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An Embattled Executive

From the 1930s onward, the key activator of liberal American trade policies has been the executive branch of government. Whether negotiating abroad or facing pressure at home, US officials responsible for international economic relations have leaned persistently in the direction of reducing barriers and expanding trade. Presidents, while only occasionally involved in day-to-day decisions, have supported trade officials in this liberal tendency and lent their names and their weight, periodically, to the major steps forward. Hence, the 1960s negotiations were dubbed the Kennedy Round. The successor talks might well have been remembered as the "Nixon Round" had not Watergate rendered that label unappealing.

Successive Congresses not only endorsed executive branch trade leadership, but also sought to centralize it in an institution that would balance domestic and international concerns. The Trade Expansion Act of 1962 created the position of the president's special representative for trade negotiations (STR). After two Nixon administration efforts to weaken or abolish it, the Trade Act of 1974 made the STR a statutory unit in the Executive Office of the President. Five years later, Congress forced the Carter administration to carry out a trade reorganization that increased the office's size and power and renamed it USTR (for Office of the United States Trade Representative). And in 1983, strong resistance from Senator John C. Danforth (R-MO), chairman of the Finance Subcommittee on Trade, helped block a Reagan administration–backed proposal to subsume the USTR in a new cabinet-level Department of International Trade and Industry.

The White House trade office proved an effective policy leadership institution. It brought the US government successfully through two ambitious multilateral trade negotiations. Its leaders got major trade bills enacted by Congress in 1974 and 1979, limited the trade-restrictive damage from the legislation of 1984 and 1988, and won congressional reauthorization of major trade negotiations in 1991. The demands of trade leadership drove the office into close relationships with the key congressional trade committees and into an interest-balancing, coping mode with private groups. The office showed greater sensitivity to protection-seeking forces than did, say, the State Department or the Council of Economic Advisers. Nevertheless, its aim was not to bury liberal US trade policy but to keep it alive.

Presidents have not given consistent backing to the White House trade representative as a person or to the USTR office as an institution. Just as Kennedy was reluctant to have Congress structuring "his" executive office, his successors have been ambivalent, more often than not, about a high-profile White House trade office with which they had limited day-to-day contact. Presidential political aides have been wary as well. In the first Reagan term, Secretary of Commerce Malcolm Baldrige was able to use his White House ties, and the added trade powers given his department in 1980, to pose a strong challenge to USTR William E. Brock.

In the 1980s, this presidential ambivalence toward the USTR was joined by a rise in piecemeal protectionism, in steps taken to shield specific industries without offsetting measures on the market-expanding side. President Reagan, committed in principle to free trade, was driven—in the words of his Treasury secretary—to "grant more import relief to US industry than any of his predecessors in more than half a century."[1] And when the record trade imbalances of the mid-1980s triggered a political storm on Capitol Hill, his administration lost the initiative to a Congress determined to enact tough new trade legislation. Despite a new aggressiveness in pressing export cases overseas, the USTR was mainly reacting at home to a flurry of congressional proposals. Only in 1989—with the legislative battle over—did a new USTR, Carla A. Hills, succeed in recovering the trade policy initiative for the executive branch. She succeeded in concluding the NAFTA negotiations, but was unable to complete the global Uruguay Round talks before her term in office expired.

■ ■ ■

From the 1930s through the 1950s, there was little statutory control of the structure and process of executive branch trade policymaking—who should lead in international trade negotiations, for example, or how the counterpart domestic negotiations should be conducted. Inevitably, then as now, a range of departments and agencies were involved, especially Agriculture and Commerce, and interagency committees were the typical

1. Remarks of Secretary of the Treasury James A. Baker III at the Institute for International Economics, Washington, DC, 14 September 1987.

means of handling complex policy and operational issues. Yet as late as 1960, a senior State Department official could be so dominant—domestically and internationally—that a tariff negotiation under the General Agreement on Tariffs and Trade (GATT) was given his name.[2]

But the "Dillon Round" was the State Department's last hurrah in multilateral trade leadership. When John F. Kennedy moved to break a political stalemate by going after sweeping new barrier-reducing authority—including a mandate to negotiate across-the-board (as opposed to item-by-item) reductions—Congress demanded a change in executive branch trade structure. Thus was created an "executive broker," the STR, to oversee US participation in the talks.[3]

STR's Early Ups and Downs

Section 241 of the Trade Expansion Act of 1962 established two roles for this new trade official: the STR was to be "the chief representative of the United States" during the authorized negotiations and also chairman of the "interagency trade organization" that was to manage them for the president. It said nothing about his staff or its location, however. Kennedy had insisted on having leeway to define these himself, which he did in Executive Order 11075 of 15 January 1963, placing the new unit within the Executive Office of the President. The new negotiator and his aides were clearly intended to play the "executive broker" role required by the 1934 system—between domestic interests and foreign governments, between the executive branch and Congress, and among the concerned government agencies.

During the Kennedy Round, the STR played this role with a small staff of about 25 professionals and with substantial sharing of specific analytic and negotiating tasks with State and, to a lesser degree, Commerce and Agriculture.[4] Kennedy filled the post with a prominent Republican, former Secretary of State (and Massachusetts Governor) Christian A. Herter, who had one deputy for Washington management, William M. Roth, and one for Geneva bargaining, W. Michael Blumenthal. When Herter died

2. The official was Under Secretary of State C. Douglas Dillon.

3. Also significant, at least as a harbinger of the future, was a provision making two senators and two representatives accredited members of the US negotiating team for the first time. The STR was also required to seek advice and information from industry, agriculture, and labor representatives. As in previous talks, the administration had to give public notice and hold hearings before agreeing to reduce tariffs for a particular industry. And the Tariff Commission was to advise on the probable impact of such reductions on particular sectors.

4. On the STR's early years, see Anne H. Rightor-Thornton, "An Analysis of the Office of the Special Representative for Trade Negotiations: The Evolving Role, 1962–1974," in *Commission on the Organization of the Government for the Conduct of Foreign Policy*, vol. 3 (Washington, DC: GPO, June 1975), appendix H, 88–104.

from a heart attack in December 1966, President Lyndon B. Johnson designated Roth as his replacement. Neither trade executive spent much time with either president; for example, to prepare for the crucial climactic stages of the talks in the spring of 1967, LBJ worked mainly through his deputy special assistant for national security affairs, Francis M. Bator. Yet with his ultimate acceptance of the final Kennedy Round package, Johnson gave his strong endorsement to what the STR-led team had wrought.

For the next four years, however, the STR went into eclipse. The big trade negotiation was over, and the role of the office in bilateral and product-specific talks was not well established. In early 1969, Richard M. Nixon's Secretary of Commerce, Maurice H. Stans, pressed to have trade-coordinating responsibilities transferred to him. Congressional and interest group opposition blocked this; agricultural interests, in particular, feared they would get short shrift. But Stans won two substantial concessions: the right to control who was appointed STR and the lead role in the major trade action of the early Nixon administration, the "textile wrangle" with Japan. The STR became a bureaucratic backwater, weakly led and devoid of presidential support.

There followed a trade policy disaster. Stans bungled the textile negotiation, as his aggressive, insensitive style provoked fierce Japanese resistance. This led to a blunder with Congress: Stans got Nixon to endorse statutory import quotas for textiles. As discussed in chapter 2, this drove Ways and Means Chairman Wilbur D. Mills (D-AR) to push a protectionist bill he privately abhorred. The bill passed the House and got as far as the Senate floor before time ran out in December 1970.[5]

The need to restore central trade policy leadership was now evident, and in 1971 the White House named a new STR, Idaho lawyer and businessman William D. Eberle. Eberle quickly recruited two strong deputies: William R. Pearce to handle the development of legislation, and Harald B. Malmgren to manage the international negotiations to prepare a new trade round.

But the STR was still not secure in the Nixon administration, for the president also established in 1971 a Council on International Economic Policy (CIEP), whose staff was headed by an assistant to the president for international economic affairs—first Peter G. Peterson, then (in 1972) Peter M. Flanigan. And in 1973 Flanigan moved, with Nixon's apparent endorsement, to have the STR formally incorporated in CIEP under his direction.

Many legislators feared that the nonpartisan, "trade expert" character of the STR would be destroyed if it were brought into a more "political" (partisan) White House operation. And they had twice seen the Nixon administration ready to sacrifice the trade representative. So House Ways

5. For details on these events, see I. M. Destler, Haruhiro Fukui, and Hideo Sato, *The Textile Wrangle* (Ithaca, NY: Cornell University Press, 1979), chapters 3–10.

and Means responded in 1973 by adding to the pending trade legislation a section making the STR a statutory office, something Kennedy had resisted. The Senate bill went two steps further: placing the STR in the Executive Office of the President by law, and giving cabinet rank and salary to its chief. As signed by President Gerald R. Ford, the Trade Act of 1974 included all of these provisions.

Even as these steps were being taken, the STR was asserting de facto leadership, first in drafting the administration's legislative proposals, then in lobbying the Trade Act through the House and the Senate in 1973 and 1974.[6] By the time the bill was enacted, the STR had become a congressional as well as a presidential agent. In 1975 and 1976, the office entered another in-between period, as the trade negotiations it was leading moved slowly at Geneva. But this time its position in the executive branch was stronger and more secure. And the stage was set for a major trade-brokering success story—the completion of the Tokyo Round in 1979 under the leadership of President Jimmy Carter's special trade representative, Robert S. Strauss.

Strauss and the MTN: The STR on Center Stage

Almost alone among senior Carter administration international economic officials, Robert Strauss had no prior experience with trade policy. His forte had been partisan politics. He had served as chairman of the Democratic National Committee, beginning with a party bitterly divided by its 1972 debacle and ending with Democrats surprisingly united behind the Carter candidacy. He had made an important personal contribution to this outcome with his ornery, persistent, inclusive style of interpersonal diplomacy. And along the way he had established close relationships with a number of senior senators, including Senate Finance Committee Chairman Russell B. Long (D-LA).

With his flair for the public spotlight, Strauss brought celebrity to the STR job. Skilled at political maneuvering, he led in reenergizing the Tokyo Round of multilateral trade negotiations (MTN) abroad and selling them at home. As STR aides he brought in trade or management specialists, not partisan politicos: Geneva Deputy (later to be Carter White House operations chief) Alonzo L. McDonald; Washington Deputy (and former STR General Counsel) Alan Wm. Wolff; and General Counsel (and former Finance Committee aide) Richard R. Rivers. Strauss promptly demonstrated his brokering ability by negotiating orderly marketing agreements with Korea and Taiwan on shoes, and with Japan on color television sets. He also led in bilateral, market-expanding negotiations with Tokyo.

6. For a detailed account, see I. M. Destler, *Making Foreign Economic Policy* (Washington, DC: Brookings Institution, 1980), chapters 10 and 11.

His handling of Japanese market issues in late 1977 and early 1978 illustrated Strauss's unique blend of verbal hyperbole and political adroitness. Until that fall, other administration officials had been more active than he on US-Japanese economic issues. Strauss seized the initiative by exaggerating the danger. He declared—with little if any supporting evidence—that US-Japan relations were near the "bursting point," and that Congress would likely go protectionist when it reconvened in January 1978, unless Japan made significant market-opening commitments. Turning aside an initiative from Senate staff aides to hold Finance Committee hearings on US-Japan issues—that might raise the political temperature too much, he thought—he nevertheless urged senators to be very demanding in their private conversations with Japanese trade officials.

When a newly designated Japanese minister for international economic policy flew to Washington in December, Strauss got Finance Committee senators to host a very tough private luncheon. And Strauss himself immediately and "very candidly" declared the minister's offer of tariff and quota adjustments to be "insufficient," falling "considerably short" of what was necessary. This made it possible for Strauss to find an anticipated further concession "promising," and to imply that US toughness was beginning to bear fruit. He traveled to Japan the following month to complete a revised Japanese trade agreement, and, by threatening to fly home without signing, he won further concessions on its language.

When he then reported the deal to senators at a Finance Committee hearing, the first thing Strauss did was to give *them* the credit. He thanked them, "on behalf of the entire nation," for "the strong bipartisan support" they had given to US negotiators. He described the result in expansive terms: the specific Japanese commitments in the agreement represented "an entire change of direction and change of philosophy of trade" on Tokyo's part. But he cautioned that implementation was "just beginning."

When Senator William V. Roth, Jr., (R-DE, no relation to the former STR) suggested hearings every six months to monitor progress with Japan, Strauss questioned whether that was often enough. "I think I should report to you on a more frequent basis, if you have the time in the Senate to do it." He wanted the Japanese and the Germans and the European Community "to feel some of the pressure from the Congress that I feel. You know, you are breathing down my neck every day . . . I would like to turn that red hot breath toward the people we are trading with."[7]

7. US Congress, Senate Committee on Finance, Subcommittee on International Trade, *Hearing on United States/Japanese Trade Relations and the Status of the Multilateral Trade Negotiations*, 95th Congress, 2nd session (1 February 1978), 9, 12, 13, 22. For a fuller discussion of those negotiations, see I. M. Destler, "United States-Japanese Relations and the American Trade Initiative of 1977: Was this 'Trip' Necessary?" in William J. Barnds, ed., *Japan and the United States: Challenge and Opportunity* (New York: New York University Press [for the Council on Foreign Relations], 1979), 190–230.

The performance was vintage Strauss—part substance, part charade—as his more savvy Senate interlocutors fully realized. But his game was their game too: He was giving them credit for toughness greater than they had actually displayed, and greater credit than they deserved for such negotiating results as were achieved. Yet while deferring to them in rhetoric, he kept the initiative for himself—just as they wanted him to do. For he was absorbing the political heat, diverting pressure from them. Strauss was also adroit with the Japanese, for although his strong words ruffled their sensitivities, they also gave Tokyo bureaucrats and politicians a credible rationale for making trade concessions. In both cases, Strauss was the consummate activist broker—keeping the game going, getting results that at least defused the immediate crisis, and spreading credit around in a way that enhanced his own central role, rather than diminished it.

Strauss was also playing another old trade game, that of "export politics." The main domestic pressures concerning Japan were coming from import-competing industries like color TVs and steel, and the Carter administration accommodated these pressures with moderate trade-restraining arrangements. But it preferred to push trade-expanding issues. Thus, it encouraged agricultural export interests and then employed these interests as pressure in winning limited, grudging Japanese expansion of beef and citrus quotas. The overall gain was small—no more than $50 million set against a bilateral trade deficit with Japan that would reach $12 billion in 1978. But to the degree that discontent with Tokyo on trade was generalized in nature, such tactics channeled this discontent into pressure for expanding exports, not restricting imports. (The Carter administration also pressed Tokyo to stimulate its economy and to allow the yen to appreciate in order to reduce Japan's growing trade surplus.)

"Export politics" also was prominent in early 1979 when the United States, in order to broaden the coverage of the MTN government procurement code, pressed Tokyo to internationalize the purchases of its government telecommunications agency, Nippon Telephone and Telegraph (NTT).[8] In that case again, US officials, with Strauss in the lead, sought to reinforce domestic interests in export expansion and to counter and limit the influence of those seeking import restriction.

A more comprehensive and structured form of brokering took place within the private-sector advisory committees that were established under the Trade Act to work with US negotiators in setting and implementing MTN goals. In response to complaints from some in the business community about their limited and ad hoc role in the Kennedy Round, Congress had added a detailed section to the 1974 law, setting forth requirements and guidelines to institutionalize "advice from the private sector." Working

8. See Timothy J. Curran, "Politics and High Technology: The NTT Case," in I. M. Destler and Hideo Sato, eds., *Coping with U.S.-Japanese Economic Conflicts* (Lexington, MA: Lexington Books, 1982), 185–241.

with Commerce, Labor, and Agriculture, the STR was required to organize general and sectoral committees that would, "so far as practicable, be representative of all industry, labor, or agricultural interests. . . ."[9]

Initially, some officials feared that the requirement for such elaborate private-sector consultation would prove a straitjacket, for the law even provided that the STR must inform the advisory committees—and give reasons—when he did not accept their counsel! In practice, however, the advisory network proved a great boon. Membership on the committees gave producers a forum for pressing specific concerns; film manufacturers could argue that a reduction on Japanese tariffs would increase their sales, for example. And committee members knew that trade negotiators would listen and try to respond, since each committee would report independently to the Congress on how it viewed the final MTN agreements. The advisory committee system gave Congress what its members particularly favored: a place away from Capitol Hill where they could refer petitioning interests and assure them that they would get a hearing. Each committee was broad enough (for example, "Industrial Chemicals and Fertilizers," "Nonferrous Metals") to encompass a range of firms and interests. Their exposure to one another gave committee members a broader perspective, and it gave executive officials useful leeway on whose advice they finally took. And because the advisers felt they were taken seriously—and came to understand the constraints faced by their governmental counterparts—they developed sympathy for the larger enterprise and modest personal identification with its success.

As noted by Gilbert R. Winham, broader lessons can be drawn from this experience:

> In delegating the task of constituency relations to the executive, Congress took advantage of the capacity of governmental bureaucracy to take the initiative in dealing with constituents. . . . The same [advisory group] system that organized the sectoral interests and gave them influence in government also structured the task of the executive in dealing with those interests. [It also] meant that communications with constituency groups generally occurred in an environment defined by trade bureaucracies and not by the constituents themselves. . . .
>
> To sum up, the Tokyo Round experience demonstrated that channels of access could be two-way streets: access to the executive by the private sector could also mean access to the private sector by the executive. . . .[10]

At the final stage of the MTN, Strauss's political skills were tested by a crisis that was partially of his own making. Europeans had participated in the MTN on condition that the United States not impose countervailing duties on European Community exports before the subsidies code was

9. Trade Act of 1974, Section 135.

10. Gilbert R. Winham, *International Trade and the Tokyo Round Negotiation* (Princeton, NJ: Princeton University Press, 1986), 315–17.

negotiated. Congress had reluctantly granted the secretary of the Treasury the authority to waive countervailing duties for four years, until 3 January 1979. But when it became clear that the MTN would not be entirely completed by then, and Strauss and his Hill allies failed to get the waiver extended before Congress adjourned for the year in October 1978, Europeans refused to continue. An intricate rescue was required. At home, the United States deferred collection of the duties, while Strauss bargained with Congress to extend the waiver retroactively.[11] In the meantime, the Europeans agreed to resume talking, but not to sign anything until the waiver extension became law, which it did in March 1979.

In the end, everything came together in one of the Carter administration's major policy successes. Nontariff barrier codes were completed to regulate government behavior on subsidies, government procurement, product standards, etc. The United States granted long-sought concessions—abandonment of the American Selling Price system of customs valuation,[12] and an injury test for the imposition of countervailing duties—in exchange for commitments on a range of trade-distorting foreign practices. Of the 38 private-sector advisory committees, 27 made positive reports to Congress, with five neutral and just six tilted toward the critical side. As recounted in chapter 4, the STR collaborated with its congressional counterparts in drafting the implementing bill, which passed overwhelmingly. A triumphant Strauss moved on to other pursuits, as did all of his senior STR colleagues.

The Executive Broker and Its Critics

Strauss was sui generis, but the way he handled trade policy was broadly consistent with the tradition of the 1934 system. He aimed to balance pressures, build coalitions, give a little here, get a little there—but above all to keep the overall American and global trade regime moving in a trade-expanding direction. For the ultimate goal of postwar US trade leaders was not maximum US advantage but openness in general, a trade world where American products and firms could compete as freely as possible with others. Trade was a positive-sum game, and liberal policies would make everyone better off, the United States included.

11. As described in chapter 4, part of this bargain was increased protection for the textile industry.

12. This was a provision of US customs law, long offensive to America's trading partners, that required duties on certain products (including benzenoid chemicals, rubber footwear) to be calculated by multiplying the tariff rate not by the price of the import, the normal procedure, but by the higher selling price of the competing US product. This inflated actual duties considerably.

Of course, no US trade official could argue openly for brokering as the primary function. If US trade negotiators were to keep their mandate from Congress and product interests, they had to appear tough in advancing and defending specific US commercial interests. And if aggressiveness simply meant being assertive in trade bargaining and going after those foreign trade barriers that blocked promising US trade opportunities, this was fully consistent with the postwar brokering tradition. Successive administration leaders did pursue market openness abroad even as they did so at home. This was the path to expanding the volume of trade. And "export politics" demanded it. Only by convincing industries and firms that there was money to be earned overseas could officials engage them in policy struggles, balancing the ever active forces that sought import restrictions.

There were political risks, of course. A tough, critical, and visible market-expanding campaign—like those of successive administrations toward Japan—might buttress executive credibility, but it would also fuel anti-Japanese sentiment. For in practice the best "leading indicator" of congressional activism on Japan was executive branch activism. Noisy, visible negotiations got congressional attention and drew members and their staffs into the policy game of pressing their demands. And "Japan bashing" by the executive branch legitimized Japan bashing on Capitol Hill, though up to a point this too could be useful to executive brokers, as Strauss demonstrated.

In terms of the brokering function, the flexibility of the STR arrangement was useful, as was its White House location. These features made it easier not just to engage important business interests but to bring into the balance other departments, such as Treasury or State, that were dependably antiprotectionist for economic or diplomatic reasons. But compared with other units within the Executive Office of the President, the STR was an organizational anomaly. First, unlike the coordinating staffs for broad subjects like national security or domestic policy, the STR was a special-purpose operating unit, typically distant from daily presidential business. Second, it was staffed by "professional" trade specialists, in contrast to the more partisan recruitment pattern that became the norm at the National Security Council and its domestic policy counterparts. Yet the STR did have rapid staff turnover, and hence it was not a career bureaucracy with an institutional memory like, say, the old Bureau of the Budget.

These features made the office a natural target of reorganizers. So did frustration about trade policy. As set forth in chapter 3, the relative position of the United States was, by most measures, declining in the 1970s and 1980s. Throughout the postwar period, other advanced industrial nations had grown faster, closing the gap in per capita income and individual well-being. The merchandise trade balance, consistently in surplus through 1970, was almost always in deficit thereafter. Major industries were losing international market share—and not just textiles or shoes, but steel, automobiles, and consumer electronics as well. It was easy to draw from this evidence a broader diagnosis of American industrial decline and to view "trade wars" as a prime contributor.

So there developed an alternative view of US trade policy: that priority had to be given to halting and reversing this decline. Uncle Sam had to stop being the world's nice guy. As Russell Long put it in 1974, the United States could no longer afford to be the world's "least favored nation," exposing our markets while the rest of the world employed "practices which effectively bar our products."[13] Others were taking advantage—Japan in particular—and America had to fight back. Our policy should thus give priority to the relative position of the United States, particularly in the industries of the future.

These factors combined to generate dissatisfaction with the executive branch trade structure even as Strauss was moving to his triumphant congressional votes. To some, there was a link between the disappointing market results and the dispersion of various trade functions within the executive branch. The Senate Finance Committee summarized these concerns:

> Trade is not given a very high priority in terms of commitment of resources and the attention to top governmental policy officials on a regular basis, other than the STR. Additionally, major trade functions are spread throughout the Executive branch making formulation of trade policy and implementation of trade policy haphazard and in some cases contradictory. No single agency clearly predominates [so] that people with a trade issue know where in the Executive branch they can turn . . . and whom they . . . can hold accountable. [Moreover,] present organization has failed to retain experienced trade personnel, [in contrast] with other countries who have a tough, seasoned corps of trade negotiators.[14]

The STR had established a clear lead role for major multilateral negotiations and an important one in bilateral and product-specific issues. Yet other trade responsibilities were spread about: Commerce promoted exports, Treasury handled unfair trade practice cases, Agriculture dealt with grain sales, and most major departments influenced presidential decisions on escape clause cases.

One proposal for clarifying matters was to consolidate most of these functions within a new Department of Trade. This idea got its first prominent exposure when the author of a study on US international economic policymaking showed a draft proposal to a staff aide of Senator Roth; the

13. US Congress, Senate Committee on Finance, *Hearings on the Trade Reform Act of 1973*, 93rd Congress, 2nd session (4 and 5 March 1974), part 1, 2. Challenges to the general trade-expanding and brokering tradition in postwar US trade policy are discussed further in chapter 7.

14. US Congress, Senate Committee on Finance, *Trade Agreements Act of 1979*, 96th Congress, 1st session (17 July 1979), Staff Report 96–249, 268–69.

aide liked it and so did his boss, who introduced it as a bill and won the cosponsorship of the chairman of the Finance Subcommittee on Trade, Abraham A. Ribicoff (D-CT).[15] So when Finance began meeting on the draft MTN results, it voted initially to recommend that the implementing legislation include a provision establishing a Trade Department.

But the Finance senators' commitment to the idea was less than it seemed: Ribicoff was of two minds, and Russell Long preferred to retain the White House office. Moreover, House Ways and Means members did not favor the departmental approach. So, in the end, a compromise was adopted. The draft trade legislation required the president to consider establishing a Trade Department (along with other options), and to submit a specific trade reorganization proposal to Congress by 10 July 1979. When that date instead found Carter on his famous retreat to Camp David, soliciting insights from a range of national leaders about what had gone wrong with his presidency, Ribicoff held up final Senate action on the MTN package. This had the intended impact. On 19 July, Carter sent forth to Congress a reorganization proposal, which, after further consultation and resubmission, became effective in January 1980.

The Carter Reorganization

The Carter reforms created, in essence, a two-tiered executive branch structure. On top was an enlarged and renamed Office of the United States Trade Representative (USTR). It was assigned "international trade policy development, coordination and negotiation functions," and it included responsibilities previously handled by State—GATT, bilateral, commodity, and East-West trade matters, as well as policy responsibility for overseeing trade-remedy cases.

At the level of trade administration, Commerce was to become "the focus of nonagricultural operational trade responsibilities." It was therefore given Treasury's authority over countervailing duty and antidumping cases, as well as State's jurisdiction over commercial attachés. The trade committees had, in fact, insisted on the former step, judging Treasury to be insufficiently aggressive in enforcing the unfair trade statutes (see chapter 6). And the adjective "nonagricultural" signaled a bow to political reality: Farm interests would never accept the transfer of responsibility and expertise for their products from the Department of Agriculture.

The USTR half of the Carter reorganization reflected the sensible principle that in restructuring government one should start with what works. The Trade Representative's office had completed the MTN with success and with a reputation for effectiveness, and it was better to build on that

15. For the story as told by a participant, see Stephen D. Cohen, *The Making of United States International Economic Policy* (New York: Praeger, 2d ed., 1981), chapter 8.

than to start anew. There was some risk of making its staff too large.[16] This could incline the USTR toward too much in-house detail work, at the expense of reaching out and mobilizing the resources of all agencies. And assigning it difficult tasks outside the GATT-MTN mainstream, such as East-West trade policy coordination, did not necessarily bring added strength. Still, a timely, visible reinforcement of the STR's mandate helped offset the tendency for trade policy power to disperse whenever a multilateral round was completed.

The reasons for strengthening Commerce were more ad hoc. It was there. It already handled certain operational trade functions, such as industry information and export promotion. So it seemed a logical home for other trade tasks whose current management generated dissatisfaction. Moreover, Carter did not want the White House trade office to grow too much, since this would undo his earlier reorganization, which had reduced the total number of Executive Office personnel. So those functions that required an expanded, specialized staff—enforcement of unfair trade laws, for example—were placed in Commerce.

The overall package was rationalized by an old and largely discredited public administration dichotomy—the separation of policy from operations, with the corollary that the former could control the latter.[17] The USTR, with policy leadership responsibility, would be in charge; Commerce would carry the policy out. This could work, but only if both organizations and their leaders accepted these roles and worked closely and cooperatively, with Commerce deferring to USTR direction.

Under Carter, the system performed adequately, as both agencies had to adjust to new leaders. Commerce busied itself with filling a range of new positions, including an under secretary for trade who would oversee the department's renamed and expanded International Trade Administration, with no fewer than 17 officials at or above the deputy assistant secretary level. The new USTR was former Florida governor Reubin Askew, who lacked Strauss's political mastery and close presidential ties; he proved a competent trade policy leader, however, and no single competitor rose to challenge him.

Reagan I: Commerce Versus USTR

Askew's successor, William E. Brock III, was not so lucky. Like Strauss four years earlier, Brock in 1981 had just completed a successful term as

16. The Carter administration, under substantial congressional pressure, increased the number of permanent USTR staff slots to 131, compared with 59 in the STR.

17. For a more general discussion of the persistence and limits of this approach to foreign policy management see I. M. Destler, *Presidents, Bureaucrats, and Foreign Policy: The Politics of Organizational Reform* (Princeton, NJ: Princeton University Press, 1972), 18–22.

his party's national chairman. And once in the trade job, he would demonstrate comparable talents on Capitol Hill.

Yet a month before Brock was named to the USTR, President-elect Ronald Reagan chose as secretary of commerce a capable, ambitious Connecticut businessman named Malcolm Baldrige.[18] In discussions surrounding the appointment, it became public knowledge that influential Reagan counselor Edwin Meese III favored abolishing USTR and giving Baldrige the primary trade responsibility. Again, the fact that the trade representative's office was an organizational oddity, a "line" unit (possessing specific policy responsibility) within the president's Executive Office staff, rendered it vulnerable to reformers who sought to streamline structure before they understood substance. Brock, one of the last cabinet-level appointees announced by Reagan, had therefore to respond in his confirmation hearings to claims by the incoming Commerce secretary that he, not Brock, would be the central trade policy figure.

Brock replied by reiterating the "indispensable" USTR function: it "must continue to be, for the President and the Congress, the government's principal architect and exponent of trade policy to insure that we act and speak as one." Three successive laws had made the trade representative chairman of the statutory interagency trade committee, so that matter was settled; moreover, he had had "fairly extended conversations with the Secretary of Commerce" and they had "a very healthy and solid commitment to the same goal": an "aggressive" trade and export policy. He was sure they would "work very effectively together."[19] Nevertheless, when the Reagan administration, under Meese's leadership, created its own (nonstatutory) network of coordinating committees, it was Baldrige who chaired the Cabinet Council on Commerce and Trade.

In practice, neither man was able to establish clear predominance in the first Reagan administration. Brock was supported by the precedent of successful leadership by previous STRs. He also had strong policy and political skills and close ties to senators and representatives, having served (as had Cordell Hull) in both chambers. Indeed, when the new Cabinet Council on Commerce and Trade held its first meeting under Baldrige's chairmanship, both the Finance and the Ways and Means chairmen reportedly phoned the president and informed him that this was against the law! Yet the commerce secretary had political resources also: a stronger relationship with Reagan (and with Meese), the new authorities

18. When, in a November conversation with the President-elect, Brock expressed interest in the USTR position, Reagan "expressed surprise at Brock's choice." Reagan "wasn't aware that the trade representative position was a Cabinet post." Steve Dryden, *Trade Warriors: USTR and the American Crusade for Free Trade* (New York: Oxford University Press, 1995), 265, based on Dryden's interview with Brock.

19. US Congress, Senate Committee on Finance, *Hearing on the Nomination of William E. Brock, III*, 97th Congress, 1st session (19 January 1981), 3, 10, 12, 13.

given Commerce in the Carter reorganization, and the talents of an aggressive under secretary, Lionel H. Olmer. So while Brock handled auto imports from Japan and headed the US delegation at the unsuccessful GATT ministerial talks of November 1982, it was Baldrige who brokered a voluntary export restraint agreement between American steel companies and European governments earlier that same year. Beginning in 1980, Commerce also established the first credible enforcement operation for the unfair trade laws. (The consequences are addressed in chapter 6.)

Baldrige also continued in his quest for governmentwide trade dominance. His persistence was hardly surprising, for trade was by far the most prominent of his department's substantive responsibilities, and it naturally attracted any aggressive secretary with decent White House connections. And if Maurice Stans had failed egregiously in 1969–71, Baldrige did a bit better 12 years later. In the spring of 1983, despite the opposition of Brock and almost all other senior presidential advisers, President Reagan accepted a Baldrige-Meese recommendation that the administration endorse Senator Roth's proposal for a Department of International Trade and Industry, with the USTR incorporated therein. The Commerce secretary spent much of the rest of Reagan's first term lobbying to win industry support for that reorganization.

The reemergence of the trade department proposal raised anew the question of whether the brokering function was adequate for trade leadership. Roth's Governmental Affairs Committee argued the negative in its report recommending approval of the legislation: "Trade needs a champion in government. The new Department Secretary will be this champion. The USTR was created as a broker, not an advocate." Or to quote the views of three Democrats:

> USTR was established basically to pull together our position for multilateral negotiations at a time when our major trade problem was coordinating and balancing our own diverse interests, and we had no significant industrial problems. We now have a host of other problems, and most of the negotiating action has shifted into the bilateral arena. We need a more focused effort to deal coherently with trade, industry, and competitiveness questions.[20]

Nonetheless, the Trade Department idea did not move very far on Capitol Hill. To win bipartisan endorsement by his committee, Roth had to accept organizational add-ons, including an industrial policy mechanism pushed by Democrats.[21] This served to reduce the Reagan administra-

20. US Congress, Senate Committee on Governmental Affairs, *Trade Reorganization Act of 1983*, 98th Congress, 2nd session (3 April 1984), Staff Report 98–374, 8, 128. The three Democrats were Thomas F. Eagleton of Missouri, Carl Levin of Michigan, and Jeff Bingaman of New Mexico.

21. For any trade-threatened sector of national significance, the secretary was to convene an "industry sector competitiveness council" representing business, labor, and government to recommend an action program.

tion's enthusiasm for the venture. Pungent opposition by Finance Trade Subcommittee Chairman Danforth delayed the bill, and ultimately prevented it from reaching the Senate floor in 1984. In the House, it never reached the markup stage. Still, the fact that the president was proposing to eliminate his organization could only damage Brock's standing and the credibility of the USTR generally.

USTR and Presidential Ambivalence

Reagan's lack of attachment to the trade office had ample precedent. Kennedy had been reluctant to establish a trade representative in the Executive Office of the President (EOP). Nixon had been willing to reorganize it out of existence. As House Trade Subcommittee Chairman Sam Gibbons (D-FL) remarked, with only modest exaggeration, "Every President that comes in wants to throw the USTR Office out of the White House."[22]

Presidents have, traditionally and understandably, resisted establishing units to serve other people's purposes in "their" White House. Presidency scholar Richard E. Neustadt, in his role as transition adviser, warned Kennedy against pressures in this direction. Citing Franklin D. Roosevelt's staffing practices, he urged that JFK start by filling only jobs "for which the President-elect, himself, feels an *immediate and continuing* need." Neustadt inveighed thereafter against "proliferating advisory staffs in your Executive Office."[23] Kennedy generally followed such advice. And 16 years later, Jimmy Carter's Executive Office reorganization similarly aimed at "limiting EOP, wherever possible, to functions which bear a close relationship to the work of the President."[24]

Kennedy did, of course, accede to the STR's creation. Carter retained it and, under congressional pressure, broadened its functions and enlarged its staff. Yet the office has never had the sort of connection to broad presidential policy business possessed by, say, the National Security Council or the Office of Management and Budget. It is too specialized, too focused on a specific slice of policy substance and ongoing operations.

Had Congress not wanted (U)STR, it is unlikely that any postwar president would have created or proposed such an EOP office on his own. Trade policy just has not loomed large enough, and presidents have seen it as, for the most part, second-order, technical business. Also, presidents

22. US Congress, House Committee on Ways and Means, Subcommittee on Trade, *Hearings on Options to Improve the Trade Remedy Laws*, 98th Congress, 1st session (16 and 17 March, and 13 and 14 April 1983), Serial 98-14, part 1, 389.

23. "Memorandum on Organizing the Transition" (15 September 1960), 7 (emphasis added), and "Memorandum on the Council of Economic Advisers: First Steps" (19 December 1960), 2. Copies obtained from Neustadt; both are available in the John F. Kennedy Library, Boston.

24. US Congress, "Reorganization Plan No. 1 of 1977," *Message from the President of the United States*, 95th Congress, 1st session (15 July 1977), H. Doc. 95–185.

frequently want protection from trade issues for the same reasons that legislators do: They don't like to say "no" to important interests or to choose among them when choice can be avoided.

This presidential coolness has limited the capacity of the trade representative to build personal ties with the man in the Oval Office. Of all who have held the office, only Strauss under Carter and Mickey Kantor under Bill Clinton were close presidential advisers, and they kept that status because they were useful on a broad range of matters.[25] Trade alone would not have given them enough to talk about with the president and his key aides; however, the general belief that they were talking regularly with the president was central to their credibility on trade, not only with business and on Capitol Hill, but in foreign capitals as well.

Conversely, those who, like Brock, could not build such strong presidential ties were vulnerable to challenge from executive branch rivals. Some managed to build a presidential base indirectly: Herter and Roth through the national security staff; Eberle and his deputies through Nixon's "economic czar," George P. Shultz. Indeed, one advantage of the (U)STR's Executive Office location is that it makes such relationships easier for its head to develop than they would be for the head of a separate executive department. On the other hand, a high-profile USTR, of the sort needed to manage major international trade talks or domestic trade crises, may be hard for a White House chief of staff to swallow, since the USTR combines independence in day-to-day actions and the White House label. She or he must swear allegiance to Congress as well as the president.

Liberal Words, Protectionist Deeds

In part because of the struggle between Brock and Baldrige, but more importantly perhaps because of recession and the burgeoning trade imbalance, the first Reagan administration developed a pattern of endorsing liberal trade in principle but providing protection in practice. The auto quotas initiated in 1981 were understandable, and probably unavoidable, given the industry's sudden crisis. However, they were followed in 1982 by "voluntary" European Community steel export restraints, and in December 1983 by toughening of restrictions on textile imports, after Baldrige persuaded the president to overturn an 11 to 1 cabinet committee vote against such a move. Brock's reputation rebounded the following September, as the USTR took the lead in explaining and implementing yet another protectionist step, perhaps Reagan's most significant: his decision to negotiate sales-limiting agreements with all major steel exporters. On the free trade side, Brock also gained by blocking or neutralizing several

25. The index of Jimmy Carter's *Keeping Faith* (New York: Bantam Books, 1982) has seven references to Strauss. Only two refer to his trade job, and none to the substance of trade policy.

industry-specific protectionist provisions in what became the Trade and Tariff Act of 1984 (see chapter 4). Brock was frustrated, however, by the failure of the 1982 GATT ministerial talks and the difficulty of winning endorsement, at home and abroad, for a new round of trade negotiations. And as a consequence, Brock lacked the advantage of a central trade negotiation to strengthen his hand within government and vis-à-vis private interests.

At the same time, the trade deficit was ballooning to levels previously unknown. Prominent Democrats were pushing for more protection, not less, and it looked for a while as if trade would become a central issue in the president's reelection campaign. Reagan was hardly the first incumbent to buy some insurance with sympathetic responses to politically potent industries like textiles or steel. The trade policy performance of the first Reagan administration was therefore understandable, if far from ideal.

The second Reagan administration proved very different. In the first eight months of 1985, its behavior can only be described as bizarre. As the trade pressure mounted, the administration seemed to do nothing, and seemed not even to recognize that there was any problem to address. Then, under new leadership, it launched an 11th-hour campaign to open markets abroad and stave off protection at home.

Reagan II: An Eight-Month Vacuum

First, the president agreed to a 1985 New Year's meeting with Japanese Prime Minister Yasuhiro Nakasone. But despite the urgings of his trade advisers, and despite the fact that the politically sensitive bilateral deficit was rising to an unheard-of $33.6 billion for calendar year 1984, he decided not to press trade matters with his counterpart. It was only when Nakasone brought up the subject that a bilateral negotiating agenda was established.

In March 1985, with trade-oriented businesses feeling the squeeze of yet another rise in the dollar and with Congress alarmed at a global trade deficit that had topped $100 billion and was climbing, the White House acknowledged political reality by declaring it would not push the Trade Department proposal further "at this time." But this was followed, two days later, by the announced transfer of the presumed winner in that decision. Now that he had finally established himself as the administration's most respected and politically astute trade man, William Brock was to become Secretary of Labor! What would this do to trade policymaking? There is no evidence that Reagan or his new chief of staff, Donald T. Regan, even asked this question. As *Washington Post* columnist Hobart Rowen put it at the time, "The reality is that the White House seemed to have only one thing on its mind: the need to build new relationships with the labor movement. . . ."[26]

In that same March, the administration announced it would not seek renewal of the voluntary export restraint on autos; this decision, defensible in economic terms, was made without reckoning the congressional reaction. In August, Reagan said no to the escape clause petition of the shoe industry, a case championed by Danforth. He did this without any apparent recognition that denying relief through established channels to an industry that was clearly damaged by imports was bound to increase pressure for statutory solutions.

The administration appeared no more helpful to trade-embattled industries on what most considered the prime source of their problems: the sky-high dollar. Through the summer, the president and his chief of staff tended to speak of this as a good thing, yet another sign that "America was back." Business leaders who talked to the White House (outside the USTR) about the havoc this was wreaking in their markets found themselves rebuffed; some were told, in essence, that they were crybabies and should stop asking for government help against the workings of the marketplace. This made them angry and frustrated. They felt, like many others, that the prime cause of dollar strength was government policy, specifically the Reagan budget deficits. It was hard for these companies, through their own efforts, to offset an exchange rate estimated to give foreign competitors a 30 to 40 percent cost advantage! Lacking a hearing downtown, they descended with double strength on Capitol Hill.

In the spring and summer of 1985, Congress needed more executive branch help than ever, because of its own decentralization, and above all because of the enormous trade deficit. It was getting just about none. In fact, the administration was doing the opposite of protecting Congress. It was diverting trade-restrictive pressures to Capitol Hill! Little wonder that the number of trade bills increased, as did their prominence and their progress through committees and onto the House and Senate floors. Not only were legislators genuinely concerned about the trade problem; not only did some of them see partisan advantage (or fear partisan disadvantage) in the issue; but they needed to shock the administration, to jar it back onto the activist track. As one aide to a Senate Republican involved in the spring's Japan bashing put it privately: "You don't understand. The target isn't the Japanese; it's the White House!" And rank-and-file administration trade officials were encouraging such congressional activity, since they too were trying to get the president's attention.

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26. "Filling Bill Brock's Shoes," *Washington Post*, 28 March 1985. It took more than three months for Brock's successor, Clayton Yeutter, to be named, cleared by the administration, and confirmed by the Senate.

Reagan II: The Shift to Activism

Finally, in late September 1985, the administration unveiled a trade strategy. On Sunday the 22nd, Treasury Secretary James A. Baker III joined with the finance ministers of France, Germany, Japan, and the United Kingdom in a joint declaration calling for a weaker dollar (more precisely, for the "further orderly appreciation of the major nondollar currencies against the dollar"). The Group of Five indicated their intention to intervene in foreign exchange markets to help bring this about. The dollar dropped sharply, particularly in Tokyo, where the Bank of Japan was a heavy buyer of yen.[27]

The next day, Monday the 23rd, President Reagan gave a "fair trade" speech at the White House. He sounded his determination to fight for the rights of American producers in foreign markets, and announced an intent to press several unfair trade practice cases against Japan, the European Community, Korea, and Brazil.

This two-track strategy combined economic and political logic. Decline of the dollar would bring first the hope, then the reality, of improvement in the trade balance. Because of the J-curve effect, the impact on the nominal balance would be delayed, but the effect on the real balance—the volumes of exports and imports—would be greater than the dollar statistics showed. Since this real balance was important for trade politics, the administration could expect better political days—if it could hold off pressures in the meantime. That it would do through its new aggressiveness in opening foreign markets to American exports. But it would resist the congressional push for trade legislation—at least until dollar decline could do its work.

Orchestrating the new administration strategy were Secretary of the Treasury Baker and his deputy, Richard G. Darman. They played a close hand on exchange rate matters, over which Baker had direct authority, and used the interagency Economic Policy Council, which Baker chaired, to develop the new strategy on trade policy. Responsibility for executing the new strategy was divided between Baldrige and the new USTR, Clayton Yeutter, but without the conflict that had characterized Reagan's first term. Baldrige had lost not only the battle for a Trade Department but also his White House ally, Edwin Meese, who became attorney general, and the services of his aggressive under secretary, Lionel Olmer, who left government for private law practice. Much of the new trade strategy employed statutory authorities belonging to the USTR, and that office's congressional ties made it the main administration locutor on the specifics

27. For details, see Yoichi Funabashi, *Managing the Dollar: From the Plaza to the Louvre* (Washington, DC: Institute for International Economics, 1988, rev. 1989), chapter 3, and I. M. Destler and C. Randall Henning, *Dollar Politics: Exchange Rate Policymaking in the United States* (Washington, DC: Institute for International Economics, 1989), chapters 3–4.

of the trade legislation. Moreover, with Baker there was now a clearer locus of decision-making power on international economic issues, unlike during the first Reagan administration. The USTR could use the Baker process to get the go-ahead to push more unfair trade cases with foreign governments.

Yeutter came to the USTR job with prior trade policy experience, having served as assistant secretary of Agriculture and deputy STR in the Ford administration. So if he lacked his predecessors' close congressional ties and exceptional political talents, he knew a lot about trade. He also possessed seemingly boundless energy, which he employed to repair political fences. One tack he took was traditional. Following on the work of Brock and others, he chaired the cabinet-level US delegation to the September 1986 GATT ministerial talks at Punta del Este, which inaugurated the new Uruguay Round of multilateral talks on trade in goods and services. Working with Baldrige and Secretary of Agriculture Richard E. Lyng, Yeutter won agreement that the new round's agenda would include trade in agricultural products and services, subjects of particular American interest. In so doing, he demonstrated how the USTR leadership role can and should work within the executive branch.

But much of the USTR's energy in the late 1980s was directed to what critics have labeled "aggressive unilateralism": negotiations aimed at opening specific foreign markets under threat of closing our own.[28] And the core authority they employed was Section 301 of the Trade Act of 1974.

Targeting the World: Section 301

Section 301 granted the president authority to take any of a broad range of retaliatory actions against a country that "maintains unjustifiable or unreasonable tariff or other import restrictions," or "subsidies . . . on its exports . . . which have the effect of substantially reducing sales of the competitive United States product. . . ."[29] This was potentially a powerful club, but for its first decade it was generally kept in the closet. From 1975 through the summer of 1985, private firms filed 48 Section 301 petitions on matters ranging from EC wheat flour export subsidies to Japanese import quotas on leather. These led typically to consultations, inside and outside the GATT. Some brought significant changes in foreign behavior; on others, GATT review dragged on for years. But prior to the summer of

28. See, for example, Jagdish Bhagwati and Hugh T. Patrick, eds., *Aggressive Unilateralism: America's 301 Trade Policy and the World Trading System* (Ann Arbor: University of Michigan Press, 1990).

29. Section 252 of the Trade Expansion Act of 1962 had provided the president a more limited authority to act against "unjustifiable" or "unreasonable" foreign import restrictions.

1985, there were only two cases where the president took the retaliatory action that the law authorized.[30]

Congressional champions of Section 301 grew more and more unhappy. They had amended the law in 1979 and 1984: to establish timetables for action; to set specific criteria for judgment; to encourage the administration to initiate[31] cases on its own. But they found the response soft. In the words of Senator Danforth, the most persistent congressional champion of this authority, trade policy was "a failure" because no one ever saw "any possibility . . . that the United States [would] ever . . . retaliate."[32]

All this changed in September 1985. After an intensive internal review, the president ordered the USTR to recommend retaliation in several long-pending cases if resolutions were not reached by December. That same month, the USTR for the first time initiated three Section 301 investigations on its own, without waiting for an industry petition. The targets were Brazilian informatics (computer and telecommunications) policy, Japanese import restrictions on tobacco, and Korean restraints on access to its insurance market. The USTR initiated an additional 301 case later in 1985, and six subsequent cases during the Reagan administration. Congress was not entirely satisfied, and its moves to toughen Section 301 were, to two senior USTR officials, "the heart of the 1988 Trade Act."[33] But one purpose may have been "to ensure that future administrations continue to apply this trade remedy in the vigorous manner of the Reagan administration from 1985 through 1988."[34]

Section 301 was "export politics" pursued with a vengeance, a product of the egregious trade imbalance and frustration at foreign unfairness, real and perceived. And its most important single target was Japan. The administration worked, for policy and political reasons, to spread the pain among countries, but there was no doubt which country Congress had most in mind.

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30. Gary Clyde Hufbauer and Joanna Shelton Erb, *Subsidies in International Trade* (Washington, DC: Institute for International Economics, 1984), 115; Thomas O. Bayard and Kimberly Ann Elliott, *Reciprocity and Retaliation in U.S. Trade Policy* (Washington, DC: Institute for International Economics, 1994). The cases involved Argentina's breach of an export control agreement on hides and EC subsidies on wheat flour exports. In a third case, involving Canadian restrictions on US television broadcasting, the president recommended—and Congress adopted—mirror legislation.

31. The word typically used in trade policy circles is "self-initiate," an expression that seems redundant and (to this ear) linguistically offensive.

32. Debate of 28 March 1985, *Congressional Record*, S35.

33. Judith Hippler Bello and Alan F. Holmer, "The Heart of the 1988 Trade Act: A Legislative History of the Amendments to Section 301," in Bhagwati and Patrick, eds., *Aggressive Unilateralism*, 49–89.

34. Ibid., 88.

Targeting Japan: From MOSS to Semiconductor Sanctions

From the Strauss era on, the US-Japan trade relationship had been the USTR's most challenging. The challenge grew through the 1980s, as the bilateral imbalance ballooned and the number of specific conflicts multiplied. In 1985, after Reagan discussed trade with Nakasone, the market-oriented, sector-specific (MOSS) talks began. These sought major Japanese concessions in four broad areas where US products seemed competitive but weren't selling: telecommunications, pharmaceuticals, microelectronics, and wood products. Hard negotiations led to significant Japanese concessions. The doubling of overall US sales to Japan between 1985 and 1989 was due mainly to the decline of the dollar, but the USTR's Advisory Committee concluded in early 1989 that in those product areas where the United States had pushed, sales had grown particularly fast.[35] There was also substantial negotiating achievement in agriculture and related products, with Japan agreeing to abandon beef and citrus quotas in 1988. The most dramatic and symbolic issue of the latter 1980s, however, was trade in semiconductors.

The semiconductor "chip" had been independently invented by two Americans in the late 1950s and had received a major early boost from official defense and space programs. US firms—based particularly in California's Silicon Valley—had led the way through the 1970s as hundreds, then thousands of electronic functions were crowded onto the tiny chips, which became indispensable to computers, telecommunications, and many other advanced industrial products.

But with government help and encouragement, Japan's integrated electronics firms began making major inroads into the semiconductor market in the late 1970s and early 1980s, particularly with the mass-produced, standardized dynamic random access memories (DRAMs). In 1983, the California-based Semiconductor Industry Association (SIA) published a report entitled *The Effect of Government Targeting on World Semiconductor Competition: A Case History of Japanese Industrial Strategy and Its Costs for America.* This report contrasted the rise in Japanese exports with the low and static share (around 11 percent) that US producers held in the Japanese market.

In July 1985, its members hit by growing Japanese competition and a severe slump in overall demand, SIA filed a Section 301 case claiming that this import resistance, encouraged by past government action, was an "unreasonable" barrier to US trade. In the months thereafter, antidumping cases were submitted by individual US firms and by the secretary of Commerce. There were conflicting interests within the US industry, of course—major chip users, like the US computer industry, benefited from

35. Advisory Committee for Trade Policy and Negotiations, *Analysis of the U.S.-Japan Trade Problem* (Washington, DC: USTR, February 1989), chapter 6.

high-quality, low-cost Japanese inputs. Nonetheless, anxieties about erosion of US technological leadership, spreading from private industry to the Pentagon,[36] made support of the industry's case far broader than would have been received by a "low-tech" industry of comparable size.

There followed a year of complex—and fractious—negotiations, culminating in a unique "three-market" trade agreement announced in August 1986.[37] To halt dumping in the United States, the two governments adopted a system of minimum prices and reporting of sales by Japanese firms. There was also a somewhat looser system of price monitoring in third-country markets, aimed at protecting US exports against dumping there. Last but certainly not least was a commitment to increase US-based producers' share of the Japanese market, featuring a side letter from Japanese officials declaring, in the words of one US negotiator, that "they understood, welcomed, and would make efforts to assist the US companies in reaching their goal of a 20 percent market share within five years."[38]

The arrangement had political and economic logic. To act only against dumping in the US market would mean higher-priced chips here than elsewhere, undercutting producers of computers and other downstream products, such as IBM. Moreover, if the Japanese firms—NEC, Hitachi, Fujitsu, etc.—were able to restrict foreign access to their very large home market, it would be hard for US firms to hold their own globally. Nor did these firms wish for a two-market agreement that would encourage low-priced Japanese sales in the rest of the world. The deal completed was responsive to all of these concerns. But it was also internally contradictory. Specifically, the provisions aimed at dumping in the United States undercut the expansion of US market share in Japan and third countries.

The minimum (nondumping) prices in the United States were based on each Japanese firm's cost of production, and they were periodically updated. This procedure encouraged large production runs that brought down unit costs. But these large runs also brought oversupply and falling prices within Japan (the only market where the agreement did not set minimum prices). This undercut US firms' sales there. It led also to a "gray market" in third countries, as chips were flown out of Japan in suitcases for low-price resale.[39]

36. See US Department of Defense, Office of the Under Secretary for Acquisition, *Report of the Defense Science Board Task Force on Defense Semiconductor Dependency* (Washington, DC: US Department of Defense, 1987).

37. For an extensive discussion of the semiconductor issue, see Laura D'Andrea Tyson, *Who's Bashing Whom? Trade Conflicts in High-Technology Industries* (Washington, DC: Institute for International Economics, 1992), chapter 4.

38. Clyde V. Prestowitz, Jr., *Trading Places: How We Allowed Japan to Take the Lead* (New York: Basic Books, 1988), 65.

39. The obvious way to combat this was for Japan's Ministry of International Trade and Industry to encourage Japanese firms to limit production, but when the Japanese had sug-

By the end of 1986 SIA was complaining that both the Japanese and third-country market provisions of the agreement were being violated. US officials expressed growing concern to Tokyo and warned of retaliation. By early spring, the Ministry of International Trade and Industry was pressing the Japanese firms to cut output, in order to drive the price up in Japan and take the profit out of the gray market. But before this could be effective, US patience ran out. Pressed by a Congress considering omnibus trade legislation, President Reagan announced in March 1987 that he would impose sanctions because of "Japan's inability to enforce" the agreement. In April, he imposed punitive (100 percent) tariffs against selected Japanese electronics imports[40] equivalent to the estimated sales lost to US firms in the Japanese market and in third countries.

The tariffs prompted shock and headlines in Tokyo: "sanctions against an ally," the first such US action against Japan since World War II. Later that year, with the third-country dumping issue resolved, Reagan removed a portion of the penalties (and as discussed in chapter 7, US users of chips shortly found themselves facing sharp price *increases*, which they blamed on the agreement). But the major portion of the sanctions, retaliation for loss of anticipated US sales in Japan, continued through the decade—until the agreement was renegotiated and extended in 1991. Japanese dominance in the DRAM market continued through the decade as well.[41]

The semiconductor issue symbolized the complexity of modern trade issues: it was a high-technology production input sold by multinational firms in global markets. Trade policy was not an ideal instrument for addressing it, but it was the one most readily available. The USTR had to show toughness to respond to semiconductor producers, but at the risk of damage to semiconductor users. And it had to keep one eye cocked toward that older political institution, the US Congress.

Working the Trade Bill: Damage Limitation

As discussed in chapter 4, the administration resisted trade legislation through 1986, then accepted it as inevitable and possibly desirable from

gested this during the negotiations, both SIA and the US government had opposed it—SIA because of concerns of its members about supply shortages, US officials because it was contrary to free market principles.

40. The tariffs were imposed not against semiconductors—this would have hit US users—but against selected "downstream" products that incorporated them: laptop and desktop computers, color TV sets, and power hand tools.

41. In retrospect, it is clear that both nations wildly exaggerated the importance of DRAM production to high-tech industry leadership. Flexibility and creativity proved more important—as the United States showed in the 1990s.

1987 on. One reason was the Democratic recapture of the Senate; another was that the USTR now needed extension of fast-track authority to complete the Uruguay Round. The USTR's can-do attitude toward the legislation was not universally shared in the administration: Free market devotees at the Council of Economic Advisers and elsewhere felt that any bill passed by the Congress would be far too interventionist. When a senior trade official reported conference agreement, in early 1988, to remove a number of trade-restrictive provisions, one such economist responded that the USTR was "doing too well": Now the president might actually sign the terrible thing!

But as that story illustrates, the game to the end was damage limitation: removal or modification of provisions that were clearly GATT-illegal, or that tied the executive's hands, or that tilted trade remedies further to the advantage of protection-seeking claimants. And notwithstanding his efforts, Yeutter did not possess in 1988 the congressional ties Brock had used to such advantage in 1984, and Strauss in 1979. He and his aides were thus excluded from some key conference-related meetings of the sort at which their predecessors had been included.[42] In contrast to the late 1970s, moreover, USTR people now found their best ties not with Senate Finance but with House Ways and Means, at both the member and the staff levels.

Nonetheless, their damage-limitation effort was at least a qualified success. In the most unfavorable trade-political climate since 1930, Yeutter and his aides had gotten the negotiating authority they needed, and had managed to neutralize—or modify—the most restrictive provisions. Retaliation was made "mandatory but not compulsory." And one issue on which the administration lost—congressional insistence on transferring some major trade authorities from the president to the USTR—represented a congressional vote of confidence for "its" executive broker. Rostenkowski had been particularly adamant in insisting on this transfer.

Taken as a whole, Reagan-era trade policy represented a "strategic retreat" for advocates of liberal trade.[43] The president had granted "more import relief" than any predecessor "in more than half a century,"[44] particularly during his first term. Damage had been limited during the second term, but the administration lost the trade initiative in 1985 and left office still struggling to regain it. Interestingly, Yeutter's successor would

42. Symbolic was the final bargaining of Subconference I on 31 March 1988. Senate Finance Chairman Lloyd Bentsen and House Ways and Means Chairman Dan Rostenkowski met in the Capitol, while Yeutter, Deputy USTR Alan Holmer, and General Counsel Judith Bello waited three hours in an adjacent room. Bello and Holmer, "The Heart of the 1988 Trade Act," 56 (see footnote 45).

43. William A. Niskanen, *Reaganomics: An Insider's Account of the Policies and the People* (New York: Oxford University Press, 1988), 137.

44. Remarks by James A. Baker III at the Institute for International Economics (see footnote 1).

regain it. And she would do so, ironically, by exploiting the new authorities that Congress had forced on her reluctant predecessors.

Carla Hills and Super 301

Carla A. Hills came to the USTR post a seasoned Washington professional, a lawyer who had served as assistant attorney general and then secretary of Housing and Urban Development under President Gerald Ford. She had no special trade expertise, though she and her firm had represented international clients. Nor, unlike a number of her cabinet colleagues, did she enter office with close and long-standing ties to President George Bush. Secretary of Commerce Robert Mosbacher did possess such ties and used them to seize the initiative on a controversial agreement to co-develop the FSX fighter aircraft with Japan. For a while, it seemed possible that the Brock-Baldrige experience would be reenacted.

It wasn't. Hills proved competent, tough, and credible in her new role. The Bush administration rewarded such performance more reliably than had its predecessor. Mosbacher lost some luster when he ventured closer to advocating "industrial policy" than was safe in a free-market, Republican administration, evoking the wrath of Budget Director Richard Darman and White House Chief of Staff John Sununu. And the new USTR benefited from the full negotiating agenda that Yeutter and Congress had left her.

Hills' most immediate challenge was the new amendments to Section 301. The 1988 Trade Act had transferred to the USTR from the president not only authority to determine whether foreign practices were unfair under that provision, but also to decide upon, and order, specific retaliatory action.[45] And it had added to Section 301's emphasis on specific trade practices a provision commonly known as Super 301,[46] a mandate that the USTR identify, by 31 May 1989, "priority foreign countries." These were to be named for the "number and pervasiveness" of their "acts, policies or practices" that impeded US exports, and for the US export gains that might be anticipated from the removal of these impediments.

To the surprise and pleasure of the USTR (and Congress), two important US trading partners—Korea and Taiwan—were determined *not* to be so designated. To avoid this fate, they offered trade concessions they had previously resisted. The European Community and its Common Agricultural Policy would have met the statutory criteria nicely, but naming

45. To appease the administration, the phrase "subject to the specific direction, if any, of the President" was added to the USTR's action authority. Of course, the USTR would be subject to such direction in any case.

46. Actually, Section 310 of the Trade Act of 1974, as amended.

Europe was judged politically counterproductive. This left Japan—the prime congressional target of Super 301—and Brazil, with which the United States had been pressing a growing range of trade complaints. Also put on the list was India—a country with highly restrictive trading practices, to be sure, but not the sort of major US trading partner Congress had in mind. To soften the blow against these countries, the USTR limited its indictment to six very specific practices and markets, of the sort it had been pressing in any case. But to appease Congress, it proposed to Japan a separate negotiation outside the 301 framework. The resulting Structural Impediments Initiative (SII) talks aimed at the sort of broader import resistance that Danforth and his colleagues had in mind, but the SII dialogue was to be two-way. Japanese could—and did—point to American structural problems as well.[47]

Over the next year, Hills worked a range of trade problems, particularly vis-à-vis Japan, taking care to be responsive to both congressional and industry complaints. By April 1990, the second (and last) Super 301 deadline, she had built the political basis for a bolder approach. Stretching the language of the law to the limit—and perhaps beyond it—she declared that the United States' "top trade liberalization priority for 1990" was neither a specific product nor a particular country, but "the successful completion of the Uruguay Round of global trade talks by December."[48] As for specific countries, Brazil had moved to "dismantle its restrictive import licensing practices," and its new government, under President Fernando Collor de Mello, was "embracing market-driven reforms." According to Hills, Japan had "moved farther and faster than any of our other trading partners in the past twelve months. . . . Given our recent successes, we believe that the most effective way to achieve such results is through cooperation, not confrontation. Therefore, we think it would be counterproductive today to initiate new Super 301 cases against Japan."

She balanced this praise with a warning: "Japan is on notice: We expect maximum efforts that yield results." And because India had refused to negotiate, it was renamed.[49] But no country was added to the Super 301 list. Members of Congress grumbled, but did nothing more:

> [I]n the week before the announcement [not to rename Japan], members had threatened to scuttle or hold hostage everything from trade agreements with the

47 . For a comprehensive political analysis of the SII talks, see Leonard J. Schoppa, *Bargaining with Japan: What American Pressure Can and Cannot Do* (New York: Columbia University Press, 1997).

48. This and subsequent quotations are from Hills' press statement of 24 April 1990, 1, 3, and 4.

49. Forty-five days later, Hills would determine "that India's insurance and investment practices are unreasonable and burden or restrict U.S. commerce, but that retaliation is inappropriate at this time given the ongoing negotiations on services and investments in the Uruguay Round of global trade talks" (USTR Press Release 90-39, 14 June 1990).

> Soviet Union to the worldwide trade pact being negotiated through the General Agreement on Tariffs and Trade (GATT). . . . But after the announcement, the air seemed to have gone at least temporarily from the balloon.[50]

Geneva Versus Mexico City?

In her first 15 months in office, Hills had built enough credibility to be able to handle Super 301 on her own terms. But the way she did so increased her stakes in a successful Uruguay Round. This was consistent with her interests, and with the US trade policy tradition dating from Cordell Hull. And it made sense economically. Multilateral trade agreements would bring the greatest trade gains with the partners of greatest importance to the United States. They would also constrain American protectionism and unilateralism. Finally, success in completing another major round would redound to the credit of the USTR.

But Hills inherited the central problem of the Uruguay Round: trade in agricultural products. This was the major area of economic activity least constrained by GATT rules, and the United States stood to gain (for many products) if markets were opened and subsidies reduced. This had been a US goal before, in the Kennedy Round of the 1960s and the Tokyo Round of the 1970s. Each began, in Dale Hathaway's words, "with a resounding declaration of the intent to reform agriculture . . . with the [United States] insisting on reform of the Common Agricultural Policy (CAP) and the Community refusing." In each, the "deadlock" was "finally broken by the United States abandoning its demands."[51] This time, it was declared US policy not to back down. Compounding the difficulty was the negotiating position initially adopted by the Reagan administration, which called for elimination of all trade-distorting measures in agriculture—tariffs, quotas, price supports, production, and export subsidies—over a 10-year period. Whatever its substantive merit, this stance was counterproductive politically: it reinforced farmer resistance to concessions in Europe, and it postponed serious dialogue internationally and domestically about real-world priorities and possibilities.

Agriculture was but one of 15 Uruguay Round subjects being addressed by negotiating groups whose settlement deadline was December 1990. And the Uruguay Round was not the only dance on the trade floor. For the Bush administration faced, to its south, a Mexican president, Carlos Salinas de Gortari, who was continuing and accelerating the trade liberalization policies begun by his predecessor, Miguel de la Madrid Hurtado. As

50. *Congressional Quarterly*, 5 May 1990, 1333.

51. Dale E. Hathaway, "Agriculture," in Jeffrey J. Schott, ed., *Completing the Uruguay Round: A Results-Oriented Approach to the GATT Trade Negotiations* (Washington, DC: Institute for International Economics, 1990), 51.

noted in chapter 4, Salinas came to President Bush in June 1990 and asked that the United States negotiate a free trade agreement with Mexico, as it had with Canada in 1985–88. The USTR would just as soon have waited—the Uruguay Round was business enough—but Bush decided to move forward. Canada would soon seek to join the talks, and the aim became establishment of a North American Free Trade Agreement (NAFTA).

The Uruguay Round still had priority—the administration considered it far more important as a trade policy matter, and it was scheduled to conclude before the NAFTA talks could seriously begin. Bush had pressed the matter with colleagues at the seven-nation Houston economic summit that July, recognizing that his counterparts there—French President François Mitterrand, and above all Germany's Chancellor Helmut Kohl—held the key to an agriculture breakthrough. But notwithstanding the earnest efforts promised at that meeting, there was no significant movement in the EC position that fall.

The Brussels ministerial meeting of December 1990 produced a climax quite different from what the round's architects had intended. Carla Hills flew to Europe, accompanied by a large interagency supporting cast, observers from the Hill, and a strong delegation of US private-sector representatives. Also present in the European capital were thousands of angry European farmers. Kohl had just emerged victorious from a historic, all-German election, but his need for farmer support had trumped any commitment to trade compromise, leaving him in no position to return the kindness George Bush had shown in facilitating German reunification. So the talks failed. The agriculture negotiators could not even reach consensus on the framework for an agreement, with Korea and Japan joining the Community in casting crucial, negative votes. When Hills announced that without progress in agriculture the United States would not bargain on other issues, she won cheers from the assembled US private-sector representatives.

As this response illustrated, Hills' tough stand at Brussels was helpful in Washington—for the time being. Senior members of Congress had expressed the view that she might have to "reject a bad agreement if she was to get a good agreement." And Hills had built herself a formidable reputation in the broader trade policy community. She knew the issues. She responded to specific problems raised by legislators, even when she could not offer satisfaction. Though she had never worked on Capitol Hill, she seemed to have an innate sense of what legislators wanted and needed, how much of what they demanded was real and how much was noise.

Her skill at congressional relations in-the-large was not matched by empathy in one-on-one dealings. She lacked the patience, and the personal inclination, to "schmooze" with senators and representatives as Strauss or Brock did. And when she testified at congressional hearings, she could not always mask her negative judgment on the quality of a question. These limitations created problems, according to several reports: for example, when it came time to line up votes for the renewal of the president's fast-track authority in the spring of 1991. Still, the general Washington view was that Hills was an exceptionally competent and effective USTR. One hardened observer thought she was the best ever to hold the position.

Her overriding goal was to complete the Uruguay Round, on which she had staked so much. It was the multilateral GATT round that offered the big potential gains to mobilize export constituencies, and the broadest opportunity to advance US trade policy goals. But the demands on Hills compelled her to move wherever the trade opening was. So she and her senior deputy, veteran negotiator Julius Katz, found themselves giving major energy to the NAFTA talks, a negotiation that was not central to US trade policy priorities.

A more serious threat to Hills' position was the emergence of trade as a front-burner political issue in the fall and winter of 1991–92. In the afterglow of victory in the Persian Gulf War of 1991, President George H. W. Bush's public approval rating remained above 70 percent—higher than Ronald Reagan's had ever been—through most of the year. But as the US economy stagnated and unemployment grew, he increasingly came under attack for his international preoccupations: by September, no less than 66 percent of Americans felt their president was spending "too much time on foreign problems" and not enough on domestic.[52] Two months later, in economically depressed (and traditionally protectionist) Pennsylvania, Democrat Harris Wofford won an upset Senate victory over former Bush administration Attorney General Richard Thornburgh on the slogan that Americans should "take care of our own."

The president responded with what can only be described as panic, abandoning the international leadership that had hitherto been his forte. First Bush canceled (without credible reason) a once-postponed trip to Tokyo and the Far East, which the Japanese government had been counting on to buttress the post–Cold War alliance and give a positive twist to Pearl Harbor's 50th anniversary on December 7, 1991. He then rescheduled the visit and recast it as an export-sales mission—in search of "jobs, jobs, jobs"—without time for the advance preparation that success would require. He invited 21 business leaders to join him, thus making the enterprise hostage to what *they* said and did. And as icing on the cake, he included among them the embattled leaders of the Big Three auto companies, men for whom no conceivable breakthroughs in the Japanese market could provide the short-term relief they so badly needed, and who indeed needed for the mission to be *unsuccessful* in order to build support for protectionist action at home.

52. ABC News poll, reported in *National Journal*, 12 October 1991, 2510.

The trip proved a disaster, made forever memorable by the president's sudden stomach ailment at a Japanese state dinner. It unleashed a torrent of Japan bashing (and America bashing) in the days and weeks that followed, together with a grassroots "buy America" campaign.[53] Suddenly, US trade policy seemed again up for grabs. The president had both legitimized attacks on Japan and undercut his capacity to counter them. And victory in the Cold War had removed the protection that military alliance had heretofore provided for trilateral economic relations: There was no longer a common enemy against which America, Europe, and Japan needed to unite.

NAFTA but Not (Yet) GATT

The trip was so mismanaged, in part, because Hills was not in charge of it: This outcome would have been inconceivable had Bush worked on trade issues with her anywhere near as much as he worked on international security issues with Secretary of State James Baker III and national security adviser Brent Scowcroft. But the furor over Japan subsided in the spring, though the episode served to increase Bush's electoral vulnerability on the economy—precisely the opposite of its intent.

The NAFTA talks continued to move faster than those under the GATT. One reason was the personal commitment of Mexican President Carlos Salinas de Gortari, whose legacy would depend on success in the talks. Another was that the prime interlocutor on the GATT, the European Community, seemed able to negotiate only during the final three months of each year. The other nine months the Europeans spent getting their internal act together, particularly on agriculture.

On NAFTA, there was no such problem. There, the pace of negotiations accelerated in the spring and summer of 1992, and the three nations reached agreement in August. After the required period for notification and consultation with Congress and affected industry groups, the North American Free Trade Agreement was signed on 17 December 1992. It provided for phased elimination of tariff and most nontariff barriers, most of them within 10 years. NAFTA also contained important measures for liberalization of investment. And its nearly 2,000 pages included detailed provisions defining "North American content" for autos and textiles, designed to give competitive advantages to North American companies. On

53. One feature was employers giving bonuses to workers for purchasing US-made automobiles. Americans soon discovered that it was not easy to determine what was an "American car:" many models with Big Three nameplates were in fact assembled in Canada or Mexico or across the Pacific, whereas a growing number of Toyotas and Hondas and Nissans were "made in USA."

balance, the United States gained much more than it gave, winning major Mexican tariff reductions and changes in many restrictive procedures.[54]

The GATT negotiations continued through the November election. In fact, one important meeting was held on election day in Chicago, and when it stretched on too long, Deputy USTR Julius Katz was unable to get back home in time to vote. The central issue remained agriculture, as it had been since the talks started. A long-festering US-EC dispute over EC subsidies for oilseeds producers provided the catalyst, with a threat of US retaliation against a billion dollars of EC exports bringing new urgency to the broader farm issue.[55] Finally, the trade and agriculture ministers of the United States and the European Community met at Blair House, across Pennsylvania Avenue from the White House. They reached a compromise deal on 20 November imposing significant limits on European export subsidies and modest ones on domestic support levels. Bush administration officials then pressed an eleventh-hour campaign to complete the entire Uruguay Round agreement during the November-to-January presidential transition. Without such an effort, they argued, fast-track authority for the talks would expire before the new administration could get its trade team operating effectively. And the talks received an eleventh-hour shot in the arm when the purposive Leon Brittan became negotiator for the European Community, replacing the oft-ineffective Frans Andriessen.

President-elect Clinton supported the effort publicly: "America has only one president at a time," he said the day after the election, and talks on arms control and trade should go on. But signals from his Little Rock transition team were mixed as time went on: one Bush negotiator recalls a deadly "no comment" about a story that Clinton's advisers wanted the negotiation put on hold until Inauguration Day.[56] It was arguably in the Clinton administration's interest to have Bush people close the deal: it would grease the skids for implementation and reduce the amount of old business the new team would have to address. But the credibility of the old team would have been hard to maintain in any event, even if there

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54. For a contemporary overview and assessment, see Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA: An Assessment* (Washington, DC: Institute for International Economics, revised edition, October 1993). For an analysis 10 years later, see Gary Clyde Hufbauer and Jeffrey J. Schott, assisted by Paul L. E. Grieco and Yee Wong, *NAFTA Revisited: Challenges and Achievements* (Washington, DC: Institute for International Economics, forthcoming).

55. For details on this dispute and its relation to the Uruguay Round, see Charles Iceland, "European Union: Oilseeds," 209–32, in Thomas O. Bayard and Kimberly Ann Elliott, *Reciprocity and Retaliation in US Trade Policy*.

56. Personal interview. *The New York Times* reported on 8 December 1992 that the Clinton transition team had "been reviewing whether to try to rein in the negotiations but had reached no conclusions."

had been perfect confidence and coordination between them and the Clinton people. And as illustrated above, there was not. So though talks continued into January, time ran out for the Bush negotiators. They and their president left their successors a mixed trade legacy—with major negotiations completed or near completed, but with heightened political concerns about the ability of the United States to compete.

The larger 1971–94 period featured, moreover, another major trade policy development: the strengthening of "the rules" under which trade-injured industries could seek relief. These are the subject of chapter 7.