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Managing the MedUSA: comparing the political economy of US–Japan, US–German, and US–UK relations

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Several years ago, in the wake of 11 September and the lead-up to the Iraq War, when both consensus and conflict among the former Cold War allies came bubbling to the surface, many in the field of politics and international relations came to a deeper realization that important new transformations were occurring in the post-Cold War world. Of course, specific issues always could cause conflicts and even partial breaks among democratic allies. During the Cold War, some, such as France's 'Gaullist' policies in its relations with the North Atlantic Treaty Organization (NATO)

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and the United States, Japan's 1960 Security Treaty Crisis and trade friction with the United States in the 1980s, and public protests over missile bases and the war in Vietnam between Germany, the United Kingdom and the United States, come immediately to mind. Nevertheless, a clear common potential enemy and common goals transcended these immediate frictions. Both at the time and in retrospect they appeared to be more like 'punctuated equilibriums' than a real change in the equilibrium. Without the common potential nation-state enemy and with less clear common goals, or perhaps more diverse ones, after the end of the Cold War, somehow the new disagreements seemed to presage a much more fundamental shift. This assessment was reflected in the many new books arguing the question of the present and future alliances and relationships between the United States and Europe after the American invasion of Iraq (e.g. Kagan 2004; for a longer-term perspective, see Tabak 2007). Even before then there were the warnings of a potential breakdown of the US–Japan alliance in the mid-1990s when the results of trade friction and protests against US bases on Okinawa tested patience on both sides of the Pacific (Hughes 2004: 47–9).

In the aftermath of the start of the Iraq War, we editors began thinking about and discussing the state of relations between the American superpower and its most important democratic allies. Perhaps because we were all Japan experts or because two of us (Hughes and Blechinger) are European, despite the fact that all of us were either American (Krauss) or had studied and lived in the United States (Hughes and Blechinger), we became interested especially in the partners of the superpower in the post-Cold War world rather than just the more commonly studied politics and strategies of the superpower itself. We soon discovered that such a perspective was one of the least systematically studied – but important – issues in the post-Cold War international system. The relevant question was: how do the most important democratic allies and economic partners of the US superpower (or if you prefer, 'hyperpower', the phrase coined by France's Hubert Védrine), Japan, the United Kingdom, and Germany, manage their relationship with that military and economic giant, and do they use different political and economic strategies, techniques, and methods to handle it for their own interests, and, if so, why?

The project and its theme

We also soon came to realize that this seemingly simple question is actually a relatively new one in the study of international relations and is extraordinarily complex, and this in turn led us to a whole series of follow-up questions. US security alliance relationships have tended to be conceived of and studied bilaterally, one alliance at a time at a particular point in time (see, for example, Dumbrell 2001 (for the UK); Green and Cronin 1999; Haftendorn *et al*. 2007 (for Germany and France); Funabashi, 1999; Ikenberry and

Inoguchi 2003 (for Japan); Maull 2006 (for Germany). Where non-military relationships have been given attention it is usually to study a particular bilateral trade dispute or disputes, as in the case of US–Japan trade friction in the 1980s and 1990s, or particular issues in or about the WTO that divides either the United States and Japan or the United States and the European Union (e.g. Krueger 2000). Many of these above studies look at alliances or economic relationships primarily from either the point of view of the superpower or, if from the partner's view, its perspective, interests, and approach but not specifically on its strategies and tactics for advancing its interests in the service of its perspective. Indeed, when we looked in the literature for a systematic comparison of the United States' relationship with these countries, either in military alliances or economic linkages, we found none, especially none that asked how and why does their relationship with the United States and methods of managing it diverge?

At first we considered undertaking a project that focused equally on Germany, the United Kingdom, and Japan. We abandoned that idea, however, for several reasons. One was because of our common Japan expertise. Another was because we felt we needed one of these US partners to serve as a 'touchstone' for comparison with the others. The United Kingdom and Germany, however, might involve us so much in a consideration of the politics of the European Union that we would lose the prime focus on the US relationship. But especially, a major reason was that we think that in some ways it is the US–Japan relationship that has been both the most contentious and competitive in the economic dimension and the one most currently in the midst of the greatest transformation in the security dimension. So we decided to make the US–Japan relationship the core of the project we were considering but to put that relationship in comparative perspective to the US–German and US–UK relationship (or where necessary the US–EU relationship).

We also decided that there were three key dimensions to these relationships, each of which required separate consideration, although with sensitivity to cross-dimension interactions. The first was political economy. How does each of these major democratic economic trading partners of the United States handle the superpower in various types of economic sectors? The second was the military security dimension of the relationship: how do they manage their alliance with the United States? Finally, there are increasingly frequent issues that fall into neither of these categories, particularly issues we call 'global governance' issues, issues that involve concurrence and conflict on formulating and implementing agreements through worldwide institutions and treaties on problems ranging from WTO trade disputes through to global warming to land mines or human rights.

We have held or plan to hold a workshop on each of these dimensions, inviting a group of expert participants from Japan, Europe, and the United States to present papers and discuss these questions and themes and publish the best papers after they had been revised based on feedback from other participants and the organizers/editors. This special issue of *The Pacific Review*

is based on a workshop held at the University of Warwick, UK, on 29–31 March 2006. The workshop was sponsored by a generous grant from the Centre for the Study of Globalisation and Regionalisation at the University of Warwick for which we are very grateful. We also thank the anonymous North American reviewer for valuable subsequent feedback on all the papers.

The research questions

We were interested in explicating how each of the partner countries dealt with their political economy relationships with the United States (the dependent variable) and any changes in these across issues and time. What approaches, strategies, methods do their governments and private actors use both to respond to US economic challenges, opportunities, requests, pressures, and demands in the trade and economic realm, or to advance and initiate their own perceived interests? In particular, how do they handle the United States' behaviour when their views, approaches, and interests are perceived to be different from the United States' interests? Why did they adopt those approaches, strategies, or methods for handling or advancing their interests vis-à-vis the MedUSA? What are the consequences of their chosen strategies and methods for the relationship?

We found little conceptual guidance on how to approach these questions in the economic dimension. In the security dimension there was at least the concept of the 'alliance dilemma' – that smaller powers are forced either to 'balance' against or 'bandwagon' with a stronger power, and if they bandwagon that they attempt to avoid both abandonment by the stronger, protecting power on the one hand, and entrapment in that power's global strategies that are not in their interests on the other. The 'alliance dilemma' offered about the only theoretical concept even remotely close, albeit still rather general and simple and primarily of use in security matters, to our questions. Even this influential concept, however, had to be somehow adapted to studying economic relationships where 'abandonment' of one's trading partners is not a realistic option and 'entrapment' has little meaning at all. It also said little about the role of domestic politics in both the choice of how to handle the stronger power or how one avoids both horns of the dilemma. Nor, going up conceptual levels, did it provide any guidance on how the increasing economic regionalization of both Europe and East Asia might affect the choices that allies' governments and businesses made in dealing with the United States.

Further, the economic sphere is fundamentally different from the security area in that, in the latter, allies share a common purpose and goal, mutual protection from threat, and thus are generally formally committed to try to cooperate for that purpose (or they would not enter into an alliance!). In the economic dimension, on the other hand, economic partners are both simultaneously embedded in an informal cooperative exchange relationship to their mutual benefit but also can be and usually are also serious rivals and competitors trying to best the other not only in their own market but also in other markets. Not only can they be competitors in one economic sector and much more cooperative in others, but they can and often are both simultaneously in the same sector. And the very complexity of the myriad sectors in which economic partners can compete or cooperate defies a simple 'dilemma' that covers all possibilities.

Rather, the 'dilemma' for the United States' partners in the economic arena seems much more whether to compete, and if so how, or to cooperate by such means as joint ventures, FDI, subcontracting, and so forth, and often how much of each in which sectors. In short, the 'dilemma' in the economic dimension seems to be, on the one hand, avoiding so much independence as not to share in the benefits of cooperation and integration with the United States and possibly become a technological and market backwater (at least in areas where the United States is a leader), and also possibly make the MedUSA feel threatened and react with some form of punitive behaviour (filing a dispute case with the WTO; pushing to liberalize the partner's domestic market(s) further, diversifying partners, and so forth); but on the other, engaging in so much cooperation that the partner becomes overly dependent on the United States technologically in that sector and a minor player in terms of markets. We therefore asked our participants to be sensitive in the sectors in which they were doing research to the extent to which the United States and its partners were competitors and the extent to which they were in more integrated and cooperative relations, and the extent to which the United States was the dominant partner in that sector or Japan, the United Kingdom, or Germany were, or both were relatively evenly matched.

Specifically, we asked them to attempt in their papers to investigate the extent to which the partners employ various kinds of 'hedging' strategies to avoid becoming overly dependent on the MedUSA in key sectors and whether those strategies are bilateral, regional multilateral, or global multilateral ones. Especially, given the great and growing integration of the European Union, and of Asian economies, to what extent do these new patterns of trade and investment provide Japan, Germany, and the United Kingdom with new opportunities and constraints in dealing with the United States? Conceivably, such increasing regional integration could give each partner more leverage and more of a 'hedge' against dependence or dominance by the United States in that sector; it might also constrain them, however, from greater cooperation and its consequent economic advantages by giving regional partners rather than the United States more leverage to force diversification of trade, investment or supply, or constrain for political reasons their behaving in a completely economically rational fashion.

How can we explain the behaviour of each of the partners in managing their relationship with the United States? We assumed that the explanation for commonalities or differences we found in the three US partners' responses (the independent variables) involved *each country's position and perception of the international economic environment* as well *as differences* *in their domestic political institutions and processes*. Thus, Japan is not embedded in any multilateral economic institutions as the United Kingdom and Germany are in the European Union, although its de facto integration with the rest of Asia in trade and foreign direct investment (FDI) has grown extraordinarily in the past ten to fifteen years, making the rest of Asia Japan's largest trading partner, surpassing the United States. Japan is also the world's second largest economy but has been mired in an economic recession for most of the last decade and a half, emerging only recently. The United Kingdom and Germany, on the other hand, are solid but mid-level economies among the developed democracies but are important trading partners of the United States and, in the case of Germany, important financial actors in Asia. The United Kingdom's economy has been thriving while Germany's has experienced problems in recent years. Japan excels in high-tech sectors such as telecommunications (mobile phone technology) and computer electronics, and mid-level manufacturing (e.g. automobiles) and has a thriving export industry in the entertainment industry area of *anime* (animation) and computer gaming; the United Kingdom's most important economic niche is as a financial hub and Germany's as a mid-level manufacturer. The European Union has run third to the United States and Japan in entertainment as an industry.

In *domestic politics*, although all three are democratic parliamentary regimes, in other respects their domestic political institutions and processes can differ. Each has different electoral systems: since 1994 Japan has had a mixed-member majoritarian system composed of both single-member districts and proportional representation, but these are separate and the former produces almost twice as many seats as the latter, thus mitigating much of the effects of the proportional portion. Germany, too, is a hybrid system but one in which the single-member district results are adjusted for party vote proportionality, making it in effect like a proportional representation system. The United Kingdom has, and has always had in the twentieth and twenty-first centuries, a pure single-member district system. Each of these electoral systems has different consequences for the political process.[1] Germany has a much more decentralized centre-local political system, with many governmental functions performed by the local *Lander*. The United Kingdom is very much a unitary system, and Japan somewhere in between. Japan's current ruling party, the Liberal Democratic Party (LDP), a fairly decentralized political party until recently, has governed Japan for all but less than one year since 1955, with usually four opposition parties. The United Kingdom's 'Westminster system', on the other hand, has tended to be quite centralized around the prime minister and cabinet, with two or three major parties and alternation in power. Germany has tended to have a limited multi-party system, alternation in power, but coalition governments.

There are also differences in the way in which interest groups in the private sector relate to government and vice versa. Japan's political economy has usually featured the closest collaborative relationships between public and private sectors, with the United Kingdom's much less so, and

Germany's corporatism ranging in between. While the United Kingdom's and Germany's domestic markets have tended to be fairly open to foreign investment and imports, and have become even more so with the European Union's and WTO's liberalization policies, historically Japan has tended to engage in 'technonationalism' (Samuels 1996) and until the 1980s has had both formal barriers and informal non-tariff barriers that gave domestic firms advantages in competition and protection from foreign dominance in the domestic market. US trade pressure and GATT and WTO agreements have considerably lessened the ability of Japan's government and industry to engage in these and the Japanese market is far more open today, both formally and informally, than it used to be. Nevertheless, the advantages of earlier protection and the capture of consumer loyalty, supplier relationships and so forth have nonetheless continued to give some Japanese firms some advantage over foreign rivals in their own market.

In addition to international and regional, and domestic political factors that might influence state- and private-sector preferences for one strategy or another for managing the relationship with the United States, there may also be *differences in the nature of the sector itself* that might influence these. The technology, organization of industry, how advanced or laggard it is vis-à-vis the United States, and ideologies of political economy that encourage or limit government interference in this type of sector, may all help to shape the strategies a country adopts to 'manage the MedUSA' in that area. We asked our authors to be sensitive to these issues as well in doing their research.

Additionally, *there are asymmetries among the countries in their handling of information*. Some public and private actors learn more quickly than others and are more able to adapt to new circumstances or adopt new strategies. Some may have better information and understanding of the United States than others.

Finally, norms and identity might be a major factor in conditioning one strategy or another. For some nations, the desire to maintain independence and be a world leader in key industries for purposes of political and cultural identity and state legitimacy may provide incentives to engage in strategies to limit the possibilities of economic dominance in a sector; contrariwise, norms and identities for states and societies that emphasize openness to external influences, fair and free competition, and limits on the state's ability to intervene in markets may have the opposite effect.

Thus, like the field of international political economy itself, in many ways trying to explain the behaviour of states or markets can often be theoretically 'over-determined', having many seemingly and equally potentially valid explanations. Empirical research that allows comparisons not only across countries but also across sectors in this situation can offer the only major hints on how to sort out the various complex influences on outcomes and their relationships.

Before describing the cases that follow and attempting to come to some preliminary generalizations across cases, a word about the use of the metaphor 'MedUSA' to refer to the United States. Lest there be misunderstanding, we are *not* implying that the United States is a 'monster' in any moral sense. Rather, the United States is like the Medusa of Greek myth in that from its 'head' flow myriad cross-national relationships and sectoral connections. As with the serpents that are connected to the Medusa's head, the foreign relationships of America's allies as well as their involvement in economic, security, and global governance issues inevitably are closely linked back to the United States. Moreover, to gaze upon and become close to the Medusa also involves an element of risk. Besides, the fact that the word 'Medusa' contains 'USA' is a coincidence that we later realized and adds to the metaphor.

The cases

Hidetaka Yoshimatsu's paper begins this special issue with his article 'Japan's policy on steel trade disputes with the United States: a comparative analysis'. Yoshimatsu examines interactions among the United States, Japan and the European Union over steel trade disputes, paying particular attention to Japan's strategy in responding to these disputes. The article provides a comprehensive analytical framework, including the bilateral, international, and domestic factors in formulating Japan's policy towards the United States. Yoshimatsu finds that the special relationship with the United States still impinges on Japan's policy towards steel trade disputes, but its influence has gradually declined. Moreover, growing familiarity with the WTO rules and practices and collaboration with other countries has enabled Tokyo to expand its policy options to handle steel trade conflicts with Washington. Significantly, Japan formally adopted apparently bold measures to cope with the US steel safeguard action, but the measures' influence on the US government was limited compared with those adopted by the European Union. Moreover, weak policy coordination amongst ministries continues to impede Japan's ability to formulate strategic and effective measures in managing steel trade disputes with the United States.

Mark Tilton's article 'Seeds of an Asian European Union? Regionalism as a hedge against the United States on telecommunications technology in Japan and Germany' examines and compares European and East Asian regional strategies to counter American, and especially Microsoft, dominance in the telecommunications sector. The article shows that in East Asia, private firms and state institutions are joining hands in promoting the development of alternative regional standards that differ from those in the United States and elsewhere. In recent years, regional communications ministers, along with bureaucrats from related ministries and telecommunications company leaders, have established standing cooperative forums on technology and software. For Japan, cooperation, especially with South Korea and China, is meant to give Japanese firms special access to East Asian markets and to overcome disadvantages resulting from an earlier, domestically focused policy that caused Japanese firms to lag behind their American and other competitors. The joint development of East Asian standards is intended to get Japanese standards accepted in a larger market. In contrast, European regional policy in the telecommunications sector was meant to catch up with American firms by promoting the opening of markets to both European and non-European firms and to the integration of European and American standards. The European Union constrained national initiatives to prevent American firms from market entry. Consequently, German firms, and especially the dominant Deutsche Telekom, opted for an international rather than a regional strategy, a strong presence in the US market and close connections with American firms. In the absence of a powerful liberalizing regional organization such as the European Union in East Asia, Tilton sees the emerging cooperation between Japan, China, and South Korea in the telecommunication sector as a potential first step by these countries to overcome simmering historical resentments and to build trust by placing joint economic preferences over nationalist feelings. Managing the MedUSA may thus become a major incentive for the further institutionalization of regionalism in East Asia.

Steve McGuire's article 'The United States, Japan and the aerospace industry: from capture to competitor?' examines how Japan has juggled the demands of attempting to build a strong aerospace sector in the midst of strong competitive pressure from the United States and other regions. Japan, for all its success in other high-technology sectors, has largely failed to develop a strong aerospace sector. Its leading firms do not market finished aircraft and, in stark contrast to other sectors, the aerospace industry features a trade deficit with the United States. McGuire points out that Japanese firms seem trapped as suppliers of components and sub-assemblies, mainly for the US industry. The general explanation for this state of affairs is that the Japanese industry has been effectively 'captured' by the United States; Boeing, in particular, dominates the sector and has effectively locked the Japanese firms into a relationship where moving up the value chain is difficult.

However, McGuire points out that this relationship may be changing, providing Japan with some more options to deal with the American MedUSA. Japan's government has placed renewed emphasis on developing Japan's aerospace sector, while matters are evolving at the corporate level too, with Boeing's relations with Japan revealing a steadily increasing work share for the Japanese industry. The rise of Asia as an important market, and technological change making aerospace more like other manufacturing industries, presents Japanese firms with new incentives and opportunities beyond the US relationship.

Hideaki Shiroyama presents his paper, 'The harmonization of automobile environmental standards between Japan, the United States and Europe: the 'depoliticizing strategy' by industry and the dynamics between firms and governments in a transnational context'. He produces further insights on Japan's management of the MedUSA through examination of the automobile sector, and in particular the role of private firms in containing potential conflicts. He points out that when initial automobile environmental standards were introduced during the 1970s and 1980s, there were large differences in the level and timing of emission standards in the United States, Japan and Europe. These differences became bound up with the classic trade friction disputes of the 1980s, when the governments of the United States, Japan and Europe acted as the agents of their respective automobile industries in trade negotiations, and when emission standards were focused upon as environmental standards and non-tariff trade barriers. However, as Shiroyama points out, since the mid-1990s, owing to the globalization of the automobile industry, automobile firms have attained common interests to collaborate voluntarily on harmonized standards. They also have common interests against other sectors such as the petroleum industry to ensure that the burden for emission reductions is shared equitably among sectors. In this sense, it can be said that a 'depoliticizing strategy' has been used, whereby the automobile industry eschews reliance on government intervention and trade conflicts at intergovernmental level to deal with differences in standards. There is a tendency for high-level convergence on environmental emission standards for NO_x in Japan, the United States and Europe. In addition, the automobile industry has consciously sought international harmonization through the TABD (Trans Atlantic Business Dialogue) and the Trilateral Working Group. In turn, harmonization is attempted at the intergovernmental level to gain the WP.29 legitimacy of the UNECE (United Nations Economic Commission for Europe) in line with the signing of the 1995 Agreement (a revision of the 1958 Agreement) and the establishment of the 1998 Global Agreement. In the process, governments are requested by automobile firms to adopt harmonized standards; but governments also have their own incentives to create intergovernmental mechanisms to establish harmonized standards. In this way, Shiroyama argues that the management of the MedUSA has been diverted from the intergovernmental level, down to the level of inter-firm cooperation.

Harvey Feigenbaum presents a much-needed analysis of a key world industry – entertainment – in his 'Hegemony or diversity in film and television? The United States, Europe and Japan'. Film and television are vitally important to world and American trade – as Feigenbaum indicates, it is a multi-billion dollar industry and one of the United States' most important exports, second only to aerospace – and vital in domestic culture and politics in every country. Yet this industry is not a subject of much political economy research. His piece attempts to explain why major countries in the European Union, especially France, are vitally concerned about US world dominance in this sector and the threat of 'Americanization' of their public cultures, including attempting protectionist programmes through the European Union, but Japan does not seem to be.

He sees the main variables accounting for these differences as both interest- and ideational based. The vitality of the Japanese entertainment industry was sapped by American competition both less and later than in Europe and still remains in some aspects of it, and Japan's electronics companies are in a close and profitable interdependent relationship with Hollywood. At the ideational level, individual European countries do not necessarily share the more dominant 'neo-liberal' economic ideology of the United States and, to some extent, Japanese governments, and tend to see the problem as one of a values and identity threat to their public sphere. The European Union, despite needing to respond to these cultural concerns somewhat, actually shares in this neo-liberal approach and therefore Feigenbaum is pessimistic about the long-term ability of Europeans to keep Americanization at bay. Abetting the Japan–EU difference is that Japan these days may perceive greater real economic and security threats from its neighbours such as China, and these trump any fear of Americanization in the cultural arena.

Ming Wan's paper 'The United States, Japan, and the European Union: comparing political economy approaches to China' represents a different level of analysis. Rather than focusing on only one sector, he provides a comprehensive overview of the differences and similarities in how Japan, the United States and Europe have approached and handled a whole range of political economic issues from the rising economic 'star' China. He details how on the crucial issue of China's accession to the WTO, despite incentives for, and the possibility of, cooperation among the three actors in coordinating their negotiations, instead their approaches were often riven with suspicions, sometimes criticisms, and different emphases. They are also fierce competitors for projects in China, which allows the Chinese government to play one off against the other if it so chooses.

There have been, however, much more similar concerns and approaches on trade and currency issues, giving China 'market economy' status, and intellectual property issues. On issues related to security as well, despite differences in domestic politics and fears about China, he concludes that the 'absolute gains' of the economic relationship with China have a tendency overall to trump the 'relative gains' concerns of security. He finds a more ambiguous situation with regard to approaches concerning transforming China into a market economy and political democracy and in terms of stress on increasing regionalism. He concludes that whereas welfare concerns are overarching among the three actors, there are differences among them because of their different great power statuses and their real and perceived security threats from China – thus far the Japan relationship has been more important to the United States vis-à-vis the China issue rather than the European Union. Nevertheless, he sees the future bringing the United States and the European Union more into alignment on their concerns about China, as China itself extends its global economic and political reach, whereas Japan's role vis-à-vis cooperation with the United States concerning China may diminish.

In his paper 'The Role of Regional Financial Arrangements and Monetary Integration in East Asia and Europe in Relations with the United States', Werner Pascha examines the recent trends towards financial and monetary integration in Europe and East Asia and their potential effects on the economic relations of both regions with the United States as well as on the status of the United States in international relations. Pascha is especially interested in the question of whether the MedUSA's key allies, Germany and Japan, are using their position in regional financial institutions as a means of managing their relations with the United States. Pascha argues that, unlike trade policies, financial and monetary integration both in Europe and in East Asia were not and are not intended as a means of managing relations with the United States. The core motive behind regional financial integration policies is the will to protect the region from financial risk and to ensure stability. The example of European financial integration has shown that regional financial integration, even if it may be seen as a threat to the leading role of the US dollar in the world economy at first, in the long run actually benefits the competitive American banks and investment firms since it offers additional investment opportunities, allows them to spread investments and thus reduces risk. While Japan currently does not proactively promote further regional financial or monetary integration, Pascha sees a common interest on the part of all highly capitalized economies such as Japan, Germany *and* the United States in ways to increase the range of regional investment options and thus to help overcome the current global imbalances.

Comparing cases and countries

Let us return to some of the key questions that our participants and the project were interested in and try to draw some tentative conclusions from the case studies that follow.

First, what do these studies indicate about under what conditions Japan and Europe attempt to 'balance against' the United States, or in other words, when do they attempt strategies with more emphasis on economic rivalry and competition rather than cooperation and integration? There seem to be three primary contexts that make it more likely that a competitive strategy may be adopted. One is whether the United States' market dominance in that sector or the United States' ability to defend its industries seems surmountable. Another is whether a regional or global alternative strategy is available. And finally, whether there are acute concerns about damaging the security relationship with the United States in the process of choosing rivalry over cooperation.

All of these factors seemed to hold in the major cases in which Japan and/or Europe chose to 'balance against' the United States more than to integrate with it. Thus Japan seems to have chosen to attempt to rival Microsoft's dominance in telecommunications through regional cooperation with China and Korea (Tilton), both Japan and Europe have sought to overcome American protectionism through the WTO in steel (Shiroyama), the EU challenged Boeing in aerospace with Airbus, and has been willing to take a somewhat different route in handling China, on some issues at least (Wan). All of these cases seem more or less to fit the three conditions. Perhaps the one that ostensibly seems not to fit the security condition is aerospace, which one would expect to have major security implications. However, we should remember that the major European countries all had their own defence industries and incentives to develop their own 'spin-off' and 'spin-on' in commercial aviation, were already in competition with the United States in defence aerospace, and were strongly institutionally integrated with the United States through NATO. Thus commercial competition in aircraft was unlikely to damage the security relationship with the United States.

The strategy of linkage and integration with the United States in a sector and choosing not to balance against it in part seems to be the direct obverse of at least two of the factors involved in competing. That is, integration seems the preferred strategy when US market dominance seems insurmountable and the costs of going it alone are greater than the costs of cooperation, and there is no or only a weak regional alternative available. One example is where German firms chose to maintain close ties with US companies in telecommunications (although in developing their technology further they have gone with the EU regional alternative), as Tilton indicates. All these factors seem at work as well in Japan's choices in entertainment (Feigenbaum), both Japan and the European Union in auto environmental standards (Yoshimatsu), and the European Union's response to China compared to the United States and Japan (Wan). In two cases at least, but not necessarily the others, there were also strong concerns about damaging a vital security relationship with the United States. We see these at work in the case of Japan and aerospace (McGuire), where Japan chose to tie up with Boeing instead of trying to become a competitor as the European Union did, and in the European Union's sometimes different handling of China (Wan). The security concern seems to be an additional, important, but not always necessary, condition.

One additional variable, however, appears in two of the cooperation cases and one of the competition cases: the ideational factor. As Feigenbaum indicates, 'neo-liberal' ideology, or antagonism to it, differentiates the approach of individual countries like France and the regional institutions of the European Union and conditions their approach to cultural protection and fear of 'Americanization'. Similarly, German telecommunications was liberalized and thus reduced trade tensions with the United States more by the European Union's approach in that sector than by any other factor (Tilton). Conversely, here are traces of the ideational factor possibly at work in the case of European countries' decision to compete with Boeing to form Airbus (McGuire) possibly from identity as well as rational economic motivations. Whether the other cases do not reflect ideational factors because they were not at work in those sectors, or because the approach of the authors was to emphasize rational factors exclusively, is unclear.

One additional important question is the extent to which 'economic rationality' – that is the incentives of perceived economic self-interest – or 'political rationality' – the incentives of perceived domestic or international political self-interest – tend to operate to help induce competition or cooperation. The overwhelming evidence from these cases is that, at least in highly globalized sectors, economic rationality tends to hold sway much more than political rationality. We see this increasingly in the case of automobile environmental standards (Yoshimatsu); in the outsourcing to China and Japan by Boeing and Airbus (McGuire); in the Japanese film and television industry's and the European Union's response in entertainment (Feigenbaum); in Japan's, China's, and Korea's increasing cooperation in telecommunications despite great political friction in other issue areas (Tilton); and in Japan's, the United States' and the European Union's general handling of China when security issues are not at stake (Wan).

This does not indicate, however, that 'technonationalism' (Samuels 1996) is dead, buried under pure economic rationality and globalization. The United States' handling of steel is an excellent example of politics trumping economics. The response of individual countries in the European Union to the 'Americanization' of entertainment (Feigenbaum) also indicates that, at least for the time being, this is a sector where politics and ideology still matter. Furthermore, we continue to see indications of a new form of 'technonationalism' emerging in Japan. It is not the old autarkic variety that Japan was famous for until the 1990s in order to control its own technologies for economic growth; rather, it now manifests itself in the use of regional and global and even subcontracting strategies to attempt to protect and develop industries its government considers vital. We see this in Japan's use of the WTO in steel (Shiroyama), in attempting regional counters to Microsoft in telecommunications (Tilton) and even in aviation, where the 'if you can't beat them, join them' strategy of close subcontractor ties to Boeing has nonetheless increasingly become the development of an important domestic industry with growing clout with Boeing in this field (McGuire). In the increasingly globalized, regionalized, and liberalized twenty-first century, self-interested economic and technological growth and protection may still exist, but they are sublimated into new forms, channels, and strategies.

Note

1 Shugart and Wattenberg (2001) provide the most recent and influential example of the effects of electoral systems on political processes and their book contains articles about Japan, Germany, and the United Kingdom.

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