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I. Introduction - The Problem*

1. It is widely appreciated that the early 1970's marked a caesura in the evolution of the multilateral world trading system. Whereas the period between the end of World War II and the first oil price crisis was marked by at first a gradual and then a deeper liberalization of world trade on a generally multilateral basis, the ensuing period, which has by no means ended, has been characterized by a resurgence in protection of a particular kind: unilateral, selective, and administrative. In addition, with the success of tariff reduction, the measures taken after 1973 are generally of the non-tariff kind. Essentially, what were intended as safeguards of various kinds against unfair trade practices have become a blunt instrument for protective ends, at least in the case of individual industries. Presently, with the Uruguay Round of trade negotiations drawing to a close, a newer instrument of unilateralism on the part of the United States has emerged centerstage - the self asserted prerogative to enforce open markets abroad, or to enforce fair trade there.

2. This paper addresses the role of U.S. trade policy in the global trading system. Concern arises from departures from the original principles of the multilateral trading system as it has evolved in the post World War II era under the leadership of the same United States. Quite apart from the costs imposed on itself and others by any particular trade policy measure adopted by that country, the deep malaise about U.S. trade policy rests upon a perceived decline in the desire or ability of the United States to promote the maintenance of the system as intensively as it once had. Accordingly, the concern is as often with how the United States takes particular actions as with what those actions are.

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3. The three basic principles of the post war trading system are easily summarized as multilateralism, reciprocity, and liberalization. The reciprocal aspect of the rules governing the world trading system deserves a further word. It was a constructive version of reciprocity, the idea being that if one nation offered trade barrier concessions, that nation was entitled to receive concessions. Since the goal of the GATT has been liberalization, there was never any question that reciprocity meant reciprocal disarmament, not reciprocal rearmament. Together with the MFN principle embodied in the GATT, all trading partners were to benefit from reciprocal concessions agreed by any two. Thus, a mechanism was built into the GATT to spread liberalization broadly while maintaining reciprocity.

There is hardly a question that as far as tariff policy is concerned, the U.S. has by and large practiced what it has preached throughout the post war years (see column 1 of Table 1). Tariff reduction, on a reciprocal, but multilateral basis has proceeded apace through successive Multilateral Trade Negotiation (MTN) Rounds. Recent concern about U.S. trade policy indeed refers to the proliferation of non-tariff measures, and implicit, but credible, threats to extend them (see column 2 of Table 1). These usually are aimed at individual trading partners, so there is no pretence of non-discrimination, and with a few exceptions, no compensating trade policy changes are offered, so there is no pretence of reciprocity either. Such measures protect domestic industry, so that the principle, or goal, of liberalization is violated. Most recently, in the Trade Act of 1988, the Executive Branch of the U.S. government has been called upon to enforce fairness in trading partners' markets, in some cases unilaterally, suggesting a policy of "aggressive reciprocity" ("Super 301"). This paper addresses the question of how this may impinge upon the international trading system as a whole. Is it a benign or a malign force? The paper draws on recent U.S. trade policy developments to answer this question.

Table 1 - Two Trends in U.S.-Trade Policy

Liberalization	Protection
1947 - Geneva Round 1949 - Annecy Round 1951 - Torquay Round 1956 - Geneva Round 1960-61 - Dillon Round (tariff cuts)	1955 - U.S. receives waiver for agriculture from GATT 1961 - Short-term Agreement on Cotton Textiles - countries receive right to impose import quotas unilateraly 1974 - Trade Act - "injury" definition perhaps strict; presidential discretion
1964-67 - Kennedy Round -anti-dumping code (U.S. doesn't ratify) 1973-79 - Tokyo Round - new anti-dumping code - subsidies code 1986-90 - Uruguay Round - agenda widening	1979 - Trade Agreements Acts - AD/CVD from Treasury to Department of Commerce 1984 - Trade and Tariff Act - Congress can issue opinions on escape clause - injury definition softening attemped 1988 - Omnibus Trade and Competitiveness Act - any subsidy countervailable - predatory pricing definition softer - "decline in market share" as material injury - stricter time limits; discretion of President reduced - authority shifted from President to U.S.T.R.

II. Developments in U.S. Trade Policy

4. An appealing catch-all hypothesis apparently consistent with the rise and decline of multilateralism, reciprocity, and liberalization as goals of U.S. trade policy since World War II is the "Hegemony Thesis" (Keohane, 1982). Broadly, it asserts that the United States, as the hegemon which emerged after 1945, was willing and able to pay for system maintenance. It did so by offering greater concessions on trade policy to other nations than would have been strictly required on a reciprocal, quid pro quo basis. Such behaviour induced other nations to abide by the rules of the multilateral trading system, a set of rules bearing a distinctly American imprint. Thus, the rise in U.S. power is associated with a decline in U.S. and global protection, and the resurgence of protection after 1973 is associated with a perceived decline in U.S. power. While this hypothesis has appeal because it identifies the provider of the public good which is the multilateral trading system, a closer scrutiny of U.S. trade policy since the war casts doubt on the behavioral observation, and hence on the causal mechanism.

5. More in accord with the actual evolution of U.S. trade policy is the interpretation that the promotion of liberalization was a result of fortuitous circumstances. In the aftermath of World War II, the United States had much to gain by working to liberalize world trade. It was the one large country to emerge from the war with an intact manufacturing capacity, so that great export opportunities offered themselves (Baldwin, 1986). It might be added that a surplus on current account, induced by transfers and loans abroad, left interest groups entrenched in agriculture and manufacturing with no cause to promote protection. Essentially all goods were demanded abroad. While Baldwin (ibid.) does not deny the role of the learning experience of the trade wars accompanying the onset of the Great Depression, nor the impetus of the international rivalry of the Cold War, existing

circumstances made it easy to build support for a liberal trade regime and a liberal trade policy (Riedel, 1987).[1] But given the learning experience and hence the strong country's strategy to promote western recovery through trade liberalization, the critical condition, or fortuitous circumstance, was the absence of organized interest in protection. As some organized interests turned to protection well before the early 1970's, individual moves away from multilateralism emerged, long before there was any suspicion of a decline in hegemony.

6. Thus beginning soon after World War II, the United States adopted individual policies at variance with an overall professed claim to press for liberalization. Although the agricultural trade was subject to special rules under the GATT - essentially permitting national agricultural policies modeled on those of the U.S. - multilateralism and reciprocity were in no way relinquished. Domestic U.S. pressure led to unilateral action on dairy quotas in 1950, and additional farm products in 1951 (Winham, 1986, pp. 152 ff.). The U.S. was found in violation of GATT, and was "rebuked" (ibid.). This episode marks the beginning of a tension in U.S. trade policy that was to become more and more pronounced, right up to the present day. For, administration policy undoubtedly wished to promote liberality; it could not when confronted with powerful domestic pressures. Because of the requirement to legitimize its overall policy stance, instead of accepting the rebuke and proceeding with the business at hand, the U.S. sought, and received, a waiver from the GATT for

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[1] Furthermore, the interpretation of liberality as a lever with which to pry open markets abroad is consistent with a somewhat longer run of U.S. trade policy history. This was the move toward unconditional MFN after World War I: the U.S. "had a unilateral claim to any rollback of European trade barriers, but without any obligation to reciprocate with concessions of its own" (Riedel, 1988, p. 88). Even the justly heralded Reciprocal Trade Agreements Act of 1934 bears interpretation this way, certainly on the part of the Congress (ibid.). That this act, under fortuitous circumstances, could become a tool to liberalize world trade is entirely consistent with this interpretation.

agricultural trade. This, in turn, was the legal loophole which permitted the establishment of the Common Agricultural Policy in Europe, and which focuses trade policy acrimony in agriculture to this day.

7. This perceived need to legitimize deviations from GATT principles so as not to threaten an overall liberal stance wrought havoc again in the textile and clothing trade. Once more, the U.S. set the precedent for an internationally legal form of protection and the "next 25 years of trade restraints" (Yoffie, 1983, pp. 44, 58). In 1955 the U.S. textile industry sought to torpedo the renewal of the Reciprocal Trade Act. It had well placed supporters in Congress. The threat potential of the textile industry gave it much leverage. It might be kept in mind that the source of concern, Japanese textile exports, comprised a mere 2 p.c. of U.S. apparent consumption at the time. The textile industry sought escape clause action, putting the ball into the executive's court, and anti-Japanese feeling in the textile centers was fuelled. The idea of a VER came up because the other options would have reduced U.S. credibility. Quantity restrictions (QR's) on balance of payment grounds could not be invoked, and Article XIX (serious injury) tariff increases could not be undertaken unilaterally. Multilateral negotiations would have taken time, and a presidential election was due in 1955. The U.S. administration pressured Japan, albeit only in the area of trade in textiles, and Japan agreed in principle to negotiate a VER.[1] The legalization of a special trading regime, as in agriculture, came slightly later, though, through the Short-Term Agreement on Cotton Textiles. The then President Kennedy needed to break the resistance of the textile industry to his planned major trade initiatives, in turn required to obtain market access to the EEC, and he had to maintain U.S. credibility for his trade

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[1] Tellingly, as soon as the agreement to agree had been reached, Canada and West Germany asked (the Japanese) if something similar could be worked out (Yoffie, ibid., p. 55).

initiatives to succeed. The initiative also included the desire for other countries to remove Article XXXV (non-application to latecomers) and Article XII (balance of payments) protection. A Geneva conference was called, and the results legalized unilateral actions and bilateral agreement.

The Short Term Agreement (STA) was followed as planned, by the Long Term Agreement, sold to the developing countries as a means of guaranteeing increased market access to the industrialized countries, but its significance from the present point of view comes from the fact that the U.S. utilized its new legal authority for unilateral action immediately.

8. It is worth bearing in mind that these events unfolded at the same time that various MTN Rounds were promoted by the United States to further liberalize trade. Indeed, the STA seems to have been the domestic price that had to be paid for obtaining negotiating authority for the Kennedy Round. The point of these illustrations is to show that unilateralism and non-reciprocity crept into U.S. trade policy making well before the era of the new protectionism in the 1970's.

Only, there were fewer U.S. industries under pressure from imports then. Departures from multilateralism in "tariff policy were made only under duress" (Riedel, 1988, p. 90). These were the U.S.-Canada Automative Agreement of 1965, which was undertaken to avoid Canadian domestic content rules, and U.S. acquiescence to the Generalized System of Preferences (GSP) under pressure from the EEC.

9. Whereas during the 1950's and 1960's one can usefully speak of incidents or episodes of non-tariff protection which created new rules or rights, in turn undermining the multilateral trading system, the subsequent two decades witnessed the need to address trade problems broadly and frequently. An increasingly articulated set of laws emerged, which, while not revoking the authority first transferred to the President with the Reciprocal Trade Agreements Act of

1934, increasingly encourages or even requires the executive branch to act as the Congress wishes. These are the Trade Act of 1974 which gained some prominence through its Section 301; the Trade Agreements Act of 1979 which transferred anti-dumping/countervailing duty (AD/CVD) authority from the Treasury Department to the Commerce Department; the 1984 Trade and Tariff Act which tightened deadlines for action; and the 1988 Omnibus Trade and Competitiveness Act whose debate in Congress was accompanied by sometimes nonsensical demands.

III. Instruments and Procedures

10. The main instruments and procedures of U.S. trade policy between MTN rounds are laid out in four sections of sequential trade acts.[1] None of them are in any sense illegal under the GATT. Nevertheless, the evolution of the content of these four sections of law over time partly reflects the thrust of U.S. trade policy, and partly reflects the tension between the executive and the legislature.

11. First, is the "escape clause" (Section 201), which has been around in may guises (Hufbauer, Berliner, Elliott, 1986, p. 7n). As constituted since 1974, the International Trade Commission determines injury (or not) upon which the President has the authority to raise tariffs, impose quotas, grant adjustment assistance, or negotiate OMA's (Lande, Van Grasstek, 1986, pp. 101-104). Such measures are GATT consistent (Article XIX) if they apply to all trading partners (non discrimination) and if the trading partners are compensated. Furthermore, import relief is intended to last for five years only, though it is renewable. Once intended

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[1] There are other sources of the U.S. executives' authority on trade matters. But these sections were to become, became, or may yet become the "cutting edge" of trade policy.

as the major route to special protection, these grounds for relief have withered on the vine. Petitions under Section 201 dropped dramatically after 1977 (ibid., p. 102) and continued to drop through 1987 (Grinols, 1989, p. 514). While the share of petitions given positive treatment increased, this was overcompensated by the drop in applications (ibid.).

The reason is that the President has much discretion in taking action, and has frequently used his discretion to take no action - in 40 p.c. of cases passing the ITC (Hufbauer, Berliner, Elliott, ibid.). Over the years since the 1974 Trade Act, Congress has sought to soften the conditions under which imports could be determined to have caused injury, notably in the 1984 Act. Since 1974 Congress reserves for itself the right to give an opinion on each case, though the legal (but not political) force of such opinions is highly dubious. Quantitatively significant cases of import relief under Section 201, with their duration, have been ball bearings (1974 - 1978), non-rubber footwear (1977 - 1981), color televisions (1977 - 1982), CB radios (1978 - 1981), bolts, nuts, large screws (1979 - 1982), prepared mushrooms (1980 - 1983) and motorcycles (1983 - 1988) (ibid.). Except when the President uses his authority to negotiate an Orderly Marketing Agreement (OMA), which is bilateral and may bring in non-trade related threats, escape clause relief causes only limited damage to the system as a whole. Indeed, when adjustment assistance is granted, one may say that it contributes to system maintenance.

12. In principle, the content of the two other GATT consistent trade relief measures "Subsidized Imports or Countervailing Duties (CVD)", Section 701, and Dumping or Anti-Dumping Duties (AD), Section 731, are also supposed to contribute to system maintenance, here to bringing interests into the free trade camp which would otherwise join the protectionists. In practice, and until the advent of "Super 301" of the 1988 Trade Act, these sections have been the real stick of U.S. trade policy, a stick largely driven autono-

mously by the domestic interest groups hurt by foreign trade. In contrast to the "Escape Clause" no formal authority is delegated to the President to negotiate VER's in lieu of other import relief; in practice, the threat of AD/CVD impositions by the ITC, makes the foreign rival pliant, and the executive can and does negotiate with foreign suppliers in return for dropping the 701/731 investigation. The major examples here are the semi-conductor agreement with Japan and the steel regime negotiated with the European Community, which the Bush Administration reaffirmed, but only for 2 1/2 years.

13. It is important to note that 701/731 investigations are strictly technocratic affairs handled by the ITC. The central task of the ITC is to determine whether or not material injury has been inflicted upon or is threatened to the petitioners for protection or import relief. Once injury is deemed to have occurred, which must be established within 45 days of filing the petition in a preliminary investigation, 90 % of cases end with an affirmative decision and corresponding imposition of a punitive duty. "It follows that the high success rates of the dumping and subsidy tests are indicators of how broad the legal definitions are" (Finger, Messerlin, 1989, p. 10). Any import practice that brings injury to competing U.S. production is very likely to be found to involve dumping or countervailable subsidization" (ibid. p. 10). The 1988 Omnibus Trade Act went so far as to make <u>any</u> subsidy, even if available to all industries, countervailable (Grinols, 1989, p. 515), though GATT accepts generally available subsidies. In anti-dumping, the 1988 act seems to make price differences - be they predatory or not - subject to CVD imposition. In addition, third markets and downstream products are subject to U.S. action.

14. Though the definition may be broad, and hence trade retarding, the greater damage to the system probably comes from the selective negotiations of VER's in return for withdrawing AD/CVD petitions. During the 1980's 64 p.c. of cases

initiated were resolved through VER's. But in only 42 p.c. of cases that were superseded by VER's was the preliminary injury determination confirmed in the final determination, a figure similar to those which were not superseded by VER's (Finger, Messerlin, Table 3 and p. 9). Clearly, AD/CVD investigations are used as threats, with more powerful countries granted "the courtesy of a negotiated settlement. Less powerful countries receive in due course the determinations made through normal staff procedures" (ibid., p. 12n). This, too, constitutes a move away from multilateralism, distinguishing among the international political costs of hurting different sized trade partners.

15. While import relief under the "escape clause" is little used, and AD/CVD had become the instrument of choice for protection seekers in the United States, Section 301 of the 1974 Trade Act with subsequent amendments, which is technically a trade remedy law, has been the focus of attention recently. Section 301 constitutes the presidential retaliation authority, empowering him to take all "appropriate action" to obtain the removal of foreign trade barriers[1] (Lande, Van Grasstek, 1986, p. 41). It therefore brings exports into its domain. The executive - here, the U.S. Trade Representative - has great leeway in determining whether to accept or reject petitions of firms, consulting with other parts of the executive, and allowing the issue of international political expediency to guide it. If a petition is accepted, the executive negotiates with foreign governments for removal of the alleged trade barrier - under threat of retaliation. In so far as the petitions submitted under 301 refer to the jurisdiction of GATT, the law complements the GATT in that where formal dispute settlement procedures exist, these must be initiated. If a GATT ruling is ignored, the U.S. then unilaterally acts. Over the years, the content of 301 has changed to encourage its use by the President. In

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[1] It began as Section 252 of the Trade Expansion Act of 1962.

1979, time limits were placed on the framing of a response to a petition. In 1984 "foreign unreasonable, unjustifiable or discriminatory" practices were widened in definition. And, in 1988, time limits for action were set and the law comes close to requiring retaliation. Services were always encompassed by 301, but in 1984, foreign direct investment was also included. The USTR can self-initiate actions; and they don't have to be against illegal practices. Through 1988, the USTR opened over seventy cases under Section 301 (Finger, Messerlin, 1989).

17. The 1988 trade bill instituted at least ten changes in the procedures of 301 actions which tend to make policy more protectionist (Grinols, 1989, p. 512). The important elements seem to be

- authority to determine unfairness is transferred from the President to the USTR, i.e. from a broad interest representer to a narrow interest representer;

- authority to retaliate is likewise transferred;

- the President can prohibit action, rather than take action, something which is more likely to be politically costly.

In any case, there are strict limits for decision-making, so that the President's prior strategy of letting cases rest is no longer feasible.[1]

18. What has been the cumulative impact of all these measures? One must distinguish among three levels of impact: First, any individual measure, taken against any individual

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[1] For all this, it shouldn't be forgotten that the nasty bite of 301 applies only to issues where no trade agreement exists (GATT, 11.12.89).

item, is likely to be harmless. This kind of protection has been dubbed "porous" protection, because it leads to trade diversion. The same product produced elsewhere, or a close substitute produced in the target country, will be imported more. On a second level, though, it highly resembles traditional protection. Invariably, petitions are brought forward against the substitutes, thus eventually affecting a whole industry and all suppliers. The steel agreement between the U.S. and the EC is the largest case in point. This kind of protection is serious, but it exists only in a very few industries. At the third level, the precedential affect of U.S. trade law needs to be taken into account. Other countries will take up the same rights for themselves, which increases the probability of cumulative escalation. On balance, it is probably fair to say that the damage is done to the system, rather than to trade in any one commodity.

IV. "Aggressive Reciprocity"

19. Through the 1970's and 1980's, then, "escape clause" relief was itself relieved through AD/CVD measures, in turn de facto used to extract VER's. The increasing use of 301 reflects interest group driven action, like under 701/731, but it gives much more discretion to the executive branch in influencing other countries' trade policy. It was meant by some to become the "crowbar" (Bhagwati, 1989); but it is in fact a two-edged sword.

20. The game that is international trade policy making is a simple prisoner's dilemma (Walbroek, 1987). Since all players are better off under a cooperative solution, the essential ingredient of proper institution building is inducing cooperation. While it has been shown that a tit-for-tat strategy will lead to cooperation, given an infinite time horizon or sufficient discounting of the future (Axelrod, 1987), it has been objected that governments have too short

time horizons (Bhagwati, 1990).[1] Can an aggressively reciprocal strategy induce cooperation? Taken by itself, it probably can't, for reasons to be considered. But the situation of a U.S. trade policy maker, as well as the situation of other countries has changed over the years, and the U.S. response has only in part been one of aggressive reciprocity.

21. The U.S. trade policy maker has been confronted with a rise in vociferousness of protectionist groups that find active support in the Congress. This is essentially the result of structural change in the U.S. economy, and recently a result of the current account deficit, which in turn induces more structured change. Certainly free trade interests are few and far between in the manufacturing sector, which was once generally pro free trade. At the same time, the Congress has thrust upon the President more powers or even proscriptions to act. This makes it possible for the interest groups to force the President's hand. A hint of how this is done comes from strategic trade theory: A U.S. industry characterized by oligopolitic super-normal profits or a quiet life sees its strategy threatened by the entry of potent competitors abroad. To preserve its strategy, it requires quantity limitations on imports. To obtain them, it presses for legal price raising measures (AD/CVD) on a massive scale, relinquishing its demands on the administrative system in return for negotiated quantity limitations. This is not a theoretical example, but what the U.S. steel industry quite consciously did (Ven, Grunert, 1987)[2].

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[1] Harold Wilson is supposed to have said "A week in politics is a long time".

[2] Note that the government is not pursuing a strategic trade policy here; rather the industry is inducing the government to enforce actions which the industry cannot credibly carry out (Krishna, 1989). Alan Rugman in an oral comment at the conference, went so far as to claim that this firm driven protection policy has given U.S. trade policy AIDS.

22. The strong non-U.S. players themselves are relatively unconcerned with the rise of aggressive reciprocity. The European Community as a whole is inward looking on trade issues as its interest groups focus attention on and policy against Japan and increasingly, the developing countries. The trade policy equilibrium between the Community and the United States strongly favors the Community because agriculture can be protected at will[1]. The weak non-U.S. players perhaps either have no incentive to promote freer trade or cannot make sufficiently weighty counter offers. Most developing countries still favor the free-riding the GATT allows through "special and differential treatment", and Japan is only slowly becoming an importer of manufactures, so it can't offer much to other countries. Agricultural trade liberalization, as in Europe, is associated with high political cost for the ruling party.

23. Thus, a U.S. administration wishing to promote free trade needed to meet two challenges - a domestic one, brought up by the breakdown of the free trade coalition in manufacturing, and a foreign one, brought up by resistance to further moves toward free trade. To get around the domestic challenge, the trade liberalization agenda had to be widened, so that a new free trade coalition could be forged. Agriculture, services, intellectual property, and foreign direct investment had to be brought in for domestic reasons; these areas had benefitted from structural change. But the agenda widening had to be accepted abroad. From the administration's point of view, 301 was necessary as a credible threat in getting the Uruguay Round Agenda widened. The message was: If you don't negotiate about these issues, we'll take unilateral action. A report on foreign trade barriers compiled under Section 303 in 1985 as a threatened list of actions suitable for 301, the USTR Clayton Yeutter said "it shows why we need a multilateral round of negotiations."

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[1] Therefore, almost any agreement on agriculture in the Uruguay Round will weaken the Community.

24. Bhagwati (1989), for one, doubts the sincerity of such views, indicating that 301 was not necessary to end the European Community's resistance to agenda widening (p. 57). He suggests that

(i) the Community eventually realized that inclusion of new issues would bring it benefits;

(ii) the Community feared that the U.S. would embrace regionalism;

(iii) the Community feared the protectionist mood in Congress.

It is noteworthy that two of the alleged reasons cited for Community enlightenment are based on fear. If one considers that agriculture was one of the new issues to be placed on the agenda, the Community was afraid for good reason. After all, since the United States led the agricultural trade issue into a dead end with its 1955 GATT waiver (supra.), the EC has resisted negotiating agriculture on the same basis as all other issues in the Kennedy and Tokyo Rounds (Winham, 1986).

25. Nevertheless, there are fundamental objections to 301 type actions from the point of view of the world trading system. Export interests in the United States need no longer "do battle" with the protectionists at home; they can serve their interests better by filing 301 petitions so that the government opens specific markets to them, rather than being forced to liberalize all markets (Finger, Messerlin, p. 26; Bhagwati, p. 59). At the technical trade level, the use of 301 against politically weak countries doesn't open their markets to all, but just to the United States. This constitutes trade diversion, not trade creation. Finally, the GATT dispute settlement procedure itself is on the agenda at the Uruguay Round. Here, indications are that the U.S. is trying to legitimize internationally the use of 301 type actions.

If this effort were successful, the problems indicated above would materialize in all countries.

26. The structure of the problem from the point of view of the world trading system is simple in principle: How does one induce cooperative behaviour into the prisoner's dilemma game that is international trade policy making. Each member does require the capability of a threat potential, otherwise it will be exploited. The practical problem consists of using the threat potential to induce cooperation. Here, the acrimony associated with 301 cases is probably not very helpful. Given the relative decline in the U.S. share of world trade, it is questionable whether completely aggressive behavior would induce cooperative behavior on the part of other countries.

27. Any positive effect of 301 on the world trading system has to derive from its joint use with positive, cooperative trade policy measures, such as the initiation of the Uruguay Round. A stick alone is unlikely to achieve the goal of system maintenance; a carrot has to be provided as well. The peculiar Janus faced view of U.S. trade policy derives from the presence of two bodies responsible for trade policy - the Congress and the President. Congress, as the collector of sectional interests, provides the President with the stick, which he sometimes reluctantly accepts. The President, considering wider interests, including international ones, has to provide the carrot. Until now he has done so, not always completely successfully, but creatively, as exemplified by the agenda widening activities of the Uruguay Round.

While agenda widening may have been conceived as a way of harnessing new U.S. export interests, the wider implications are still more positive. For, a broader agenda makes possible more policy trades among countries, increasing the like-

lihood of reaching maximal openness in the trading system. Of course, it increases negotiating costs, that is, the duration of negotiations, as well, but that is a small price to pay.

28. A remaining tangible danger for the world trading system engendered by U.S. behavior, and not precluded by the MTN Rounds is the legalization and legitimation of dead ends in trade policy, presently exemplified by 301 type behavior. This is an imminent danger because of U.S. concern with the legalities. As with agriculture and clothing and textiles, institutionalization confers rights on other countries, rights which they themselves may never have demanded but which once granted, confer influence on domestic interest groups to get the rights used.[1] If Uruguay sanctions 301 type action, that would make the world trading system less efficient unless broad based negotiations like during MTN Rounds becomes continuous, which is unlikely.

V. Remedies?

29. It is tempting to examine the institutional workings of the U.S. government, (re)discover that Congress is the store of protectionist sentiment, the President - on average, and not before presidential elections - the upholder of a liberal mulitlateral trading order, and suggest that the presi-

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[1] An example is the West German experience with the textile and clothing lobby. Before the STA the government was set on a course to remove remaining import quotas and the lobby was disciplined by the framework of broad interest group representation so characteristic of West Germany. After the STA, textile protection became an issue just like in other countries. Even the Bundestag, normally reticent on trade matters, felt it had to take a stand on the issue (Müller-Godefroy, 1983).

dency be strengthened at the expense of Congress, or to declare Congress the villain and leave it at that. Aside from the utopianism inherent in such an approach, it is important to understand that the protectionist sentiment in Congress has a function beneficial to the world trading system - it frames the credible threat which makes other countries renounce protection out of fear of retaliation. A much more important weakness of the system is that it is dependent upon the executive branch's innovativeness in harnessing export interests together with foreign interests to beat the protectionists. This could better be done in a multilateral framework, and promises to result from the Uruguay Round (under the heading of "strengthening the GATT" if not "dispute settlement").

30. Since about 1980, when protectionist sentiment in Congress started blossoming, the U.S. has been swept by discussion of the trade deficit and the associated though partly independent, issue of deindustrialization. Aggressive trade policy is justified on plainly incorrect macroeconomic grounds and highly dubious microeconomic grounds. But these are merely the catchwords used in a public debate. Structural change in the United States, with or without a trade deficit, would have led to a shift of interest group power anyway. This process would have occurred even if structural change had stayed within the confines of the manufacturing sector, for there too, the new industries are located outside the traditional manufacturing centers and generally offer no countervailing power within the groups of organized labor.

31. In many ways, the U.S. is merely reverting to a role it formerly fulfilled in the world economy - a country like any other. Gone are the fortuitous circumstances when it could lead to liberal trade by the use of promises. Rather, threats are needed, too. For all that, successive U.S. administrations have not lost sight of the goal of liberal trade. They just have to overcome more intransigence at home

and abroad. Here, it would be helpful if a U.S. administration could credibly pre-commit itself to avoiding unilateralism and protectionism vis-à-vis the Congress. The way to do that is clear - it is by international agreement.

What could be agreed upon? First, agenda widening in itself is already a positive step. In addition, the multilateral elements of the GATT could be strengthened. Because the administered protection of AD/CVD has become so widespread, including in the European Community, the imposition of such duties should become a multilateral issue. The administrative boards determining injury and setting the remedy could be internationalized, along the lines of review panels foreseen in the Canada - U.S. Free Trade Agreement (Hufbauer, 1989). These panels are meant to establish common rules over time, in addition to merely deciding cases brought forward. Indeed introducing such elements into the GATT is a stated U.S. negotiating objective in the Uruguay Round (Schott, 1989). If accepted, such a mechanism would get around the consensus condition required by GATT, whereby the defendant has effective veto power.

Another possibility is a "GATT plus" as an application of conditional MFN (Ostrey, 1989). Clearly, some countries could liberalize trade with each other at little domestic cost. They could move toward freer trade more quickly than on a completely multilateral basis, perhaps forming customs unions. Since it can be expected that joining countries would prosper, an imitation effect could be expected (Giersch, 1986). Also, this idea prevents free riding on the system.

A step already undertaken is enhanced trade policy surveillance under the auspices of the GATT. While this sort of activity generates transparency and therefore helps mobilize consumers, it is better than U.S. surveillance because it is

undertaken by a multilateral agency, enhancing its legitimacy.

Finally, it is relatively clear that major multilateral liberalization has been achieved through the instrument of the trade rounds, all eight of which were initiated by the United States (Schott, 1989). Between rounds, the mundane activities, like the passage of U.S. trade laws, make their effects felt. Thus, one observes only occasional spurts of liberalization but a continuous process of protectionist activity. To redress this balance, a mechanism should be found to make liberalization a more continuous process. In the earlier post-war years the U.S. created some long term problems by institutionalizing exceptions to normal procedures. Why can't one institutionalize the trade liberalization process to exhibit more continuity?

In any case, suggested remedies for the international trading system need to be strewn widely - to the United States, to the European Community, to Japan, and to the Developing Countries.

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