

# **Preserving Technological Predominance in Periods of Relative Decline: Securitization and US Economic Policy in High-Technology Industry**

Choi, Yong Ho  
yhc57@snu.ac.kr

## **Abstract**

Why did the declining superpower, the United States, actively pursue an aggressive economic strategy both in their domestic markets and toward Japan, during the mid-1980s? Why did the U.S. government choose to take action in some high-tech industries and not in others, despite the characteristics they have in common? Utilizing the case study method of process tracing and structured focused comparison, this study revisits the U.S.-Japan trade conflict case and elucidates the mechanisms of preference formation of the United States. The central argument is that shifts of national preference mainly reflect the securitization process: the formation of alternative domestic coalitions under conditions of national decline, the linkage between economic and security issues, and the outcomes of ideational contestation. Politicizing the economic and military security problems of dual-use technology, new emerging coalitions in the United States secured government action in industries where their ideas gained legitimacy. The securitization model advanced here seeks to complement the literature on American foreign economic policy and make a theoretical contribution to understanding the interplay between domestic and international politics. The study also intends to contribute to policy debates over power transition, by identifying the micro-level dynamics of American foreign policymaking in periods of national decline.

During the 1980s and early 1990s, the United States have lost their unprecedented supremacy in high technology industries and adopted an ‘aggressive economic policy’ both in their domestic markets and toward Japan. US trade policy toward Japan was ‘aggressive’ to the extent that its approach was unilateral, aimed to threaten and coerce the opponent to abide by its demand and yield desired outcomes. For instance, the US-Japan trade conflicts over semiconductors as well as the Super 301 negotiations over supercomputers and satellites have shown the US government’s coercive policy to alter the alleged predatory behavior of Japan and secure market access to Japanese markets. The American government also adopted market-intervening industry policies designed to directly support their commercial high-tech industries. An example is SEMATECH, a government scheme aimed to fund and support the semiconductor industry.

America’s behavior presents several puzzling points. First, this was a significant departure from Washington’s long-time emphasis on *laissez-faire* economy.<sup>1</sup> Previously, America had shown a commitment to multilateral, process-oriented trade negotiations to assure free competition in global markets and had been reluctant to pick winners and directly intervene in domestic markets to promote the commercial interest of specific industries. Second, it was only a partial departure, since the US government did not take action to support all the alleged critical high-tech industries. For example, semiconductors and high-definition television (HDTV) were both argued to be on the cutting edge of high technology, crucial for the entire American economy, but only semiconductors achieved the support they demanded. Why did America defect from their previous policy positions and actively pursue an aggressive economic strategy? Why did American leaders choose to support national champions in some industries and resist protection in others, despite the similar characteristics these high-tech industries have in common? What explains the preference of the declining superpower, the fundamental motivations underlying support or opposition to government intervention in high-tech industries?

My central argument is that the *timing*—departure from previous policy course—and the *direction*—which industries to support—of American policy preference changes cannot be fully

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<sup>1</sup> Whether American policies had been truly *laissez-faire* is a matter of debate. See Bingham 1998; Block 2008; Fong 2000. These studies argue that the American economy was only ostensibly *laissez-faire* but do acknowledge that American industry policies did undergo significant change during the 1980s. The industry policies in this period evolved to encompass the promotion of commercial interests, which previously focused on advancing defense military interests.

elucidated without recourse to securitization dynamics. Shifts of national preference mainly reflected the securitized interests of certain domestic coalitions which emerged under conditions of uncertainty, produced by the structural permissive conditions of the global economy. Facing a relative decline in global high-tech sectors, past consensus of national interests became problematized, and new actors challenged the ideas of the then well-established coalitions who advocated free competition in the markets. These actors, who are often referred to as revisionists, resorted to the economic and military security problems of dual-use technology and demanded active state action. The results of these domestic contestations shaped the outcome of actual policy choices. In industries where the revisionist succeeded to gain legitimacy, American leaders chose to take action. In industries where securitization attempts failed, preexisting laissez-faire ideas prevailed and American decision-makers were reluctant to adopt active measures.

The securitization model advanced here seeks to complement the limitations of the literature on American foreign economic policy and make a theoretical contribution to understanding the interplay between domestic and international politics. In explaining foreign economic policy, scholars dealing with the problem of national interest and preference formation have long debated the relative weight of security and economic sources. Realists place causal primacy at the international level and argue that the primary source of national preference is materialistic security and geopolitical interests derived from structural imperatives. On the other hand, commercial liberal theories argue that the most fundamental source of national preference is the economic interests of domestic social actors, derived from the actors' position on the global economy, and aggregated by domestic institutions. While not denying the importance of structural forces, the securitization model highlights that security interests are not *given* automatically by structural imperatives but are *constituted* as a security problem by domestic agents deliberately seeking to securitize, under the scope conditions international factors produce. Furthermore, the securitization framework does not deny the importance of social-economic interests but argue that these interests become more salient when it is linked with security issues and politicized at the national level.

The study also intends to contribute to academic and policy debates over power transition and international order – the rise and fall of great powers and the subsequent impact on international conflict and cooperation –, a problem of real-world significance.<sup>2</sup> Despite the extensive interest

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<sup>2</sup> Gilpin 1987; Gilpin 1988; Kennedy 1988; Modelski and Thompson 1996.

in power transitions and great power politics, most studies tend to focus on military conflicts among great powers and prioritize structural periodic cycles over agency. In modern politics, however, the prospect of large-scale war among great powers seems to be shrinking, and instead, economic conflicts abound. Furthermore, great powers are not always victims of structural imperatives but are active agents using economic instruments against one another as a way of attempting to influence the political behavior of their rivals.<sup>3</sup> Today, we can find similar patterns in the U.S.-Sino trade conflict. The Trump administration has imposed sanctions on Chinese tech firms for reasons of cybersecurity. Therefore, revisiting the U.S.-Japan trade conflict case and opening the black box of the domestic level process would shed light on understanding the micro-level dynamics of American foreign policy-making in times of power transition.

This study adheres to several methodological principles and is organized as follows. The first section critically reviews the insights and limits of realist and commercial liberalist theories of American economic policy and derive a set of observable implications from these general theories. The second section demonstrates the securitization model as a complement to the limits of the general theories. The third section examines the American case in detail and checks whether the evidence is congruent with the securitization model. Specifically, I utilize a process-tracing case study approach to trace the temporal sequence and examine the causal mechanisms linking global conditions and American national preference. While process-tracing of a single case cannot conclusively validate a hypothesis, it is useful for heuristic purposes to identify new variables and causal mechanisms. Furthermore, I split the case by industries-semiconductor, satellite, and HDTV- to increase the number of observations and maximize the variation of values in the independent and dependent variables. Each of these industries was arguably to be the most important industries of cutting edge of high technology and faced severe competitive pressures from Japan. Among those, only the semiconductor and satellite received government support. The similar characteristics of the selected industries and differing results provide a useful framework for structured and focused comparison.<sup>4</sup>

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<sup>3</sup> Friedberg 1991; Baldwin 1985; Luttwak 1990

<sup>4</sup> On methods of structured, focus comparisons and process tracing in case studies, see George and Bennett 2004; Mahoney 2007.

## Theories of American Economic Policy and Their Limits

This section provides a brief overview of the insights of general theories and seeks to derive hypotheses that can explain the U.S. economic policy in times of relative decline. I focus on how these approaches theorize the linkage between domestic and international politics.

### Realist Framework: The Relative-Gains Thesis

The core element encompassing the various strands of realism is the tendency to prioritize international structural factors as material imperatives shaping state behavior. Realists view unitary, rational states as the dominant actor in international relations. Since states are distinguished by their relative power in the international system, and threats to state survival are seemed pervasive given the ordering principle of anarchy, sources of state preference are the materialistic security interests which are often influenced by the motivation to obtain relative gains.<sup>5</sup> In this vein, it can be said that state preferences are *given* by materialistic conditions of international politics unless other assumptions or domestic variables are incorporated into the general framework.<sup>6</sup>

The realist relative-gains argument is important when explaining the economic policies of the U.S. in times of changes in the international power configuration. According to this view, U.S. economic policy reflects the relative gains concern of the state which stems from structural forces. In other words, economic policies are motivated not by its direct economic consequences of absolute gain but by indirect security consequences that affect the chance of state survival. This argument generates several observable implications about superpower's motivations. We can expect to observe the dominant power to concern more about relative gains when experiencing a national decline, thus adopt more aggressive economic policies. States are also more likely to pursue relative-gains strategies against allies when threats from their common enemy diminish.<sup>7</sup> This argument also predicts active state intervention in high-technology sectors, since these industries reportedly have been regarded as critical to national defense. In other words, growing defense dependence stemming from the relative decline of technological power can evoke relative

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<sup>5</sup> Grieco 1988.

<sup>6</sup> Theoretically, it is unclear whether it is possible in a realist world to make states vary in their preferences without impairing its core assumptions. On debates of this issue, see Narizny 2017 and its correspondence.

<sup>7</sup> Mastanduno 1991.

concerns of the declining state.<sup>8</sup> It does not, however, predict variations of state choice among industries within high-technology sectors.

Such realist hypotheses have some explanatory power but are ultimately incomplete. It may explain fairly the general patterns of the system's level of openness which is expected to couple with global shifts in power distribution. Without a theory of domestic politics, however, it has limits on explaining the economic policy in a certain country. To be specific, relative gain arguments can address the timing of U.S. policy change, but it is inadequate to explain the variation in state choice among industries with similar importance in terms of security. From the vantage point of realism, the HDTV industry is a deviant case, puzzling because the U.S. should have reacted to Japan's rise in such industry which has been considered critical to national defense.<sup>9</sup> This problem stems from the realist treatment of national preference formation that security interests should be given by the materialistic imperatives of global factors. Alternative theories should be able to explain the process and mechanisms of how issues succeed or fail to be accepted as a security problem.

### **Commercial Liberalism: Open-Economy Politics**

In contrast to realist theories which adopt a top-down, international system-based approach, liberal theories adopt a bottom-up, domestic society-based approach.<sup>10</sup> The open-economy politics(OEP) approach, which has emerged recently as the dominant paradigm in the field of international political economy, can be considered as a commercial version of the general liberal theory.<sup>11</sup> It views the economic interest of self-interested domestic social actors as the most fundamental source of national preference. Interests of social actors (individuals, sectors, factors of production, firms, etc.) over economic policy are derived from each actor's position within the global economy, often deduced from economic theories. In other words, international factors are treated as structural incentives that have distributional implications on the domestic social actors, not as independent

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<sup>8</sup> Friedberg 1989; Borrus and Zysman 1992.

<sup>9</sup> Some scholars incorporate several domestic variables into their realist framework to explain the anomalies. See Mastanduno 1991. This approach has risks, however, since it may be degenerative to incorporate auxiliary variables in an ad-hoc manner which can impair the core assumptions of the research program. Realist theories need a more consistent and coherent theory to explain the link between international and domestic politics

<sup>10</sup> Moravcsik 1997.

<sup>11</sup> Lake 2009.

variables directly shaping state interest. Domestically, states are not unitary actors but political institutions in which the bargaining of social actors are configured and interests aggregated. Thus, national preference reflects the aggregated commercial interests of society. Internationally, states bargain with other states as unitary actors, representing society's economic interest.

How can we explain the case at hand from the viewpoint of OEP? OEP predicts that U.S. economic policy would reflect the interests of powerful economic producers in high-tech sectors. Changes in the global environment may produce incentives for American high-tech firms to adjust their industry positions and demand protectionism or strategic trade.<sup>12</sup> Thus, social demands of government intervention are expected to be presented correspondent with the changes in the global economic conditions. Furthermore, more state action is likely in industries where the demands of social actors are intensive, but not necessarily because institutional configurations may be biased to favor preexisting ideas embedded within it.<sup>13</sup> However, we should not expect active state actions in industries where there are no demands from social actors or oppositions to government intervention exists...

OEP seems to provide a coherent framework combining levels of analysis in international relations theory but is not without limits. The Super 301 designation of the satellite industry is a deviant case from the perspective of OEP. As the subsequent chapter demonstrates, there is evidence that the dominant U.S. suppliers did not support it, and partially opposed it. This problem originates from OEP's understanding of the state as a passive representative of social demands. OEP has some limitations when explaining the choice of governments in some industries with strategic importance, in which governments face incentives to act regardless of private economic interests. Alternative frameworks should explain when state intervention is possible, despite the lack of social demand, and when certain commercial interests become sufficiently salient to catch the attention of the key policymakers.

### **Theorizing U.S. Economic Policy: A Securitization Framework**

The securitization model developed here seeks to complement realist and commercial liberal explanations of American economic policy. Not denying the importance of structural forces, the

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<sup>12</sup> Milner and Yoffie 1989.

<sup>13</sup> Goldstein 1988.

securitization model understands security as a self-referential practice because it is in this practice that the issue *becomes* a security issue, rather than treating security interests as *given* properties from a real existential threat. Acknowledging that social-economic interests are important, the securitization model claims that economic issues become more salient when actors deliberately link it with military issues, even when social pressures are weak.

The core argument of the securitization model is that certain issues become a security problem when constituted by the intersubjective establishment of an existential threat with a saliency sufficient to justify actions outside the normal bounds of political procedure. Threats may be either real or imagined, yet what matters is not the real existence of the threat itself but the construction of shared understandings of what is to be considered and collectively responded to as a threat. A discourse that takes the form of presenting something as a threat, however, does not itself make a certain issue a security problem. These are merely securitization attempts. An issue is securitized only if and when it is deemed legitimate and accepted by audiences who can influence the policymaking process.<sup>14</sup>

In order to apply this model to the case at hand, several questions should be addressed. Under what conditions do securitization dynamics become prominent? How can certain issues emerge as a security problem? What conditions render securitization attempts to be successful?

### **Scope Condition of the Securitization Mechanism: Power transition**

*Securitization dynamics become increasingly prominent under conditions of uncertainty, such as in periods of severe national decline.*

Global technological power has long been regarded as the bedrock of political hegemony. The rise and fall in the global high-tech sectors have often been coupled with that of world power cycles.<sup>15</sup> It follows that losing primacy in high-tech sectors may render severe consequences to the declining nation, producing moments of domestic crisis. Under conditions of uncertainty, such as times of power transition, it becomes unclear where the problem agents are facing stemmed from, what are the consequences, and where agents' best interest may actually lie. Preexisting ideas are likely to be problematized since they have limits providing explanations and solutions to

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<sup>14</sup> Buzan, Wæver and Wilde 1998.

<sup>15</sup> Modelski and Thompson 1996



the unusual problem. The window of opportunity opens for alternative coalitions with new ideas to fill in the gap.<sup>16</sup>

In short, contrary to the realist understanding that global forces directly influence the interests of the state, I regard power transition as a scope condition under which the securitization mechanism has greater explanatory power. Changes in the global distribution of technological power may produce moments of crisis and conditions of uncertainty, under which new domestic coalitions are likely to emerge and challenge preexisting ideas. States, in this case, is regarded as an arena of domestic contestation. We can expect to observe new coalitions to emerge congruent with the relative decline of competitiveness in high-tech sectors.

### **Securitization Attempts: Issue-Linkage**

*Economic issues are more likely to become salient when linked with security issues.*

Issues which at first glance not belonging to the realm of security may become security issues when linked with other issues that are conventionally regarded as matters of security. Since issues linked to national security gain more resources and attention than other issues, certain actors have an incentive to present their problems in terms of traditional national security. Issues are often dramatized and presented as a matter of supreme priority, demanding extraordinary solutions. In this vein, social demands motivated by economic interests may gain more attention when linked with security issues. This is not to say that economic interests or social demands are necessary for securitization. The motivations may be different and often concealed, but we can expect to observe securitizing actors deliberately linking their concerns to national security problems.<sup>17</sup>

### **Conditions of Successful Securitization: Ideational Contestation and Legitimacy**

*Securitization is more likely to succeed as more audience in key decision-making positions accept the alleged ideas and regard it as legitimate*

Securitization is assumed to be an intersubjective process. Successful securitization is not

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<sup>16</sup> On the role of ideas in periods of economic crisis, see Blyth 2002, 27-45.

<sup>17</sup> The specific logic linking issues may be different by case and is an empirical problem not theoretical. Regarding the case of interest in this study, it is important to mention the dual-use characteristic of technology. Representative cutting-edge products at that time, such as semiconductors and microelectronics, which were often designed for commercial purposes, had also military characteristics and can be used as major parts of weapon systems. The dual-use characteristics provided the logic for securitization. See Vogel 1992.

decided by the actors who seek to securitize but by the audience of the security speech act. In other words, securitization attempts can't succeed unless the alleged ideas are regarded as legitimate. Successful securitization is more likely when more audiences support it. The position of the audience is also important. Securitization attempts can be more successful when persuaded and accepted by those who stand in key policymaking positions. These variables may be operationalized by observing the change in policy positions of key policymakers. We can expect to observe the demands of securitizing actors more likely to be accepted when more initial opponents alter their positions and turn to support the new idea.

## **Evidence on the Securitization Model: The U.S. Case**

### **The Global Context and the Rise of the 'Revisionists'**

Following the close of World War II, the United States emerged as a dominant superpower in world politics. U.S. preeminence in high technology sectors, which can be said to be the basis of political hegemony, was even more pronounced. For example, according to data from the U.S. Department of Commerce, in 1955 the U.S. accounted for about 36% of world high-tech industry exports, a figure which was significantly higher than those of Japan(2%), West Germany(18%), and France(6%). The United States dominated the aerospace, computer, semiconductor, and electronics industries, sectors of cutting-edge technology of the time.<sup>18</sup>

Starting from the late 1970s, the overwhelming position of the U.S. in the high-tech sector started to deteriorate and the U.S. faced fierce competition with other countries, notably Japan. Japan, a second-mover, pursued active development strategies to catch up with America.<sup>19</sup> Several indicators presented signals showing that the relative gap between the United States and Japan gradually narrowed over time. The American share of world high technology sales had declined from about 79% in 1959 to 47% in 1978.<sup>20</sup> Japan's share in world high-technology exports more than doubled from about 7 percent in 1970-73 to about 16 percent in 1988-89, whereas those of the U.S. diminished from 30 percent to 21 percent.<sup>21</sup> The revealed comparative advantage of

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<sup>18</sup> U.S. Department of Commerce, International Trade Administration 1983, 46.

<sup>19</sup> On Japan's development strategy, see Fong 1998; Johnson, Tyson, and Zysman 1989.

<sup>20</sup> U.S. Department of Commerce, International Trade Administration 1983, Appendix B 52-53.

<sup>21</sup> Tyson 1992, 23.

America in high-technology products – measured by the ratio between the U.S. share of global exports of high-tech products and the U.S. share of global exports of all manufactured products – had declined from 219 to 192 between 1970 and 1989. In contrast, Japan’s ratio had increased dramatically from 80 to 133. The erosion of American positions was especially pronounced in electronics where Japan scored dramatic gains in revealed comparative advantage.<sup>22</sup>

Starting from the 1980s, in line with America’s relative decline, new coalitions, later dubbed as “revisionists”, had emerged and started to challenge the well-established “traditionalist” liberal discourse of that time. Revisionists included scholars, bureaucrats, entrepreneurs, and politicians who advocated taking a hardline stance toward Japan. Their specific arguments were as diverse as the scope of people who can be classified as revisionists, but they generally agreed that the economic and military security of the United States would be seriously threatened if Japan dominates the major high-tech industries with the properties of dual-use technology. They demanded that extraordinary measures are necessary to assure the future prosperity of America and save the nation.<sup>23</sup>

### **Securitization Attempts and Ideas: Issue Linkage**

There is evidence that revisionists deliberately linked technological and economic issues to matters of national security. One strand of revisionist ideas underscored the economic threat posed by Japan to U.S. national security. According to this view, the rise of Japan was not a phenomenal and temporary problem of losing in some industries and accumulating some trade deficit. Rather, it was a more fundamental problem stemming from the Japanese economic model itself. From the viewpoint of revisionists, the Japanese economic model was fundamentally ‘unfair’, and their practices ‘predatory’, which have serious implications for the welfare of the American economy.<sup>24</sup> Going beyond complaints about the unfairness of the Japanese model, the revisionists demonstrated a more holistic view of Japan as a mercantile power intending to dominate the global economy.<sup>25</sup> American firms could be kicked out from the market, which would lead to

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<sup>22</sup> Tyson 1992, 24.

<sup>23</sup> For a detailed discussion of the range, characteristics, and ideas of the people who can be classified as ‘revisionist’ versus ‘traditionalist’ see Morris 2011.

<sup>24</sup> Representatively, see Johnson 1989; Johnson 1995.

<sup>25</sup> Prestowitz 1988, 22; Fallows 1989.

deindustrialization, evoke massive unemployment, and ultimately become a threat to American society.<sup>26</sup> Losing in the high-tech sector was, even more, a problem, since it meant ceding all benefits which could have spilled over to other sectors and the whole American economy.<sup>27</sup>

Another version of the revisionist idea directly linked the problem to matters of national defense and started to sound the alarm. The core argument was that increasing technological dependence on Japan would impair the national security of the United States. As Pages notes, “Reliance on a foreign source raises the potential that one’s ability to produce critical weapon systems and secure the most advanced technology for the development of a future weapon system could be compromised.”<sup>28</sup> A House Armed Services Committee report insisted that “there has been a serious decline in the nation’s defense industrial capability that places our national security in jeopardy. An alarming erosion of crucial industrial elements, coupled with a mushrooming dependence on foreign sources for critical materials, is endangering our defense posture at its very foundation.”<sup>29</sup>

These arguments took several forms. First, a group of experts was concerned about foreign dependence’s impact on the supply and mobilization of military weapon systems. They questioned whether it would be possible for the U.S. to receive essential parts and equipment and produce weapon systems in sufficient quantity and speed to meet military demand, especially in a national security emergency. Relying on foreign sources had the potential to lose access to foreign supplies. Furthermore, production bottlenecks overseas might hamper military production at home. For example, a report issued by a military agency argued that if there is “no choice but foreign chips”, there can be a serious delay in procuring critical parts, which could be a serious security threat to the United States.<sup>30</sup> High-ranking officers who commanded military operations also shared concerns about these security threats.<sup>31</sup>

Second, revisionists underscored that losing control of cutting-edge technology would be a security problem since foreign firms might not supply the Pentagon with their most technologically advanced materials. They pointed out that the interests of foreign governments and firms may not

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<sup>26</sup> Drucker 1986

<sup>27</sup> Tyson 1992, 32-45.

<sup>28</sup> Pages 1996, 8.

<sup>29</sup> U.S. Congress, House Committee on Armed Services. 1980, III. Letter of Transmittal.

<sup>30</sup> Air Force Association and the U.S. Naval Institute Database 1988, 16-17.

<sup>31</sup> Crowe 1991.

match the interests of the United States. Foreign actors have an incentive to reserve their best supplies for their own needs.<sup>32</sup> For example, in the mid-1980s, Japanese companies were reluctant to develop bubble memories which the U.S. demanded. The Department of Defense had to wait until U.S. firm Intel came into the rescue.<sup>33</sup> Nikon, a Japanese firm, sold its cutting-edge “stepper” manufacturing devices only to their own government, and it took 24 months for the U.S. to get access to the critical technology.<sup>34</sup>

Third, concerns about the inability to control external technologies have been underscored by the possibility that countries with superior technology, such as Japan, will hand over their advanced technologies and equipment to America’s opponents in accordance with their own interests. For example, halon gas provided to the Soviet Union by a Japanese chemical firm had the potential to be used to strengthen the ballistic missile guidance system.<sup>35</sup> Another example is the transfer of Japanese submarine silence technology to the Soviet Union. Toshiba reportedly provided a sophisticated milling machine to the Soviet Union, which enabled the Soviets to significantly reduce the noise of their nuclear submarines.<sup>36</sup>

## **Persuading Audiences and Policy Outcomes**

### *Semiconductors*

Among the high-tech industries, the semiconductor industry was the one to receive the most active support from the government. In terms of trade policy, the unprecedented 1986 semiconductor trade agreement, and the subsequent 1991 agreement showed that the U.S. was increasingly willing to abandon laissez-faire principles in favor of aggressive unilateralism and managed trade. The creation of the SEMATECH consortium was also a seminal event. It showed the willingness of the U.S. government to pick winners, employ significant government funding, and directly support private industry.

As the OEP framework suggests, the government decided to take action and intervene in the market where social demands were intense. There is ample evidence that social actors were active

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<sup>32</sup> U.S. Congress, Office of Technology Assessment 1988, 14.

<sup>33</sup> Libicki, Nunn, and Tayler 1987, 92.

<sup>34</sup> U.S. Defense Science Board, Industrial Base Committee 1990, 20.

<sup>35</sup> Sanger 1988.

<sup>36</sup> Vogel 1992, 55.

in lobbying the government. The Semiconductor Industry Association (SIA) played an indispensable role during the industry's campaign for government action. SIA took several actions such as seeking to create favorable public opinion, mobilizing groups to support their position such as the "Semiconductor Congressional Support Group", and submitting a Section 301 petition against Japan's unfair tactics.<sup>37</sup>

The semiconductor issue, however, became more salient when it was linked with issues of national security. The SIA itself demanded extraordinary measures to counter the "predatory" and "unfair" behavior of Japan which was deemed to be a severe threat to the American economy.<sup>38</sup> Among government agencies, the Defense Science Board(DSB), The Office of United States Trade Representative(USTR), Central Intelligence Agency(CIA), and Department of Commerce(Commerce) were the most active actors to securitize the semiconductor issue in the government.<sup>39</sup> For instance, DSB insisted that "U.S. defense will soon depend on foreign sources for state-of-the-art technology in semiconductors. The Task Force views this as an unacceptable situation".<sup>40</sup> USTR Clayton Yeutter, who announced the Section 301 investigation, recalled that "I felt there were major national security issues at stake and that these overwhelmed the economics of the situation".<sup>41</sup>

These securitization attempts were successful when the revisionists' ideas were accepted by key actors in the government. Revisionists faced few difficulties in convincing policymakers that semiconductors were important components in weapon systems and thus indispensable.<sup>42</sup> The idea that semiconductors will create significant externalities that would ripple through the entire U.S. economy played an important role in convincing Congress to support government action.<sup>43</sup> It is important to note that some initial opponents of government intervention eventually agreed to acquiesce to the revisionist position. One official in the Office of Management and Budget(OMB), a government agency that initially objected to government intervention, recalled that "If

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<sup>37</sup> O'Shea 1992, 64.

<sup>38</sup> Wolff 1985.

<sup>39</sup> O'Shea 1992, 71-73; Brock, 1984, 9-10.

<sup>40</sup> U.S. Defense Science Board 1987, 1-2, 87.

<sup>41</sup> Cited in Kunkel 2003, 93

<sup>42</sup> Charles 1989, 8-10

<sup>43</sup> U.S. Congress, House Committee on Energy and Commerce, Subcommittee on Commerce, Consumer Protection, and Competitiveness 1987, 58.

Department of Defense says there is a national security problem, we can't argue with them".<sup>44</sup> Furthermore, despite some initial resistance, the Department of State altered their position and concluded that government action was necessary to ensure the survival of semiconductor industries.

### *Satellites*

The Omnibus Trade and Competitiveness Act of 1988 was an institutionalized formidable weapon provided by the Congress to the executive which made aggressive and unilateral trade policies possible. The Super 301 provision directed the administration to identify priority trade partners and practices that were unjustifiable and restricted the commercial interests of the United States. In May 1989, the USTR cited Japan as one of the three "priority" nations under this provision and designated satellites as one of the "priority" practices. After rounds of strenuous negotiations, the U.S. and Japan reached the 1990 satellite agreement. Eventually, Tokyo yielded to open its communication and commercial satellite markets. Revisionists successfully securitized the issue and secured government action in the satellite industry.

The satellite case is an anomaly to the OEP approach because it shows that active government action is possible despite the lack of pressure from direct stakeholders. There is some evidence that the dominant U.S. satellite suppliers such as Ford Aerospace, General Electric, and Hughes Aircraft did not support the government designating satellite as a priority practice. For instance, Hughes Aircraft was surprised to find out that the Bush administration had designated the satellite industry because they actually opposed it.<sup>45</sup> The U.S. firms were cautious about going hard on Japan since they did not wish to invoke Japan's retaliation which could make their market position to be jeopardized.<sup>46</sup> This suggests that the initiative for a satellite designation would have to come from the U.S. government.<sup>47</sup>

The satellite issue attracted the attention of government officials when linked with revisionist ideas treating the issue as not merely a problem of promoting private economic interests but as an

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<sup>44</sup> Pages 1996, 102

<sup>45</sup> Ito 1990, 134.

<sup>46</sup> Mastanduno 1992, 743.

<sup>47</sup> It can be argued that although the satellite designation did not get support from direct stakeholders it did get indirect support from other industries. Furthermore, many business organizations favored using the Super 301 provisions against Japan in general, whatever the target. See Zeng 2007, 154-156. It is still puzzling, however, why policymakers decided to act in the satellite industry even though there were no complaints from direct stakeholders, given the OEP viewpoint that states are representatives of social interests.

issue having strategic importance. For the United States, the aerospace industry has been a strategic field critical for increasing scientific knowledge, securing military defense, and promoting commercial interests. The technological, security and economic factors of the aerospace industry could not be separated from each other. For example, missile launchers developed for the purpose of national security were used for launching commercial satellites, and satellite technologies developed for the purpose of communication and reconnaissance were also used for the development of commercial satellites.<sup>48</sup> The fear was that Japan has the potential to use its domestic markets as a strategic base to catch up to, and ultimately surpass, the United States in this strategically important high-technology industry.<sup>49</sup>

The U.S. government decided to designate satellites within the 301 provisions when more policymakers accepted the revisionist ideas. There were intense debates within the government. The leading agencies of the satellite designation within the U.S. government were USTR and Commerce, and the Congress. They saw the designation option as providing an opportunity to preempt Japanese targeting of critical high-tech industries and preserve the strong competitive advantage the United States had long enjoyed.<sup>50</sup> The USTR and Commerce urged the president to utilize 301 against Japan to prevent its ascent in space development. Although the Department of State, OMB, Council of Economic Advisors(CEA) initially opposed to the designation of satellites, they eventually agreed to acquiesce to the revisionists' position because they too have concluded that Japan's rise in the space industry may pose a real threat to America's industry.<sup>51</sup>

### *HDTV*

The HDTV case poses some puzzling problems for both relative-gains argument and OEP. The growing dependence on reportedly strategic industries in HDTV which has some serious security implications, evoked relative-gains concern throughout the nation. These concerns were backed up by social demands urging the government to save the industry from the Japanese threat. As the Bush administration entered office in 1989, revisionist attempts to securitize the issue became more intense. For a short time, these attempts appeared to be successful, but eventually, the

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<sup>48</sup> Bayard and Elliott 1994, 112-113

<sup>49</sup> Schlesinger 1989.

<sup>50</sup> Testimony of Lynn Williams and Michael Farren, in U.S. Congress, Senate Committee on Commerce Science, and Transportation 1989b, 7-10, 13-15.

<sup>51</sup> Powell, Tomas, and Martin 1989, 48-49.



executive stymied the development of an industrial policy that would have put American firms in a position to better compete with Japan.

There is ample evidence of active pressure group activity from the U.S. consumer electronics industry. Thus, the HDTV case can arguably weaken but cannot decisively falsify the OEP argument. OEP expects national preference to reflect *some* social-economic interests, not necessarily *all* the specific private interests, although it is more likely for industries where the demands of social actors are more intensive to receive government support. The American Electronics Association (AEA) played a significant role in initiating the policy process. In May 1989 AEA unveiled a comprehensive plan designed to assist American firms in entering the HDTV market. The plan called for government spending of more than \$1.3 billion and insisted that HDTV should be treated as a national champion by the government.<sup>52</sup> Companies like AT&T and Zenith were also strongly asking for government support.<sup>53</sup>

HDTV reportedly was an industry in which the future technology had been central to states' interest through its links to enhanced national security, and the revival of a competitive U.S. electronics industry. Thus, the relative-gains thesis would expect the state to actively intervene in the market to secure national security interests. The U.S. government, however, was eventually reluctant to take action, which makes the HDTV an anomaly from the vantage point of realism.

The securitization model instead expects revisionist ideas to deliberately link technological, economic aspects of HDTV to military matters as an attempt to make it a security problem. Furthermore, contrary to the realist view, the securitization model argues that not all securitization attempts succeed to become security matters. If alternative ideas are regarded as not providing a solution to the problem and deemed illegitimate, preexisting ideas win in the domestic ideational contestation.

There is evidence demonstrating that proponents of the HDTV initiative referred to security problems to earn extraordinary measures. The AEA noted, "The stakes are too high – economically, job-impact, national security, defense, and technological leadership – for us not to proactively seek an American best interest solution."<sup>54</sup> The Defense Advanced Research Projects Agency (DARPA)

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<sup>52</sup> Statement of Pat Hill Hubbard from AEA, in U.S. Congress, Senate Committee on Commerce Science, and Transportation 1989a, 42-54.

<sup>53</sup> Burgess 1989, F3.

<sup>54</sup> Statement by AEA, in U.S. Congress, House Committee on Energy and Commerce, Subcommittee on

of the DoD was also a strong advocate of HDTV. The head of DARPA, Craig Fields, an outspoken proponent of HDTV, highlighted that the competitive strength in HDTV would contribute to strength in related industries such as semiconductors. He also stressed that in order to meet military demand, securing commercial competitiveness in the private sector would be crucial.<sup>55</sup> The secretary of Commerce Mosbacher, an enthusiastic supporter of HDTV, also directly referred to security problems by arguing that “there are serious problems for our balance of trade if the U.S. fails to participate fully in the development of HDTV. ... Dependency by U.S. industry upon our competitors for key components and technologies poses very real risks.”<sup>56</sup> Many members of Congress enthusiastically supported these ideas. By early 1990, ten committees had held hearings, and seven bills related to HDTV had been introduced.<sup>57</sup>

Securitization attempts in the HDTV failed when the proposed ideas were regarded as illegitimate and lost the support of key policymakers. DARPA’s and Commerce’s efforts soon confronted strong resistance from powerful figures such as OMB Director Richard Darman and White House Chief of Staff John Sununu. The opponents argued that the HDTV initiatives were tantamount to an industrial policy that is antithetical to the laissez-faire idea the U.S. had long adhered to.<sup>58</sup> In a study, the Congressional Budget Office (CBO) also concluded that the evidence supporting revisionist ideas is meager, insufficient to override traditional laissez-faire principles, thus cannot justify government intervention.<sup>59</sup> Fundamentally, there was widespread skepticism in the administration questioning whether HDTV was indeed a strategic industry.<sup>60</sup> Even Mosbacher retreated from his initial position, arguing that the government should provide general R&D support instead of targeting certain industries and picking winners.<sup>61</sup> As the prospects of gaining government support faded away, DARPA head Craig Fields attempted to fund HDTV with their own discretionary funds. This decision led to Field’s firing by the White House.<sup>62</sup>

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Telecommunications and Finance 1989, 34

<sup>55</sup> Testimony of Craig Fields, in U.S. Congress, Senate Committee on Commerce Science, and Transportation. 1989a, 4-18

<sup>56</sup> Statement of Robert A. Mosbacher, in U.S. Congress, Senate Committee on Commerce Science, and Transportation. 1989a, 12-16.

<sup>57</sup> Beltz 1991, 39.

<sup>58</sup> Farnsworth 1989, E4.

<sup>59</sup> Pages 1996, 137.

<sup>60</sup> Mastanduno 1991, 106-108.

<sup>61</sup> Burgess and Richards 1989, C1-C4.

<sup>62</sup> Davis 1990, A4.

One of the reasons why ideas favoring government intervention in HDTV were deemed illegitimate by policymakers is that compared to other high-tech industries such as semiconductors or satellites, it was unclear whether the U.S. had a comparative advantage over Japan. The Japanese HDTV industry appeared to be very far ahead. Therefore, revisionist solutions seemed implausible since the proposed policies were not likely to produce expected outcomes. This point is highlighted in CBO Director Robert Reischauer's remarks. "It seems implausible to suggest that such a small and uncertain future market will be more important as a driver of technology, as a provider of economies of scale, or as a determiner of competitive success that will be the growth of present markets. ... it is not at all clear that HDTV will act to drive or significantly spur advances."<sup>63</sup>

## Conclusions

This study has revisited the U.S.-Japan trade conflict case and sought to demonstrate the process of preference formation of American economic policy in high-technology industries in periods of national decline. It highlighted the importance of the securitization mechanism, namely, the formation of alternative domestic coalitions under conditions of national decline, securitization attempts deliberately linking issues, and ideational contestation. First, under conditions of uncertainty, such as in times of power transition, securitization politics becomes prominent. As demonstrated in the previous chapters, revisionists emerged and challenged the well-established traditionalist ideas of that time, in line with the relative decline of America's position in the global high-tech sectors. Second, in order to gain more resources and attention, actors deliberately link their concerns to matters of national security. Revisionists framed the 'Japan problem' as a security threat to the United States, resorting to the economic and military security problems of dual-use technology. Third, the results of ideational contestation between traditionalists and revisionists shaped the policy outcome. Securitization was successful when revisionist ideas were accepted as legitimate, as demonstrated in the semiconductor and satellite case. Traditionalist ideas prevailed in the HDTC case where revisionists' solution seemed implausible in the eyes of American policymakers.

The securitization model complements realist and commercial liberalist theories explaining

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<sup>63</sup> Statement of Robert Reischauer, in U.S. Congress, Senate Committee on Government Affairs 1989, 10.

American foreign economic policy. On one hand, the relative-gains thesis has limits explaining the HDTV case, where relative-gains concerns were intensive but American policymakers chose not to intervene and support the industry. The securitization model solves this anomaly by highlighting that security interests are not *given* automatically by structural imperatives but are *constituted* by domestic agents deliberately seeking to securitize. On the other hand, the OEP approach has limits explaining why the U.S. government chose to designate the satellite industry within the Super 301 framework, despite the lack of pressure from dominant U.S. satellite producers. The securitization model stresses that economic issues become more salient and attract policymaker's attention when securitized at the national level. Furthermore, it shows that social pressures may be important but not necessary for government intervention.

This study presents some real-world implications. It argues for greater attention to the micro-level process of American economic policymaking in times of power transition. Great powers often use economic instruments against one another as a way of seeking to influence the political behavior of their rivals, which often leads to economic conflicts. This study suggests that the motivation behind great power's economic statecraft may be securitized interests responding to the changes in global conditions. Problems may be dramatized domestically, which may lead to a higher level of international conflicts.

The findings of this study are not intended to generalize beyond the case of the U.S.-Japan trade conflict. It is, however, important to note that patterns analogous to the case are now being observed. China is rising rapidly in the high-tech sector, with its catch-up strategies represented by "Made in China 2025". Cyber-security threats are being dramatized within the United States, and the Trump administration has been imposing economic sanctions against Chinese high-tech firms, such as Huawei. Future studies may focus on testing the hypotheses suggested in this study to other cases of great power economic policymaking in periods of power transition.

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