https://doi.org/10.60923/issn.2611-2752/22226
ISSN 2611-2752

Governing Trade Conflicts*

U.S. Economic Rhetoric, 1970–1979

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Submitted: June 19, 2025 – Accepted: November 6, 2025 – Published: March 31, 2026

Abstract

As President Trump imposed high tariffs on China, his economic nationalism was framed as a break from the postwar liberal trade order. By examining U.S.-Japan trade relations under Carter, the article shows that the tension between free-market ideals and state intervention preceded the Trump administration. Drawing on archival materials from the Carter Presidency, the study analyzes how U.S. officials in the 1970s sought to manage trade imbalances and declining competitiveness while publicly disavowing protectionism. Situating this discourse in relation to the more overt trade confrontations of the Reagan era and Trump's unapologetic protectionism, the article argues that what distinguishes Trump is not state intervention but the erosion of the rhetorical and institutional balancing strategies that once contained it.

Keywords: US-Japan Relations; Jimmy Carter; Protectionism; Free-Market Economy; American Exceptionalism.

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* The author thanks the anonymous reviewers for the careful and constructive feedback clarifying the article's intervention and sharpening the analytical focus. The author is also grateful to the archival staff at the Jimmy Carter Presidential Library for research guidance, particularly with the White House Central Files, whose organization presents well-known interpretive challenges.

When President Donald J. Trump imposed tariffs on steel, aluminum, and a wide range of imported goods, his rhetoric of "unfair trade" and economic nationalism was widely framed as a rupture in the postwar liberal economic order.[1] The continued isolation of the U.S. from NATO through the cancellation of the Paris Accords along with high tariffs on China have all been specifically protectionist. Commentators described these measures as a rejection of free-market principles and a departure from long-standing U.S. commitments to open trade.[2] From this perspective, what distinguished Trump's trade policy was less the use of protectionist intervention than the willingness to defend and name it openly.

Tom Wraight has been influential in reframing this debate. He demonstrates that U.S. protectionism, particularly towards Japan and later China, has been a recurring feature of U.S. liberal economic governance. Protectionism emerged most clearly in debates over industrial policy during the Reagan administration culminating in what he describes as "neoliberal protectionism" under Trump.[3] As Wraight argues, "Trump is better viewed as an extreme articulation of a neoliberal attitude to the world economy one in which activist state policy is always illegitimate and non-market-based decision making by other nations must be punished wherever possible."[4] Japan occupies a central place in his argument.

US-Japan trade relations under the Carter administration represent a critical earlier moment of the U.S. confronting the tensions of free-market commitments and the decline of U.S. market competitiveness. By the time Jimmy Carter assumed office in 1977, the U.S. had already departed from key pillars of the postwar economic order with the collapse of the Bretton Woods system and, most notably, the Nixon administration's suspension of dollar–gold convertibility.[5] These actions did not abandon liberal trade commitments, but they framed economic intervention by the states as unavoidable. Carter, therefore, inherited a trade and monetary regime in which state action was increasingly necessary, even as protectionism remained rhetorically disavowed to the public.

This article argues that US–Japan trade relations under the Carter administration reveal how protectionist intervention within the liberal economic order was governed through a dual discursive practice: enforced diplomatically while publicly disavowed through the language of liberal trade and multilateral cooperation. Drawing on archival materials, it demonstrates how the Carter administration managed growing pressure for protectionist intervention through diplomatic negotiation and discursive appeals to confidence, allowing state intervention to expand while remaining publicly disavowed within the language of liberal trade.

The article focuses on the rhetorical management of the public and non-public, communication, particularly diplomatic communication. The Carter administration repeatedly warned against protectionist measures as revealed in archival documents invoking a historical memory of the 1930s and the dangers of economic retaliation. Simultaneously, the administration pursued export restraints, market-access negotiations, and coordinated pressure on Japanese policymakers. Trade conflict was not to be eliminated but rather contained through rhetorical strategies that displaced coercion into the language of confidence, cooperation, and multilateral responsibility. Coercion in these bilateral relations is meant as a forcible demand of domination enforced through sanctions and tariffs or other unilateral policies to induce economic harm on another state, in this case Japan. The pattern reflects what economic analyst H. William Tanaka has described as the dual structure of US-Japan economic relations in the late twentieth century.[6] Within this economic framework, trade conflict was not re-

1. Tom Wraight, "From Reagan to Trump: The Origins of US Neoliberal Protectionism," *Political Quarterly* 90, no. 4 (2019): 735–742.

2. Harsha Vardhana Singh, "Trump's Trade War: A Disruptive Approach to Trade Policy," *Brookings Institution*, March 9, 2018, https://www.brookings.edu/articles/donald-trumps-trade-war-a-disruptive-approach-to-trade-policy; Dominic Rushe, "More than 1,000 Economists Warn Trump His Trade Views Echo 1930s Errors," *The Guardian*, May 3, 2018, https://www.theguardian.com/us-news/2018/may/03/donald-trump-trade-economists-warning-great-depression.

3. Wraight, "From Reagan to Trump," 740.

4. Wraight, "From Reagan to Trump," 742.

5. Eric Helleiner, *States and the Reemergence of Global Finance* (Cornell University Press, 1994), 131.

6. H. Tanaka William, "The Two US-Japan Relationships: Public and Private-Sector Responses to the New Global Economy," *The Fletcher Forum* 12, no. 1 (1988): 1–3.

solved but contained meaning absorbed into a diplomatic process which preserved the appearance of liberal "openness" while accommodating interventionist practices. Carter's trade diplomacy exemplifies a duality not as inconsistency or hypocrisy, but as a logic of governance.

Understanding the contradictions that sustained U.S. economic leadership matters because it complicates prevailing narratives of postwar continuity and American exceptionalism. When protectionism, within historical narratives, is treated solely as a policy deviation or ideological break in moments of overt trade conflict, they appear as exceptional acts. Rhetorically, these exceptional policies are presented as temporary. In reality, they establish long precedents that become increasingly difficult to detangle in the future. Attending to the rhetorical practices that governed intervention without naming them as protectionist policies reveals how U.S. economic leadership has been managed rather than transformed over time. A rhetorical analysis helps explain why trade disputes recur across administrations and parties. Furthermore, such an approach analyzes shifts in rhetoric rather than policy instruments, such as tariffs, export quotas and antidumping policies, alone to understand how rhetoric shapes whether intervention appears as responsible stewardship or dangerous departure. In this way, rhetoric precedes and conditions policy change warranting careful analysis of how rhetorical practices materialize interventionist policy.

The analysis proceeds by situating Carter's trade policy within the broader economic dislocations of the 1970s, particularly the destabilization of the dollar and the erosion of postwar monetary arrangements. It examines how US-Japan trade relations were governed through the disavowal of protectionism that rhetorically framed confidence as governance. The conclusion briefly returns to contemporary trade rhetoric, suggesting that what distinguishes Trump's protectionism is not its substance but the collapse of the rhetorical discipline administered by the Carter administration that once positioned similar practices compatible with the US-led liberal economic order. These tensions confronting the Carter administration emerged from broader transformation within the postwar liberal economic order. Understanding US-Japan trade conflict therefore requires situating the dispute within the economic dislocations of the 1970s. First, the classification of the governing assumptions of economic liberalization is in order. To understand structured policymaking in the postwar period, is to emphasize how market openness and state intervention were reconciled within a framework of multilateral governance. Second, tracing the destabilization of the Bretton Woods system highlights the ways in which the erosion of dollar stability transformed trade imbalances. These monetary shifts hampered monetary credibility and alliance management. Third, Japan's economic ascent requires contextualization within the US-backed order itself to understand the discursive, as in the geopolitical communication, framework undergirding a rhetorical analysis of the archival documents. Critical to the analysis is showing how trade conflict emerged from the internal dynamics of an order that fostered Japan's growth. Together, these dynamics explain the constraints under which the Carter administration governed. US-Japan trade relations illuminate how intervention became necessary even as it remained rhetorically disavowed, rejected and foreclosed.

1 Defining Terms of Economic Liberalization

Laissez-faire liberalism and free-market governance are often treated as synonymous, but in the postwar period these terms described distinct assumptions.[7] Classical laissez-faire emphasized non-intervention by the state. By contrast, the "free market" economy became a rhetorical and institutional ideal compatible with extensive state action.[8] In this sense, neoliberalism, as the postwar economic ideology, retained the language of free markets while rejecting the premise of non-intervention that defined classical *laissez-faire*.

Such an understanding of liberal trade aligns with what John G. Ruggie, Professor in Human Rights

7. Michael Hudson, "Debt, Land and Money: From Polanyi to the New Economic Archaeology," in *Karl Polanyi and Twenty-First-Century Capitalist*, ed. Desai Radhika and Kari Polanyi Levitt (Manchester University Press, 2020), 63.

8. Wraight, "From Reagan to Trump," 736.

and International Affairs, theorized as the postwar compromise of “embedded liberalism.”[9] In Ruggie’s account, the international economic order constructed after 1945 was not a restoration of classical *laissez-faire*, but a deliberate rejection of both interwar economic nationalism and the unimpeded multilateralism associated with the gold standard.[10] Liberal trade, as institutionalized through the General Agreements on Tariffs and Trade (GATT), was multilateral in form but explicitly predicated on domestic interventionism. States kept broad powers to manage employment, industrial policy, and social stability, even when such policies generated trade restrictions.[11]

The core normative commitment of the order lay less in eliminating trade barriers, such as import restrictions and impediment in market access, than in procedural principles. Most notably nondiscrimination and rules-based coordination legitimized interventionist efforts.[12] An increase, therefore, in state intervention and unilateral economic authority threatened the legitimacy of free-market competitiveness that found strong multilateral support. Economic historians have long emphasized that the “free market” functioned less as an empirical description than as a governing ideal. One that framed state intervention as exceptional in a corrective functioning of the markets even as markets remained dependent on continuous state action. Ruggie’s account of embedded liberalism is reinforced international openness and was understood as politically sustainable.

Within this context, *neoliberalism* is used in the historically specific sense aligning with Wraight’s analysis of U.S. trade policy. Neoliberalism does not denote the retreat of the state from economic life.[13] Rather, it names a logic of economic governance of state power is mobilized to construct, preserve and discipline markets, particularly under conditions of global competition and declining national advantage. As historian Quinn Slobodian has shown, neoliberalism also emerged as a political project concerned with insulating markets from democratic interference rather than eliminating state power.[14] In *Globalists: The End of Empire and the Birth of Neoliberalism*, he shows that neoliberal thinkers viewed markets as politically fragile achievements that required strong legal, monetary and institutional frameworks to preserve competition, capital mobility and market integration. State intervention, in this account, was not rejected outright but carefully differentiated. Interventions that stabilized or insulated markets were legitimate, while those associated with redistribution or social protection were cast as distortive and illegitimate.[15] This perspective clarifies how U.S. trade policy could affirm free-market principles while engaging in selective intervention, treating such actions not as contradictions but as efforts to preserve market order.

Rhetorical scholar, Ronald Walter Greene’s formulation of “materialist rhetoric” helps specify how this contradiction between free-market ideals and interventionist practice rather than mere ideological cover. In his 1998 essay, “Another Materialist Rhetoric,” Greene argues that a materialist rhetoric should examine “the organizational and historical dynamics of a governing apparatus,” understood as “a complex field of practical reasoning that invents, circulates, and regulates public problems.”[16] Rhetorical practices, on this view, aim to understand the ways in which the state entity seeks to “create the conditions of possibility for a governing apparatus to judge and program reality.”[17] Institutions materialize economic disruptions, trade imbalances, and competitiveness crises in ways that render them intelligible to the public and actionable for policymakers. Greene theorizes rhetoric as a “technology of deliberation,” through which populations, markets, and policy options are evaluated and

9. John G. Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” *International Organization* 36, no. 2 (1982): 379–415.

10. Ruggie, “International Regimes, Transactions, and Change,” 393.

11. Ruggie, “International Regimes, Transactions, and Change,” 397.

12. Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Harvard University Press, 2018), 204–205; Ronald Walter Greene, “Another Materialist Rhetoric,” *Critical Studies in Media Communication* 15, (1998): 35.

13. Ruggie, “International Regimes, Transactions, and Change,” 392.

14. Slobodian, *Globalists,* 93.

15. Slobodian, *Globalists,* 253.

16. Greene, “Another Materialist Rhetoric,” 22.

17. Greene, “Another Materialist Rhetoric,” 22.

coordinated.[18] This cartographic approach maps how governing vocabularies, such as "free markets," "openness," "fair competition," and "confidence" materially aligns state action. The terms or phrases match nermative political language for multilateralism in an effort to regulate the boundaries of legitimate interventionist practices. Read alongside Wraight, Ruggie and Slobodian a materialist rhetorical framework allows neoliberalism, as embedded or neoliberal protectionism, to be understood not only as an institutional compromise but as a rhetorically constituted governing apparatus in which the disavowal of protectionism and the normalization of state management were jointly sustained through circulating forms of practical reasoning.

Rather than treating neoliberal protectionism as a product of the Reagan era alone, the Carter administration inherited an already interventionist trade and monetary regime with the duty to maintain its legitimacy.[19] In this sense, Carter's economic policies do not mark a departure from the postwar liberal economic order, nor does he fully embrace protectionism as an explicit strategy. Instead, his administration articulated the limits of free trade governance at a moment when U.S. economic dominance could no longer be taken for granted. Neoliberalism, as used here, refers to this process of governing market limits by determining when and how intervention could occur without undermining the public defense of free trade. Clarifying these terms is essential for understanding the analysis that follows. The economic history of the 1970s did not produce a simple shift from free markets to protectionism, rather it intensified the tension between liberal ideals and practicality of governance. Archival documents of the Carter administration's handling of US-Japan trade relations offer a window into how that tension was managed rhetorically.

2 Bretton Woods Order and Stabilizing U.S. Economic Hegemony

By the mid-1970s, U.S. trade policy operated under conditions of mounting economic strain and monetary instability. The postwar liberal trade order, centralized by the U.S. dollar, no longer appeared self-stabilizing.[20] Instead, changes in currency regimes, domestic consumer purchasing power and lack of manufacturing exposed tensions between U.S. commitments to market openness and pressures for state intervention. In a telegram from U.S. Ambassador to Japan, Mike Mansfield, to President Carter, Mansfield expressed concerns directly from Japan's Prime Minister Takeo Fukuda stating, "he was particularly worried about the declining value of the dollar. As a key currency, if the dollar's credibility were to be lost, it would become virtually impossible for other economies to maintain orderly and stable management."[21] These conditions did not originate with the Carter administration, but they structured the constraints within which it governed US-Japan trade relations. An order organized around trade liberalization, monetary stability, and U.S. leadership, tethered institutionally in Bretton Woods. The liberal economic order depended on American economic predominance and on the credibility of U.S. commitments to openness, as in open markets. Importantly, this order was always actively governed. U.S. policymakers assumed responsibility, not only for their own markets, but for the stability of the system as a whole, making intervention an enduring feature rather than an anomaly.[22]

US-led reconstruction programs in the late 1940s set the foundations for such a postwar order prior to Bretton Woods. The Marshall Plan in Europe and the Dodge Plan in Japan functioned as early instruments of liberal trade governance, tying economic recovery to currency stability under U.S. oversight.

18. Greene, "Another Materialist Rhetoric," 39.

19. I.M. Destler, *American Trade Politics*, 4th ed. (Washington: Peterson Institute Press, 2005), 180; Daniel T. Rodgers, *Age of Fracture* (Harvard University Press, 2011), 22.

20. Ruggie, "International Regimes, Transactions, and Change," 393; Eric Helleiner, *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s* (Cornell University Press, 1994), 132–35.

21. Telegram 14808 from Tokyo, August 17, 1978, Central Foreign Policy File, D780335–1005, Record Group 59, Foreign Relations, 1977-1981, Vol. III, pp. 501–503, National Archives. College Park, MD (NA).

22. Claus Thomasberger, "Fictious Ideas, Social Facts and the Double Movement: Polanyi's Framework in the Age of Neoliberalism," in *Karl Polanyi and Twenty-First-Century Capitalist*, ed. Desai Radhika and Kari Polanyi Levitt (Manchester University Press, 2020), 157–158.

Through large-scale financial assistance from the U.S., the state positioned itself as guarantor of both domestic recovery and international monetary order. As historian Michael J. Hogan demonstrates, the Marshall plan did not more than financing Europe rather the U.S. sought to reorganize the European economies through a combination of conditional aid and currency discipline.[23] Rather than restoring *laissez-faire*, the program institutionalized what Hogan describes as a "composite strategy" that fused administrative planning with market integration, treating openness as an outcome to be engineered through state action rather than a natural condition of exchange.[24] Liberalization thus proceeded not through the withdrawal of the state but through the construction of a regulatory and planning apparatus that rendered European recovery, currency order, and trade integration governable under U.S. leadership. Intervention was not an exception to liberalism but one of its constitutive techniques.

In Japan, the Dodge Plan imposed an export-oriented restructuring anchoring Japanese recovery to access to U.S. markets and to the broader Bretton Woods framework.[25] Implemented in 1949 under the direction of U.S. banker Joseph Dodge, the program imposed fiscal austerity, balanced budgets, and a fixed exchange rate of 360 yen to the dollar.[26] As historian John Dower shows, the so-called "Dodge Line" did not represent a retreat of the state from economic management but a reorganization of planning, credit control, and industrial coordination under deflationary and monetary discipline designed to restore confidence in the yen and stabilize Japan's position within the Bretton Woods order. Michael Schaller likewise emphasizes that U.S. occupation authorities treated currency stabilization and access to American markets as the preconditions of political and economic recovery, binding Japanese reconstruction to a liberal international framework while preserving extensive state direction of industry and trade.[27] Like the Marshall Plan in Europe, the Dodge Plan institutionalized market openness not as a spontaneous product of liberalization, but as a governed achievement. An achievement produced through monetary control and the strategic deployment of state power in the name of international integration.

These initiatives normalized extensive state intervention even as the U.S. project a more liberal, free-market ideal. They demonstrate that market openness and monetary stability were achieved not through *laissez-faire* practices that backdropped trade prior to World War II, but through deliberate governance. By the time Bretton Woods reached its operational maturity, the dollar's centrality and the legitimacy of U.S. economic leadership had already been secured. Through these reconstruction policies, intervention became embedded as a foundational feature of the liberal order rather than a deviation from the free market. The collapse of the Bretton Woods system in the early 1970s therefore marked a decisive shift in the international economic environment unilaterally made by the US. The suspension of dollar–gold convertibility and the transition to floating exchange rates destabilized the monetary foundations of postwar trade. As the dollar depreciated against the yen, trade imbalances became both more pronounced and more politically contentious. Trade conflict increasingly intersected with disputes over monetary policy and exchange rates blurring the boundary between trade governance and macroeconomic management.[28] For U.S. policymakers, dollar devaluation complicated efforts to assess competitiveness and adjustment, while providing foreign governments, such as Japan, with a ready explanation for widening trade surpluses. Japanese officials however frequently attributed growing trade imbalances to fluctuations in the dollar rather than to trade barriers or industrial policy. Japanese officials argued that U.S. monetary decisions distorted trade flows and un-

23. Michael J. Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe* (Cambridge University Press, 1987), 393–395.

24. Hogan, *The Marshall Plan*, 55.

25. Helleiner, *States and Reemergence of Global Finance*, 72–75.

26. John W. Dower, *Embracing Defeat: Japan in the Wake of World War II* (W. W. Norton, 1999), chap. 17, "Unplanned Development and Gifts from the Gods," Apple Books edition.

27. Michael Schaller, *The American Occupation of Japan: The Origins of the Cold War in Asia* (Oxford University Press, 1985), 183–205.

28. Yongding Yu and Bohan Yang, "The Post-Bretton Woods System and US External Unsustainability," *China & World Economy* 33, no. 2 (2025): 43.

dermined competitiveness.[29] The dollar therefore became not only an economic instrument but a rhetorical resource, for both countries, through which responsibility for imbalance was contested.

At the same time of currency debates, the U.S. economy faced the unprecedented combination of inflation and stagnation. Stagflation, a combination of high inflation and unemployment with stagnant Gross Domestic Product (GDP) growth, eroded confidence in postwar economic management and intensified domestic political pressure on policymakers to address industrial decline and unemployment.[30] Manufacturing sectors exposed to foreign competition became focal points for congressional and public concern. U.S. Trade Representative Robert S. Strauss stressed the U.S. position enough stating, "insure that the Japanese commitments would permit him to counter effectively the growing protectionism in the U.S. Congress."[31] Yet explicit protectionism remained politically fraught as the memory of the Great Depression continued to shape elite consensus, casting trade barriers as economically reckless and globally destabilizing. As a result, demands for intervention, as compared to allowing the market to self-regulate, grew even as the language available to justify such intervention narrowed.

Despite these back-door diplomatic pressures, U.S. commitments to liberal trade remained publicly intact. The dollar continued to function as a symbol of systemic stability, even as its value fluctuated. Policymakers remained deeply concerned that overt protectionism or unilateral trade action would further undermine confidence in both the dollar and the international economic system it underpinned. Trade governance thus unfolded under conditions in which intervention was increasingly necessary, but its open acknowledgment risked compounding monetary and diplomatic instability.

The Nixon Doctrine and the shocks from 1972-1973 marked a fundamental recalibration of U.S. commitments that was felt acutely by American allies.[32] The doctrines signaled a shift in U.S. security strategy, as tied to economic relations, toward burden-sharing and retrenchment. For Japan, these moves underscored the vulnerability of reliance on U.S. underwriting in both security and monetary governance.[33] The erosion of fixed exchange rates, combined with the prospect of diminished American support, forced Japanese policymakers to reconsider the terms of economic dependence and alliance management within the US-led order.[34] By the mid-1970s, US-Japan relations were thus shaped not only by trade imbalance, but by a broader recognition that the guarantees of the postwar settlement could no longer be assumed.

These tensions were inseparable from the postwar economic arrangements which facilitated the rise of U.S. allies, most notably Japan. Understanding the dilemmas confronting the Carter administration therefore requires situating U.S. economic dislocation alongside Japan's ascent, not as parallel developments, but as mutually constitutive outcomes of a US-led liberal system. These tensions were not confined to U.S. domestic governance but were interpreted by allies as signals of a broader recalibration of American commitments.

3 Japan's Economic Ascent within the US-Backed Order

Japan's emergence as a major economic power by the late 1970s did not occur independently of the postwar liberal economic order, nor did it unfold in opposition to U.S. influence. Rather, Japan's export-led growth was enabled by a US-backed system of security, trade, and monetary arrangements

29. Destler, *American Trade Politics*, 53–54.

30. Destler, *American Trade Politics*, 55–56.

31. Memorandum from the Director of the Office of International Monetary Affairs (Syvrud) to Secretary of the Treasury Blumenthal, "United States–Japan Trade Talks—An Insider's Assessment," January 17, 1978, in *Foreign Relations of the United States, 1977–1980*, vol. III, *Foreign Economic Policy*, 306–307, Office of the Historian.

32. Andrea Pressello, *Japan and the Shaping of Post-Vietnam War Southeast Asia* (Routledge, 2018), 44.

33. Daniel J. Sargent, *A Superpower Transformed: The Remaking of American Foreign Relations in the 1970s* (Oxford University Press, 2015), 241–242.

34. Robert C. Christopher, "The U.S. And Japan: A Time for Healing," *Foreign Affairs* 56, no. 4 (1978): 860; "Focus of Research and Principles of Selection," in *Foreign Relations of the United States* (FRUS), *1977–1980*, vol. III (US Department of State) Preface, IX–X.

that prioritized regional stability, market integration, and alliance cohesion.[35] Understanding US-Japan trade conflict in the Carter years therefore requires situating Japan's economic ascent within the very order the U.S. had helped to construct and sustain, rather than treating it as an external challenge to that order.

In the decades following World War II, U.S. policymakers viewed Japan's economic recovery as a central pillar of Cold War strategy in East Asia. Security guarantees under the US-Japan alliance reduced Japan's defense burden and allowed successive governments to prioritize industrial development and export competitiveness. Preferential access to U.S. markets, combined with the stability afforded by the dollar centered Bretton Woods system, further facilitated Japan's reintegration into global trade. These arrangements were not incidental rather they reflected a U.S. willingness to tolerate trade asymmetries in exchange for political alignment and regional stability.[36]

Japan's rapid industrialization was also the product of deliberate domestic policy. Prime Minister Hayato Ikdea's "Income Doubling Plan", introduced in 1960, committed the Japanese state to an accelerated economic growth plan through coordination of public and private investment.[37] The plan emphasized productivity gains, technological upgrading, and export expansion with government agencies. The Ministry of International Trade and Industry (MITI) played a central role in steering capital toward high-value manufacturing sectors including automobiles, electronics, and heavy industry. Far from contradicting the liberal-led economic order, a state-led strategy exploited open markets and stable monetary conditions secured by U.S. leadership.

While Japan's growth model developed through domestic institutional arrangements, its international consequences were shaped by alliance structures forged under U.S. strategic leadership in Asia. In *Fire Across the Sea: The Vietnam War and Japan, 1965–1975*, Thomas R. H. Havens demonstrates that Japan's postwar economic expansion was deeply intertwined with American military strategy, particularly through the indirect economic benefits generated by the Vietnam War and the broader U.S. security presence in the region.[38] By the late 1960s and 1970s, the success of this model transformed Japan from a recovering ally into a mature industrial competitor. As Japanese exports expanded and trade surpluses with the U.S. widened, the asymmetries long tolerated during the Cold War recovery period acquired new political significance.[39] This alliance-mediated growth helps explain why trade conflict with Japan posed a legitimacy problem for U.S. policymakers as it was the predictable outcome of an order the U.S. had both designed and defended. There is no coincidence then that Henry Kissinger would express such a statement, "We will need to pay great attention to our relations with Japan as it continues to seek a political role more independent of us and commensurate with its economic strength."[40]

Japan's evolving regional strategy in the 1970s reflected both its growing economic capacity and the constraints of the US-led order. Fukuda's articulation of the Fukuda Doctrine in 1977 signaled an effort to manage the geopolitical consequences of Japan's economic success, particularly in Southeast Asia.[41] By emphasizing peaceful diplomacy, economic cooperation, and support for Association of Southeast Asian Nations (ASEAN)-led development, Japan sought to secure access to raw materials and new markets while mitigating regional anxieties about economic dominance.[42] This strategy did

35. Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975* (Stanford University Press, 1982), 98–99.

36. Destler, *American Trade Politics*, 36.

37. Johnson, *MITI and Japanese Miracle*, 230–231.

38. Thomas R. H. Havens, *Fire Across the Sea: The Vietnam War and Japan, 1965–1975* (Princeton University Press, 1987), 222–224.

39. Havens, *Fire Across the Sea*, 223–224.

40. "My Asian Trip," Top Secret memorandum, Office of the White House, February 27, 1973, in *Declassified Documents Reference System: Japan and the United States, 1960–1976* (Gale Primary Sources).

41. Toru Yano, "Toward a Reorientation of Asian Policy: The Fukuda Doctrine and Japanese-US Cooperation," in *Encounter at Shimoda*, 1st ed., (Routledge, 1979), 133.

42. Marissa Maricosa A. Paderon, "Opportunities in ASEAN-EU Economic Cooperation," *International Economics and Economic Policy* 17 (2020): 784.

https://doi.org/10.60923/issn.2611-2752/22226

not represent a departure from the liberal order, but an adaptation within it, one that complemented U.S. interests in regional stability even as it diversified Japan's economic ties.

By the time Jimmy Carter assumed office in 1977, then US-Japan trade relations were shaped by the cumulative effects of these arrangements. Japan's economic strength had been fostered by U.S. policy and tolerated for strategic reasons, but the resulting trade imbalances had become increasingly difficult to justify amid domestic economic dislocation and dollar instability. Japan was no longer simply a recovering ally benefiting from U.S. forbearance rather it was a U.S-enabled competitor whose success exposed the limits of an economic order built on American predominance.[43] The challenge confronting the Carter administration was therefore not how to respond to an external challenger operating outside the system, but how to manage the consequences of a system that had produced a rival within it. These economic conditions and historical arrangements formed the backdrop against which the Carter administration confronted US-Japan trade relations. They shaped not only what policies were available but how intervention could be rhetorically justified to the public.

4 US-Japan Trade Relations under the Carter Administration

Unlike his successor Ronald Reagan, who would later normalize protectionist measures rhetorically, Carter sought to govern trade conflict through bilateral diplomacy and selective intervention. These strategies were as exceptional and corrective rather than structural policy changes. Rather than relying on overt economic coercion, Carter emphasized negotiation and diplomatic management of trade disputes. This approach reflected a broader logic of governance. Publicly, the administration reaffirmed its commitment to free trade and warning against the dangers of protectionism.[44] Privately, however, targeted measures designed to manage domestic political pressure were pursued to discipline allies and stabilize the dollar. US-Japan trade relations under Carter thus offer a revealing case of how trade conflict was governed rhetorically rather than resolved through explicit policy rupture.[45]

One of the earliest and most consequential trade measures associated with the Carter administration was the 1976 US-Japan Trade Agreement on televisions. Although, the agreement was established prior to his presidency, it shaped the tone of economic relations in the first lunch at the White House between Fukuda and Carter. The agreement imposed export restraints on Japanese television manufacturers, capping annual shipments to the U.S. at 1.75 million units.[46] In material terms, the agreement constituted a clear act of protectionism, restricting imports in response to competitive pressure from Japanese firms that had come to dominate the U.S. consumer electronics market.[47] Yet the agreement was carefully framed to avoid the language of protectionism, revealing the tensions underlying the 1976 color television exports negotiations.

For 1977 the import quota ceiling was increased but the matter was highly sensitive. In a telegram from Fukuda to Carter, the Japanese prime minister expressed concern that "Prime Minister Fukuda said that he hoped that the President's reference to 2.5 million color television sets as a ceiling for 1977 Japanese exports would not get out of the room. If the matter became public, it would become an obstacle to the negotiation of an agreement."[48] Carter agreed recognizing that public disclosure ricked political repercussions for both governments. The U.S. risked appearing unable to negotiate effectively, while Japan risked accusations of exploiting a widening trade surplus. In an effort to manage the situation, Carter nominated Henry Owen as his Economic Policy Advisory. Owen would be responsible for advising on economic policy, sitting in on diplomatic discussions and preparing the

43. Helleiner, *States and Reemergence of Global Finance*, 153–156.

44. *FRUS*, 1977–1980, vol. III, *Foreign Economic Policy*, memorandum from the Office of the Special Representative for Trade Negotiations, "Major Trade Issues," January 21, 1977, doc. 45 (Government Printing Office, 2013).

45. Robert S. Strauss, quoted in Memorandum from the Director of the Office of International Monetary Affairs (Syvrud) to Secretary of the Treasury Blumenthal, January 17, 1978, *Foreign Relations of the United States, 1977–1980*, vol. III, 307.

46. Jimmy Carter Presidential Library, Records of the Office of the Staff Secretary, Presidential File, Box 25, *5/19/77 [2]*, memorandum to President Carter, May 19, 1977.

47. Helleiner, *States and Reemergence of Global Finance*, 153–156.

48. *FRUS, 1977-1980*, 42–43.

administration for the economic summits.[49] Working closely with National Security Advisor Zbigniew Brezinski Owen played a central role in coordinating negotiations surrounding the summits and related economic policies, including import quota ceilings.

US officials justified the restrictions as a response to "unfair" trade practices, citing closed Japanese markets and structural barriers rather than competitive failure. By presenting the measure as a corrective to market distortion rather than an intervention in market outcomes, the administration preserved its rhetorical commitment to free trade while enacting a policy that directly constrained it. The television agreement foreshadowed later trade measures of the 1980s, but its significance lies in how it managed contradiction rather than resolved it. The Carter administration did not deny the necessity of intervention; it denied that the intervention constituted protectionism.[50] In doing so the administration established a governing pattern whereby trade conflict could be addressed without publicly naming the limits of market openness or foregrounding the U.S. declining market competitiveness.

5 Multilateral Performance and the Politics of Confidence

If the television agreement demonstrated selective intervention at the bilateral level, the Carter administration's engagement with economic summits revealed a complementary strategy of multilateral performance. Carter placed particular emphasis on summit diplomacy as a means of managing trade tensions without resorting to overt coercion. The 1978 Bonn Summit and the 1979 Tokyo Summit functioned as stages on which trade conflict could be reframed as a shared problem of coordination, confidence, and systemic responsibility rather than a purely bilateral confrontation. These gatherings were as psychological as they were political, reflecting an effort to cultivate a sense of shared purpose among industrial leaders in addressing global financial challenges.[51] Carter remarked at the 1978 Bonn Summit, "I shook hands with Helmut Schmidt on Friday and the stock market went up 15 points" recognizing the symbolic and economic significance of multilateral cooperation.[52] At Bonn, the U.S. pressed Japan and West Germany to commit to higher rates of domestic demand, arguing that expansion abroad would reduce global imbalances, increase U.S. exports, and stabilize the dollar. Nonetheless, the stakes were high and global economic morale was faltering. At the summit Prime Minister issued a striking warning about protectionism:

> I recall that in the 1929-1934 period, there was a drastic decline in world production, by 30%, and a 40% drop in world trade. This led to great social instability. Several countries turned to totalitarianism and fascism. The 1933 conference tried to deal with these problems but failed. The meeting was recessed and never reconvened. We can learn from this. Countries resorted to protectionism. They thus worsened the depression still further. All tried hard to deal with the problem, but the situation became the backdrop to World War II.[53]

Despite his explicit warning, the summit yielded limited immediate results. One critical aspect the summit established was a diplomatic template in which economic adjustment could be demanded through multilateral consensus rather than unilateral action. Growth targets and policy commitments operated less as enforceable obligations than as public signals of alignment. These broader obligations reinforced the appearance of liberal order and cooperation even as pressure toward protectionism intensified.

49. Letter from President Jimmy Carter to Henry Owen, March 5, 1977, White House Central Files, Box FO43, 6-2, Executive, JCPL.

50. Greene, "Another Materialist Rhetoric," 98.

51. W. Michael Blumenthal to President Jimmy Carter, memorandum, April 14, 1977, in *Foreign Relations of the United States, 1977–1981*, vol. III, *Foreign Economic Policy*, 441–77; Jimmy Carter Library, White House Central Files, box FO43, folder 6-2, Executive.

52. *FRUS 1977-1981*, 443.

53. Trip to Japan and Korea, 6/22/79-7/1/79, Jimmy Carter Library, Office of Staff Secretary, Presidential Files, Box 122.

The Tokyo Summit in 1979 heightened these dynamics considerably. As the first major economic summit held in Asia, its symbolic significance was widely acknowledged by participants and observers alike. U.S. officials viewed the summit's success as essential not only to bilateral relations with Japan but to the legitimacy of summit diplomacy itself. Preparatory memoranda reveal concern that failure would undermine confidence in the entire process, with one warning that "the Japanese would be mortified by the implication of failure inherent in the Tokyo Summit's being the last such meeting for a while."[54]

Within this setting, the U.S. leveraged symbolism to extract concrete commitments. American negotiators pressed Japan on specific import targets including oil, agricultural products, and consumer goods, while linking these demands explicitly to dollar stabilization and inflation control.[55] In a memo from Owen, he emphasized that Japanese compliance was "in our interest from the standpoint of increasing U.S. exports and strengthening the dollar," underscoring how trade adjustment, monetary credibility, and alliance leadership were rhetorically intertwined.[56]

Further preparatory memoranda leading up to the Tokyo Summit make clear the urgency with which U.S. officials sought to influence Japanese Prime Minister Masayoshi Ōhira, particularly regarding oil import targets and domestic growth commitments. Japanese reluctance was met with visible American frustration. One memo instructed Carter that "you need to make clear to Ōhira that your definition of a successful Summit is one that involves specific commitments on both the supply and demand side. These will be painful, but essential."[57] The same memorandum urged Carter to invoke Ōhira's prior cooperation, reminding him that "you count on him to exert his influence, as he did so successfully in helping to resolve U.S-Japan economic issues earlier this year, to ensure a successful outcome."[58]

Concerns about summit legitimacy further intensified the pressure for the Tokyo Summit. Internal discussions warned that French President Valéry Giscard d'Estaing might question the rationale for continued annual G7 meetings, a move that would symbolically devastate Japan as first-time host and diplomatically embarrass Italy, slated to host the following summit in 1980.[59] At the core of U.S. anxieties was the belief that Japan sought to benefit from open American markets while continuing to shield its own. Officials doubted Tokyo's willingness to meet the 1.5 percent growth target promised at Bonn and viewed Japanese market-access reforms as insufficient. Carter himself linked Japan's surplus to broader macroeconomic instability, noting "my primary goal is to reduce the rate of U.S. inflation, both for domestic reasons and because this is a major cause of the foreign exchange disorders that concern us both."[60]

Japanese officials framed the problem differently, repeatedly attributing trade imbalance to dollar instability rather than domestic market barriers. These exchanges illustrate the fragile balance between hegemonic pressure and economic interdependence that structured the Tokyo Summit's diplomatic theater, revealing how trade conflict was governed through rhetorical appeals to responsibility, confidence, and cooperation rather than through openly acknowledged coercion. Japan's concerns were reciprocated, particularly over the declining value of the dollar. In 1977 the yen appreciated by 21 percent and 23.3 percent in 1978 resulting in an increase in the surplus from $9.7 billion to $11 billion.[61]

54. Trip to Japan and Korea – 6/22/79-7/1/79, Office of Staff Secretary, Presidential Files, Box 122, JCPL.

55. Henry Owen to President Jimmy Carter, memorandum, October 24, 1978, Brzezinski Material, Office File, Country Chron File, Box 24, "Japan: 8–12/78," National Security Affairs, JCPL; Owen to President Jimmy Carter, memorandum, February 27, 1979, Brzezinski Material, Subject File, Box 64, "Summits: 1/78–1/79," National Security Affairs, JCPL.

56. Trip to Japan and Korea – 6/22/79-7/1/79, JCPL.

57. Owen to Carter, memo, February 27, 1979, Brzezinski Material, JCPL.

58. Letter from Senator Jacob B. Javits, New York, to President Carter, January 4, 1979, WHCF, Box FO46, 6-9, Executive, JCPL.

59. *FRUS, 1977–1980*, 524; Owen to Carter, memo, February 27, 1979, Brzezinski Material, JCPL.

60. Letter from Senator Jacob B. Javits, New York, to President Carter, January 4, 1979, WHCF, JCPL.

61. Central Intelligence Agency, "Japan: Economic Prospects and Policy Issues," Intelligence Memorandum, July 1978, 3, CIA-RDP84S00928R000300010002-8 (Central Intelligence Agency).

Japan's structural dependence on imported energy, particularly oil, shaped its negotiating posture, while U.S. officials increasingly treated trade imbalance as leverage across policy domains. Carter acknowledged the asymmetry explicitly, noting that while the U.S. possessed abundant resources, Japan was "dependent on energy imports to an extraordinarily high degree."[62] Japanese leaders, including Fukuda and Ōhira, viewed nuclear energy as essential to long-term competitiveness and economic security. Ōhira explicitly grounded Japan's claims for expanded participation in nuclear energy and nonproliferation governance in Japan's unique historical experience as the only nation subjected to atomic attack. Japan framed this legacy as a source of moral authority in discussions over nuclear policy.[63] Yet U.S. support for Japan's nuclear ambitions remained entangled with trade concerns and nonproliferation priorities, reinforcing hierarchical relationships within the liberal order.

Taken together, the Bonn and Tokyo summits reveal how multilateral performance exemplified a broader logic of governance within international economic negotiations.[64] Trade conflict was neither denied nor resolved, but deferred through appeals to confidence, coordination, and shared responsibility. The appearance of liberal cooperation was preserved even as asymmetries deepened and pressure intensified.

6 Domestic Pressure and the Limits of Rhetorical Management

Despite Carter's preference for multilateralism and rhetorical restraint, domestic political pressure increasingly constrained his approach to US-Japan trade relations. As trade deficits widened and economic dislocation persisted, U.S. industries in steel, automobiles, and electronics intensified their demands for protection from Japanese competition. These sectors became focal points for congressional concern, as localized economic grievances were translated into national political pressure. Lawmakers facing electoral vulnerability framed trade imbalance not as a structural feature of the international economy but as evidence of policy failure, further narrowing the range of politically defensible arguments available to the administration.[65]

Carter's reluctance to embrace overt protectionism exposed him to sustained criticism from political opponents who portrayed his commitment to multilateralism as weakness and accommodation. Calls for tariffs, quotas, and unilateral action gained traction precisely because they offered a clear narrative of responsibility and redress. One that Carter was unwilling to endorse publicly.[66] Confidence in the administration's insistence on coordination and adjustment increasingly appeared abstract in the face of concrete plant closures and job losses.[67] In this sense, domestic pressure did not merely demand different policies. The pressure challenged the credibility of the rhetorical framing of confidence through which trade conflict had been managed.

Yet Carter did not abandon confidence. Instead, his administration continued to pursue selective interventions while reaffirming liberal economic ideals producing a growing disjunction between rhetoric and practice. Trade conflict was not resolved but managed through institutional routines, bilateral agreements, summit diplomacy, and targeted pressure that postponed confrontation without eliminating its sources. This strategy depended on the continued plausibility of rhetorical disavowal as the claim that intervention remained exceptional, temporary, and consistent with market principles.

By the end of Carter's presidency, the limits of rhetorical management were giving way to a more vocal protectionist approach by Reagan. The institutional practices developed during the Carter administration, had succeeded in containing trade conflict within the bounds of liberal discourse, but

62. Carter to Schmidt, "Economic Issues Affecting Tokyo Summit," May 15, 1978.

63. Masayoshi Ōhira, remarks on peaceful nuclear energy at the Tokyo Economic Summit, June 28, 1979, in "Minutes of the Tokyo Economic Summit Meeting," Document 222, *FRUS*, 1977–1980, vol. III, *Foreign Economic Policy* (US Government Printing Office, 2012), 641–42.

64. Sargent, *A Superpower Transformed*, 280–281.

65. U.S. Congress, *US-Japanese Trade Relations*, hearings before the Subcommittee on International Trade, Committee on Finance, United States Senate, 96th Cong., 1st sess., 1979; Destler, *American Trade Politics*, 64–71.

66. Clyde H. Farnsworth, "U.S. to End Import Curbs Placed on Specialty Steel," *The New York Times*, June 13, 1979.

67. "The Economy: Interpreting the Indicators," *The New York Times*, February 4, 1979.

they had not reconciled the underlying tensions between market openness and national competitiveness. Carter's administration thus marks a critical moment in the governance of trade conflict: a moment when liberal economic ideals were preserved rhetorically even as their practical limits were increasingly tested. The strategies forged under Carter did not disappear with his defeat. They provided the institutional and discursive groundwork for subsequent administrations to intervene more forcefully, once the rhetorical discipline that had constrained such action began to erode. As I. M. Destler later observed, the coexistence of liberal trade commitments and expanding domestic protectionism became a defining feature of U.S. trade policy in the 1980s, producing a system "under stress" rather than a coherent liberal order.[68] Carter's management of US-Japan trade relations thus appears less as a failed deviation than as an early effort to govern tensions that would soon become institutionalized.[69]

7 Conclusion

This article has argued that US-Japan trade relations under the Carter administration illuminate a critical and understudied mode in the governance of trade conflict within the postwar liberal economic order. Rather than treating protectionism as a discrete policy turn or ideological rupture, the archival record reveals the extent to which trade intervention was managed rhetorically before it was openly embraced as policy. Through summit diplomacy, internal memoranda and carefully staged negotiations, the Carter administration sought to reconcile mounting pressures to defend U.S. competitiveness with an enduring commitment to liberal trade principles. Intervention thus was not denied, but rendered technical, multilateral, and provisionally governable without being fully acknowledged. Approaching this economic narrative rhetorically is critical for understanding the material consequences of presidential discourse. While presidential administrations rarely present policy decisions with complete transparency, analyzing the rhetorical strategies of the state provides scholars with a window into the political reasoning that shapes consequential economic decisions. Thus, reading these archival materials rhetorically clarifies the nature of U.S. economic governance in the 1970s. Appeals to confidence, displacement of responsibility onto monetary instability, and the performance of cooperation functioned as discursive tools that allowed the U.S. to apply pressure while preserving the appearance of market openness. Trade conflict was thus not resolved but managed within acceptable rhetorical bounds even as the material stakes intensified.

Situating Carter within the longer trajectory of U.S. trade policy underscores why this moment matters. The administration inherited a liberal economic order already dependent on extensive state intervention. Carter did not inaugurate protectionism publicly rather he confronted its necessity under conditions where it remained rhetorically illegitimate. The significance of this period lies not in policy outcomes alone, but in the discursive labor required to sustain liberal commitments amid declining U.S. competitiveness.

The Reagan administration did not resolve this contradiction either. Its more aggressive trade measures of voluntary export restraints, punitive tariffs, and sector-specific negotiations expanded the scope of intervention. The language of free and fair trade, acknowledged the U.S. necessity for protectionist measures to the U.S. public even as liberal economic rhetoric remained intact.[70] Subsequent efforts to resolve trade conflict through overt protectionist measures did little to escape this contradiction. What appeared domestically as protectionist success thus often reinforced the structural advantages of U.S. competitors rather than reversing them. What changed was less the substance of trade governance than the degree to which its protective dimensions could be publicly named. Reagan's policies built upon the institutional and rhetorical groundwork laid during the Carter years, translated managed disavowal into more overt coercion without abandoning liberal economic rhetoric.

68. Destler, *American Trade Politics*, 102.

69. Destler, *American Trade Politics*, 70–71.

70. Ellis S. Krauss, "The US, Japan, and Trade Liberalization: From Bilateralism to Regional Multilateralism to Regionalism," *Pacific Review* 16, no. 3 (2003): 310–311.

The persistence of this pattern is evident in contemporary U.S. trade relations with China, where economic competition has been incorporated into broader strategies of global power management rather than treated as a discrete policy failure.[71] Like Japan, in the late twentieth century, China has been incorporated into a US-led economic order only to be recast as a threat once its competitiveness intensified. Tariffs, export controls, and managed bilateral agreements have been justified as corrections to "unfair trade" rather than departures from liberal norms. The rhetorical shift from free trade to fair trade, already visible in earlier periods, has again functioned to legitimize intervention while preserving the moral authority of market openness.

Taken together, these cases suggest that U.S. trade policy is best understood not as a sequence of ideological commitments, but as an ongoing practice of discursive governance in which economic contradictions are managed through language, procedure, and performance. The archival materials examined here make visible moments when intervention becomes necessary but remains rhetorically constrained. Attending to such rhetoric complicates familiar narratives of rupture and reveals how liberal economic orders persist not by resolving their contradictions, but by continually renegotiating the terms under which they can be spoken. By foregrounding economic rhetoric as a site of governance, this article contributes to broader debates on trade, hegemony, and economic order. It demonstrates that the politics of trade unfold not only through formal policy instruments, but through the discursive practices that render intervention intelligible, defensible, and repeatable.

71. Rosemary Foot, "Power Transitions and Great Power Management: Three Decades of China-Japan-US Relations," *The Pacific Review* 30, no. 6 (2017): 831.