream constructivist theories of international politics. From the perspective of Realism, Japan should have been most susceptible to US pressure for trade liberalisation in the early postwar years when relative power disparities between the two states were greatest. Despite US preferences for trade liberalisation, domestic interest groups effectively defended mercantilist practices well into the 1980s. And whereas prominent constructivist scholars of international relations have argued that the influence of national understandings is significantly reduced 'once a norm has become institutionalized in the international system', Japan's relationship with the GATT demonstrates that this is not always the case.⁸⁷

The internalisation of the GATT/WTO trade liberalisation norm has followed a stop-and-go pattern in Japan. The halting nature of the process suggests that pre-existing norms are not easily pushed aside but continue to infuse the beliefs of domestic actors even after important elites have proclaimed their obsolescence. Against a backdrop of longstanding and deep national attachment to a body of mercantilist ideas and practices, the domestic salience of the trade liberalisation

⁸⁵ Policy Speech by Prime Minister Keizo Obuchi to the 143rd Session of the Diet, 7 August 1998, <<http://www.kantei.go.jp/foreign/980810-143.html>>.

⁸⁶ Steven V. Vogel, 'Can Japan Disengage? Winners and Losers in Japan's Political Economy, and the Ties that Bind Them', *Social Science Japan Journal*, 2:1 (1999), pp. 3-21 at 18-9; see also Mulgan, 'The Politics of Deregulation and Japanese Agriculture', p. 18.

⁸⁷ Finnemore and Sikkink, 'International Norm Dynamics and Political Change', p. 893. For a similar finding based on a large-n longitudinal study of IMF-member states, see Simmons and Elkins, 'The Globalization of Liberalization', p. 182. Simmons and Elkins also discount the role of hegemonic power in accounting for states' decisions to liberalise. Instead they attribute liberalisation primarily to a state's increased exposure to the global competition for capital in the form of foreign direct investment but also find 'domestic shared attitudes' and 'cultural values' statistically significant factors in accounting decisions on whether and when to liberalise (p. 187).

norm increased in three phases: first in the early 1980s; again in the mid-1980s; and finally in the mid-1990s, when the norm attained a high level of salience along the measures developed here.

Each phase of increased salience was initiated by domestic actors who were motivated to challenge the appropriateness of existing understandings on instrumental rather than normative grounds. The first and second phases of normative shift were precipitated by massive pressure from the EC and, more importantly, the US, both of whom demanded that Japan reduce a large number of non-tariff barriers to trade and thereby further open its market to foreign goods. Faced with calls for protectionist legislation in the US Congress, the Keidanren and a series of prime ministers came to recognise that the benefits of trade liberalisation would exceed the costs of decreased revenues in the event that foreign markets were closed to Japanese exports. In the third phase, calls for increased liberalisation accompanied Japan's worsening macroeconomic crisis. As overall GDP growth stagnated and the real estate and financial bubbles burst, the Keidanren recognised that the only hope for avoiding a real catastrophe lay in the maintenance of an open world trading system. As the Uruguay Round of GATT negotiations began to break down, it increased its activities at home.

Although an economic interest explanation can account for a shift in the preferences of key societal and political actors in Japan, the widespread legitimacy of mercantilism amongst the broader public helps to explain the limited success of their efforts to effect an increase in the salience of the trade liberalisation norm in domestic debates over Japanese trade policy. Moreover, the proponents of normative change confronted a range of domestic institutions developed to support mercantilist practices and the constituencies that benefited from them. For example, before the creation of the OTO by the Suzuki government, the proponents of trade liberalisation suffered from a structural disadvantage in domestic policy debates. The OTO had the effect of bringing private commercial actors into policy debates that historically had been dominated by state actors and where mercantilist ideas were largely uncontested. With the establishment and subsequent expansion of the OTO, societal actors such as the Keidanren were provided with a forum through which they could introduce their preferences more directly into the government's decision-making process.

Effecting the internalisation of international norms in democracies where a competing domestic norm enjoys longstanding support would appear to be contingent on two rather difficult tasks. First, norm entrepreneurs must successfully cast what at first may be self-interested appeals to international norms in terms of a broader national interest. Second, they must unravel and transform existing domestic institutions.

The empirical analysis suggests at least three hypotheses on the processes and conditions under which pre-existing national norms come to be displaced by new norms appropriated from the international system:

- As a necessary condition for the displacement of existing national-level norms, domestic norm entrepreneurs must discursively link the new norm to an encompassing conception of the national interest.
- The efforts of domestic norm entrepreneurs to effect normative change will be enhanced to the degree to which these actors can discursively link continuing adherence to pre-existing norms to ongoing national ills.

- The efforts of domestic norm entrepreneurs to increase the domestic salience of international norms are conditioned by prevailing domestic institutions. If domestic institutions do not provide for the participation of norm entrepreneurs in decision-making debates, then the efforts of these actors to effect normative change are likely to fail.

The limitations of inductively derived hypotheses for theory building are well known.⁸⁸ Nonetheless, we believe that the development of a more general theory will be enhanced if each of these hypotheses is tested across a range of states and issue areas.⁸⁹ At a minimum, cross-case comparisons can provide an indication of the variety of conditions under which domestic agents will agitate for normative change.⁹⁰

A focus on the domestic politics of norm diffusion in Japan leads us to question the widely accepted dichotomy between interest-based behaviour that is guided by a 'logic of consequences' and norm-guided behaviour that follows a 'logic of appropriateness'.⁹¹ Many constructivist scholars have been too quick to assume that norm entrepreneurs 'believe in the ideals and values embedded in the norms'.⁹² For many domestic actors, however, support for the adoption of an international norm may reflect little more than narrow self-interest.⁹³ Yet, the actions of self-interested domestic actors will not necessarily be sufficient to engineer the displacement of competing domestic norms.

In Japan, longstanding efforts by self-interested commercial interests to effect a shift toward trade liberalisation proved effective only after foreign economic coercion coupled with the effects of a deepening economic crisis opened a space in the domestic political discourse for new ideas. The critical counterfactual question for

⁸⁸ For an overview, see A.F. Chalmers, *What Is This Thing Called Science?* 2nd. edn. (Indianapolis, IN: Hackett, 1994), pp. 1–12. For most students of international relations the classic statement is found in Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979), pp. 1–8.

⁸⁹ For a defence of a 'building block' approach to theory development, see Harry Eckstein, 'Case Study and Theory in Political Science', in Fred I. Greenstein and Nelson W. Polsby (eds.), *Handbook of Political Science*, vol. 7 (Reading, MA: Addison-Wesley, 1975), pp. 79–238. Also Alexander L. George, 'Case Studies and Theory Development: The Method of Structured, Focused Comparison', in Paul G. Lauren (ed.), *Diplomatic History: New Approaches* (New York: Free Press, 1979), pp. 43–68.

⁹⁰ Jeffrey Checkel has criticised constructivist scholarship for failing to provide a theory of agency in 'The Constructivist Turn in IR Theory', pp. 340–3. See too Finnemore and Sikkink, 'International Norm Dynamics and Political Change', p. 888.

⁹¹ For extended discussion of the distinction and applications, see James G. March and Johan P. Olson, *Rediscovering Institutions: The Organizational Basis of Politics* (New York: Free Press, 1989); March and Olson, 'The Institutional Dynamics of International Political Orders', *International Organization*, 52:4 (1988), pp. 943–69.

⁹² Finnemore and Sikkink, 'International Norm Dynamics', p. 898.

⁹³ This finding is consistent with recent empirical studies of the spread of EU norms to the candidate states of East and East Central Europe. See, Frank Schimmelfennig, Stefan Engert and Heiko Knobel, 'Costs, Commitment and Compliance: The Impact of EU Democratic Conditionality on Latvia, Slovakia and Turkey', Frank Schimmelfennig, 'International Rewards and Domestic Costs: The Uneven International Socialization of Central and Eastern Europe', unpublished manuscript; and Frank Schimmelfennig, Stefan Engert and Heiko Knobel, 'Europäisierung in Osteuropa: Reaktionen auf die demokratische Konditionalität', *Österreichische Zeitschrift für Politikwissenschaft*, 32:3 (2003), pp. 321–37. For a thoughtful discussion of how the two 'logics' might complement each other in explanations of behaviour, see James Fearon and Alexander Wendt, 'Rationalism v. Constructivism: A Skeptical View', in Carlsnaes, Risse and Simmons (eds.), *Handbook of International Relations*, esp. pp. 58–63.

any analysis of the increased salience of the liberalisation norm in Japan is whether the move from mercantilism would have taken place absent foreign pressure and/or a bursting of the economic bubble.

There is a significant body of literature suggesting that the origins of change in widely held societal understandings often are found in the collective experience of a dramatic event such as economic depression, war, or a shift in alliances. Deborah Avant argues that '[s]uch shocks shift power, open minds to new alternatives, affect the legitimacy of institutions, and shatter worldviews. All of these matter because they give political entrepreneurs fodder to call into question and/or delegitimize established perspectives.'⁹⁴ Similarly, Judith Goldstein writes, '[f]undamentally, it is the perception, whether warranted or not, of failure in current policy or political institutions or both that creates the incentive for political elites to [seek] change'.⁹⁵

The collapse of Japan's economic bubble presented domestic actors with an opportunity to challenge widely held beliefs in the appropriateness of economic nationalism, but did not provide those actors with a new body of ideas toward which to reorient Japanese trade policy. Japan's membership in the central institutions of the global economic system, specifically the GATT/WTO, provided grounds for arguing the legitimacy of a move toward freer trade. International trade norms might not have provided the proximate cause of Japan's movement away from mercantilism, but they made such a move possible. Taking advantage of a window of opportunity created by Japan's declining macroeconomic fortunes, the proponents of trade liberalisation found an argument for rejecting economic nationalism in the international responsibilities required by membership in international trade organisations. A second counterfactual question is thereby suggested: Would Japan have moved toward trade liberalisation absent the existence of an international institution devoted to reducing restrictions on global trade?

The implicit answer is of course, no. But to stress the importance of extant international institutions devoted to promoting trade liberalisation on Japan's movement toward freer trade is not to argue that the institutions directly 'caused' Japan to open its markets. Rather, the move toward trade liberalisation was contingent on the actions of domestic actors; actions that the norms of the GATT/WTO system made possible and more likely.⁹⁶

⁹⁴ Deborah Avant, 'From Mercenary to Citizen Armies: Explaining Change in the Practice of War', *International Organization*, 54:1 (2000), pp. 41–72. See too Farrell, 'Transnational Norms and Military Development', pp. 63–102; Jeffrey W. Legro, 'Whence American Internationalism?', *International Organization*, 54:2 (2000), pp. 253–89; Andrew P. Cortell and Susan Peterson, 'Altered States: Explaining Domestic Institutional Change', *British Journal of Political Science*, 29:1 (1999), pp. 177–203; and William B. Heller, Philip Keefer, and Mathew D. McCubbins, 'Political Structure and Economic Liberalization: Conditions and Causes from the Developing World', in Paul W. Drake and Mathew McCubbins (eds.), *The Origins of Liberty: Political and Economic Liberalization in the Modern World* (Princeton, NJ: Princeton University Press, 1998).

⁹⁵ Judith Goldstein, *Ideas, Interests, and American Trade Policy* (Ithaca, NY: Cornell University Press, 1993), p. 13.

⁹⁶ For a discussion on the difference between strictly causal explanations and explanations that identify the conditions that make social action possible, see Friedrich Kratochwil, 'Norms versus Numbers: Multilateralism and the Rationalist and Reflexivist Approaches to Institutions – a Unilateral Plea for Communicative Rationality', in John Gerard Ruggie (ed.), *Multilateralism Matters: The Theory and Praxis of an Institutional Form* (New York: Columbia University Press, 1993).

As domestic actors search about for new ideas to legitimate their self-interested preferences, the norms and institutions of the international system often provide them. Domestic political entrepreneurs thus become international norm entrepreneurs. Over time, however, the two motivational bases for behaviour – a logic of consequences and logic of appropriateness – may converge. As Hendrik Spruyt writes, '[w]hat may start out as utilitarian calculi by individual actors to champion certain norms can, over time, take on the form of a given [moral guideline or as a taken-for-granted] script'.⁹⁷ Or as Andrew Hurrell put it: 'Words are not always cheap. The reasons for making normative claims or framing interests in normative language may well be purely instrumental. . . . [They] may also reflect straightforward calculations of interest. . . . But entering into a particular debate and accepting particular principles, ideas and arguments shapes and constrains the sorts of arguments that can be made in the future and provides institutional and normative platforms for different forms of political mobilization.'⁹⁸

Fifteen years ago, Robert Keohane argued that both rationalistic and reflective approaches to the study of international institutions 'share a common blind spot: neither pays sufficient attention to domestic politics. . . . Both Kenneth Waltz' "second image" – the impact of domestic politics on international relations – and Peter Gourevitch's "second image reversed" need to be taken account of, in their different ways by the rationalist and reflective approaches.'⁹⁹ One of the hypothesised benefits of enriching the study of international institutions with a focus on domestic politics was a synthesis between the rationalist and reflexivist modes of theorising. An historical analysis of Japan's relationship with central institutions of the international political economy suggests that Keohane was not far off the mark. Social agents at the level of the international system as well as within states exhibit behaviour that is both rational and norm-governed. The challenge for scholars remains uncovering the ways in which these two motives for behaviour interact within historical, cultural, and institutional contexts to produce political outcomes.

⁹⁷ Hendrik Spruyt, 'The End of Empire and the Extension of the Westphalian System: The Normative Basis of the Modern State Order', *International Studies Review*, 2:2 (2000), pp. 65–92 at 80.

⁹⁸ Andrew Hurrell, 'Norms and Ethics in International Relations', in Carlsnaes, Risse and Simmons, *Handbook of International Relations*, p. 145.

⁹⁹ Robert O. Keohane, 'International Institutions: Two Approaches', *International Studies Quarterly*, 32:4 (1988), pp. 392–3.