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The National Arena: New Dimensions of Conflict

Through much of the postwar period, the American trade policymaking system operated within a national political environment that was unusually conducive to liberal policies. There were four basic reasons.

First and foremost, foreign trade was not a major partisan issue. There was competition between Democrats and Republicans for the favor of specific interest groups, but neither party used trade policy as a major means of defining its differences with the other. This both reflected and reinforced a second condition: There was an overwhelming elite consensus in favor of market openness and trade expansion. Given limited interest among the relatively protectionist mass public, this bolstered governmental leaders in their liberal inclinations.

Third, the issue posed by interests seeking import relief was typically a straightforward one—whether to insulate a particular industry's firms and workers from international competition or to make them take their market medicine. This made it easy to label these interests "protectionist," placing them very much on the defensive in the postwar policy environment. Fourth and finally, interest group initiative was limited and usually followed a simple pattern. A relatively small number of industries sought protection, each on its own track—textiles, shoes, steel, and smaller ones like watchmakers. Other manufacturing and labor interests were typically inactive on trade issues, but many were on call to be mobilized for major liberalizing initiatives.

All four of these conditions made trade policy relatively manageable, facilitating the liberal policies that government leaders wished to pursue. And all four conditions changed markedly in the 1970s and 1980s.

Trade politics grew more partisan, as a number of prominent Democrats began to see electoral opportunities in assuming a trade-restrictive posture, and as some Republicans reacted by toughening their trade stances. Elite leaders, particularly those in business, grew weaker and more qualified in their commitment to liberal trade. New trade-related issues entered the policy debate—industrial and "competitiveness" policy, misaligned exchange rates. These issues weakened the notion that, on international economic matters, government was best when it intervened least. And they offered broad national-interest rationales for certain trade-restrictive proposals. Finally, interest group politics became more complex. The AFL-CIO became an across-the-board backer of trade restrictions, and a much larger range of interests sought government trade action, including segments of frontier, high-technology industries like semiconductors. But the protectionist forces were being countered by a new antiprotectionist activism among certain exporters, importers, and industrial consumers. And there seemed to be some erosion in the effectiveness of the mainstays of traditional protectionism, the textile-apparel coalition in particular.

On balance, however, these changes tended to make the maintenance of open trade policies more difficult. Together with the developments addressed in previous chapters, they undercut time-tested methods of managing trade issues without substituting reliable new ones.

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In 1962, in the key House vote on John F. Kennedy's Trade Expansion Act, Democrats voted 210 to 44 in support; Republicans lined up 127 to 43 behind a motion to "recommit" (kill) the bill. This was consistent with the basic political alignment of the three prior decades, beginning with Smoot-Hawley in 1930 and the Reciprocal Trade Agreements Act of 1934. Democrats backed liberal trade and lower tariffs; Republicans sought to maintain or increase protection for domestic industry.

But little more than a decade after President Kennedy's landmark legislative victory, a new alignment seemed to be developing. When authorizing legislation for a new major trade round came before the House in 1973, it was the Democrats who voted 121 to 112 against, while Republicans were almost unanimous, 160 to 19, in favor. For northern Democrats, the turnabout was even greater: 141 to 7 "yea" in 1962; 101 to 52 "nay" in 1973.

An "Amazing Political Reversal"?

At the time, this shift attracted little attention. Trade had not been a prominent source of partisan contention since the 1930s. There was, of course, tactical competition for the support of specific constituencies. President Kennedy, for example, promised comprehensive protection for cotton textiles in 1960, strengthening his position in New England and the southern coastal states. Richard M. Nixon, not to be twice outdone, made an even stronger textile promise eight years later. But although these pledges (Nixon's in particular) did have important policy consequences, neither was rooted in a broader trade stance that distinguished one party from its rival. And neither was directed at the national electorate. Similarly, Republicans who voted "protectionist" in 1962 (and Democrats who did so in 1973) were not inclined to advertise that fact. Advocacy of trade restrictions might win plaudits from trade-affected interests, but the mass public was indifferent and opinion leaders were hostile.

Some of the difference between 1962 and 1973, moreover, could be explained by the fact that members were voting on the program of a Democratic President (Kennedy) in the first instance and a Republican (Nixon) in the second. On almost any issue, partisan loyalties pull members toward support of an administration initiative when the White House is occupied by one of their own.

But deeper forces were at work, forces that had been percolating for many years. Most important was the shift in the geographic bases of the two political parties. In the first half of the 20th century, the Republican heartland was the industrial Northeast and Midwest: Herbert C. Hoover carried Pennsylvania in 1932, but not a single state farther west (and no state south of Delaware). Indeed, from the first Lincoln election until the reign of Franklin D. Roosevelt, not a single Democratic presidential candidate carried either Pennsylvania or Michigan. This general pattern persisted as late as 1948: Harry S. Truman scored his upset reelection victory even though his favored Republican rival, Thomas E. Dewey, carried those two states, and New York and New Jersey as well. But the Kennedy-Nixon election of 1960 reversed the pattern. JFK won 303 electoral votes, exactly the same number as Truman. But unlike Truman, he lost badly in the West but won Michigan, Pennsylvania, New York, and New Jersey. Since that time, the Northeast has become the Democratic heartland, while the GOP has flourished in the sunbelt—the West and, increasingly, the South.

This shift reduced Republican dependence on historically protectionist northeastern and midwestern industrialists. In contrast, the Democrats' new heartland was where organized labor was the strongest. It was therefore natural to expect some adjustment of the parties' dominant positions on trade, and in fact Raymond A. Bauer and his colleagues detected signs of an "amazing political reversal" as early as 1953. Closely analyzing a Roper poll taken that year, and looking particularly at respondents with the most polar views, they found that "ultrafree-traders" were "strongly Republican," whereas "ultraprotectionists" tended to be Democrats. And important among the group most committed to trade restrictions were "industrial workers who see a threat to their jobs."[1]

1. Raymond A. Bauer, Ithiel de Sola Pool, and Lewis Anthony Dexter, *American Business and Public Policy: The Politics of Foreign Trade* (Chicago: Aldine-Atherton, 1972), 91–92.

Through the 1950s and 1960s, the major national labor organizations still held to a free trade position, although the textile unions were an important exception. The AFL-CIO endorsed the Trade Expansion Act of 1962, in part because of its new provisions for trade adjustment assistance to workers. A decade later, however, labor leaders were deriding that program as "burial insurance," and AFL-CIO President George Meany was singing a decidedly different trade tune. Urban Democrats followed him from support to opposition of liberal trade, particularly in the House of Representatives. But with a few iconoclastic exceptions, like Senator Vance Hartke (D-IN) of Burke-Hartke fame, they did so quietly. In the Senate, in fact, liberal activists like Walter F. Mondale (D-MN) fought the House-passed quota bill of 1970 and backed the Nixon-Ford trade act when it came before them four years later.

It was a Republican, John B. Connally, who was the first postwar presidential aspirant to make trade a prominent issue in the quest for his party's nomination. He won cheers on the campaign circuit in 1979 with his threat to leave Japanese Toyotas rusting on the docks. But his bottom line—exactly one convention delegate in 1980—did not inspire emulation.

By 1982, however, Democrats began to sniff major political opportunity. They were again outsiders in the White House and newly a minority in the Senate as well. The economy was suffering its deepest and longest recession in more than 40 years. The rust belt, industrial heartland states like Pennsylvania, Ohio, and Michigan were particularly hard hit, as were their key industries like autos and steel. And US trade was moving deeper into deficit. Mondale was now seeking the Democratic presidential nomination, and the AFL-CIO had decided, for the first time, to endorse a candidate before the primaries. Mondale needed that endorsement; he also needed an issue on which he could take a "tougher" stand than the president. He fastened upon trade. He did not neglect the broader macroeconomic causes of America's distress. But to labor audiences in particular, he went after the Japanese and unfair-trade practices, and denounced the Reagan regime for failing to combat them. The United States needed to get tough on trade, he argued, lest job opportunities for its youth be limited to working at McDonald's or sweeping up around Japanese computers.

For the most part, Mondale avoided concrete commitments to trade protection; he remained at heart an internationalist, who would rather open foreign markets than close American ones. Nevertheless, the United Auto Workers had made its highly restrictive domestic-content bill a litmus test for labor Democrats, and Mondale endorsed it. So did the Democratic-controlled House of Representatives in 1982, and again in 1983. In the latter year, only two Democrats from the Northeast and industrial Midwest voted "no" on final passage. Thus, as the nation approached the 50th anniversary of the Reciprocal Trade Agreements Act of 1934, it seemed to be witnessing the reemergence of trade as a highly visible partisan issue, but with the two major parties having switched positions. Senator John H. Chafee (R-RI) remarked, seemingly with some relief, that here was one issue on which the Republicans were wearing "the white hats."

The new advocacy of trade restrictions by certain Democrats was not without its logic. Ever since the New Deal, theirs had been the party favoring an active government to redress the imbalances and inequities of the marketplace. Republicans, by contrast, had been critics of government intrusion in business. On trade, however, these positions had been reversed. Would not a new trade realignment make more intellectual sense, then, with the domestic interventionists becoming international interventionists as well?

For all of these reasons, it seemed very possible in the 1980s that trade would become, as in the years before 1930, one of the prime issues dividing and defining the two major political parties. But this did not happen: The "realignment" remained incomplete. Democrats hedged their bets; Republicans did also.

Mondale found that the "protectionist" label retained its sting, as editorial writers and internationalist Democrats reacted with dismay.[2] So the Democratic challenger backpedaled adroitly. He did not change any specific stand, but from early 1983 onward he deemphasized trade restrictions and highlighted the macroeconomic causes of the trade imbalance.[3]

Meanwhile, Ronald Reagan was looking more protectionist. The president remained a free trader in principle, but as noted in chapter 5, he was protecting his political flanks in practice, approving new restraints on heavyweight motorcycles, textiles, and specialty steel; a fourth year of Japanese auto export limits; and—in the middle of the election campaign—a network of voluntary restraint agreements on carbon steel aimed at limiting imports to 20.2 percent of domestic production.[4] So, contrary to widespread expectations, trade did not become a major issue in the 1984 general election.

But trade reemerged as a partisan issue in 1985 and 1986. Democrats, staggering from Reagan's 49-state electoral sweep, needed to counter the

2. Moreover, once Senator Edward M. Kennedy (D-MA) withdrew from the contest, Mondale no longer had serious competition for the labor endorsement.

3. The Democratic party platform negotiated by Mondale's aides actually attacked the Reagan administration from the internationalist side, citing as the administration's "most fundamental" mistake its acting "as if the United States were an economic island unto itself." The platform's only specific reference to trade relief employed the modifier "temporary," and called for a quid pro quo in the form of industry commitment to "a realistic, hardheaded modernization plan which will restore competitiveness." Reprinted in *Congressional Quarterly*, 21 July 1984: 1748, 1760.

4. Reagan's stand was less restrictive than that of Mondale, who called for a 17 percent import share, but the Democrat conditioned his proposal on the industry's commitments to adjust. Not to be outdone, Congress incorporated elements of both candidates' positions—and a modified industry adjustment requirement—into the Trade and Tariff Act of 1984.

administration in its two areas of electoral strength—economic recovery at home and "standing tall" in the world. To Representative Tony Coelho of California, chairman of the House Democratic Campaign Committee, trade met both needs perfectly: it was the "Democratic macho issue."[5] By targeting the unparalleled trade deficit, Democrats could spotlight the underside of Reaganomics and attack White House softness toward trade competitors.

Thus, partisan interest was one force driving the congressional upsurge chronicled in chapter 4: the Bentsen-Rostenkowski-Gephardt bill taxing imports from countries running large trade surpluses; House Speaker Thomas P. "Tip" O'Neill's declaration about trade having become the "number one" issue on Capitol Hill;[6] and the omnibus trade bill with a decidedly protectionist tilt that O'Neill and other Democratic leaders pushed through the House the following spring. When Democrats regained control of the Senate in the mid-term election of 1986, trade was the issue they chose to show that their party could legislate. When Richard A. Gephardt (D-MO) decided to run for president in 1988, an aggressive trade posture helped him win the Iowa caucuses.[7] When the Bush administration initiated negotiations toward a North American Free Trade Agreement (NAFTA), a majority of Democrats voted against extending fast-track authority in 1991, driven importantly by the AFL-CIO campaign against it. And though they lost the vote on Capitol Hill, they won one that fall in Pennsylvania, with NAFTA reasonably prominent among the issues in Democratic Senator Harris Wofford's surprise special election victory over former Bush administration Attorney General Richard Thornburgh.

Yet trade remained, for Democrats, a two-edged sword. Mondale and Gephardt found their "protectionism" attacked by editorialists and by Democratic primary competitors. Other Democrats, like Ways and Means Chairman Dan Rostenkowski (D-IL) in the House and Bill Bradley (D-NJ) in the Senate, were unwilling to abandon the legacy of Cordell Hull, however much they might criticize the administration's passivity on trade and related issues. Rostenkowski and Finance Chairman Lloyd Bentsen (D-TX) both supported fast track for NAFTA, as did the House and Senate democratic leadership. As long as Democrats were deeply divided on whether to move in a protectionist direction, the issue could not be a good one for mobilizing and unifying the party against the opposition. Their ambivalence was underscored when Gephardt, in his new role of House majority

5. Quoted in Pietro Nivola, "Trade Policy: Refereeing the Playing Field," in Thomas E. Mann, ed., *A Question of Balance: The President, Congress and Foreign Policy* (Washington, DC: Brookings Institution, 1990), 235.

6. "President Reagan," he intoned, "seems willing to preside over the de-industrialization of America. We in Congress are not." Quoted in the *Washington Post*, 20 September 1985.

7. Important in Gephardt's narrow plurality, by most accounts, was a television spot attacking the unfairness of Korean import restrictions against American-made automobiles.

leader, voted in favor of fast track for NAFTA in the spring of 1991, and then rebalanced his position by introducing a new Gephardt amendment targeting Japan in the fall.

Nor were Republicans prepared to stand still while Democrats decided whether to attack. Just as Reagan had made protectionist concessions in 1984, Senate Finance Republicans led the campaign against Japanese trade practices in 1985. Fifty-nine House Republicans joined 236 House Democrats in supporting the omnibus legislation in 1986, and *their* need to balance their positions pushed the Reagan administration toward trade compromise in 1988. Patrick Buchanan took a blatantly protectionist stance in his "conservative" challenge to President George Bush's renomination in 1992.

Still, there had developed in the 1970s and 1980s the potential for sharp interparty division on trade in the years to come. And if a future Democratic president were to come to power on a truly protectionist platform, this would remove from the American trade policymaking system the most crucial pillar of support for open policies—the liberal-leaning leadership of the executive branch.[8]

A Newly Ambivalent Elite

A related development was the weakening of support for liberal trade policies within the American leadership community. As spelled out in chapter 2, open trade policies had never won overwhelming backing from the mass public. Rather, they were sustainable because of mass indifference, combined with strong support from leadership groups. These conditions helped keep trade issues out of the larger public arena, so that specific pressures could be diverted or accommodated by special deals.

Between the 1930s and the 1960s, elite support of liberal trade increased. Postwar prosperity served to confirm the rightness of open trade policy just as the Great Depression had discredited the Smoot-Hawley alternative. Thus, as Judith L. Goldstein has written, liberalism became the dominant ideology because it was associated with the unparalleled prosperity of the years after 1945.[9]

But just as the Munich lesson for security policy was supplanted by Vietnam, the connection between Smoot-Hawley, global depression, and World War II also faded. One reason was time. Another was the afflictions chronicled in chapter 3: increased trade exposure, the American

8. In the 1995–2004 period, general partisan polarization would spill over into the trade arena. See chapter 11.

9. Judith L. Goldstein, "Ideas, Institutions, and American Trade Policy," *International Organization* 42, no. 1 (Winter 1988): especially 187–88.

"decline," the rise of new competitors, the erosion of the General Agreement on Tariffs and Trade (GATT), stagflation, and the misaligned dollar. Substantial—if not entirely conclusive—evidence from opinion polls tends to confirm what the tone of the American trade debate suggested: that leadership backing for liberal trade weakened significantly. At the same time, the mass public, always somewhat inclined toward protection, may have grown stronger in this inclination.

Analysis of public opinion on trade is impeded by the lack of any staple questions that were posed consistently by pollsters throughout the postwar period. Gallup asked regularly, during the 1940s and 1950s, whether people favored higher or lower tariffs, and got consistent pluralities for the latter. It also got a consistently positive response to questions about whether people supported continuation of the reciprocal trade agreements program. But these questions are no longer put to the public.

When questions have been posed in terms of jobs or the desirability of imports per se, mass opinion has shown a consistently protectionist tilt. In 1953, Roper asked, "Would you rather see this country import more goods from foreign countries than we do now, or put more restrictions on goods imported into this country from abroad?" Of those willing to take a position, 37 percent favored restrictions, and 26 percent favored imports.[10]

Later surveys suggested a stronger leaning in the restrictive direction. When, between 1977 and 1983, Gallup asked virtually the same question as Roper in 1953—posing a choice between more imports and more restrictions—imports won just 12 to 15 percent support, as against 68 to 75 percent for restrictions.[11] And most Americans saw a direct connection between imports and the loss of jobs. A 10 March 1983 Harris survey found that a 75 to 21 percent majority of respondents were convinced that import competition from abroad was harmful to American labor. There was also evidence that public sentiment was moved by both the trade balance and the state of the US economy. The percentage of Americans saying that "restrictions" were necessary to protect domestic industries fell from 56 percent in 1988 to 51 percent in 1990, then jumped to 63 percent in the recession year of 1991. Conversely, those willing to "allow free trade even if domestic industries are hurt" rose from 34 to 39 percent, and then dropped to 27 percent.[12]

10. Bauer, Pool, and Dexter, *American Business and Public Policy*, 85.

11. Gallup Report International, October 1983. Roper asked, from 1973 to 1984: "Generally speaking, do you think the government should or should not place restrictions on imports of goods from other countries that are priced lower than American-made goods of the same kind?" Responses fluctuated narrowly, with 61 to 68 percent prorestriction and 21 to 31 percent against. The 68 percent pro came in late 1979 and early 1983; the 31 percent against in late 1981. See William Schneider, "Protectionist Push is Coming from the Top," *National Journal*, 27 April 1985, 932.

12. *New York Times*/CBS News Poll, June Survey, 3–6 June 1991, processed, 4.

Yet ambivalence remained, together with relative lack of interest. Presented in 1983 with the proposition that "we have to produce better products with more efficiency to compete in the world rather than depend on artificial trade barriers, such as tariffs," Americans agreed by 90 to 7 percent![13] One expert writing during the congressional trade storm in the spring of 1985 found "not much evidence" of "surging public resentment over our imbalance of trade."[14] A *New York Times*/CBS News poll three months later found "foreign trade" dead last in importance among five listed issues "that people are concerned about,"[15] even though the subject had been in the news more prominently than at any time in postwar memory.[16]

There was, however, increasing public concern about Japan. In the 1990 Chicago Council on Foreign Relations poll, Japan tied for third place (and tied for first among the leadership sample) among countries Americans considered most important to the United States, but 60 percent of the public saw "the economic power of Japan" as "a critical threat . . . to the vital interest of the United States in the next 10 years." An overwhelming 71 percent of Americans agreed with the general statement that Japan practiced "unfair trade with the United States," compared with 40 percent believing the European Community was unfair. And on the Chicago Council's "feeling thermometer" charting Americans' attitudes toward specific countries, Japan dropped from an exceptionally high level of 61 percent in 1986 to 52 percent in 1990.[17]

With the modest changes in mass opinion came evidence of emerging divisions within leadership groups. The Chicago Council polls found that "top figures in business, labor, government, the media, religion and education" were 75 percent in favor of eliminating tariffs in 1978 but only 64 percent in favor in 1990. "Among labor leaders, the change was quite sharp," from 53 percent favoring tariffs in 1978 to 75 percent in 1990. Earlier indicators of such trends led William Schneider, a leading public

13. "The Harris Survey," 14 March 1983.

14. Schneider, "Protectionist Push," 932.

15. "Here are five things that people are concerned about—arms control, foreign trade problems, tax reform, the budget deficit and war in Central America. Which of these is most important right now. . .?" Answers: arms control (19 percent); foreign trade (9 percent); tax reform (19 percent); budget deficit (29 percent); war in Central America (19 percent). July 1985 Survey, 3.

16. However, the 1990 poll of the Chicago Council on Foreign Relations found "Protecting the jobs of American workers" and "Protecting the interests of American business abroad" ranked no. 1 and no. 2 by the general public (though not by its leadership sample) among "a list of possible foreign policy goals that the United States should have." John E. Rielly, ed., *American Public Opinion and U.S. Foreign Policy 1991* (Chicago Council on Foreign Relations, 1991), 15.

17. Ibid., 20–22, 28. By comparison, the "temperature" was 58 in 1986 and 56 in 1990 for France, 53 and 45 for China, and 62 in both years for Germany.

opinion analyst, to conclude in 1983 that "trade protectionism is growing from the top down."[18] Lending further credence to Schneider's view was a 1983 survey of "opinion leaders" by the Opinion Research Corporation (ORC). It found 75 percent in favor of versus 20 percent against "industrial modernization agreements," which might include short-term relief from imports in exchange for management and labor commitments to improve efficiency.[19]

Doubtless the recession of 1982 and the strong dollar of 1980–85 influenced these polls. Conversely, business support for eliminating tariffs rose from 71 to 78 percent between 1986 and 1990, reflecting—presumably—the late 1980s export boom. Still, it was clear that elite support for liberal trade had eroded, though it remained substantial.

Challenges to Laissez-Faire Trade Doctrine

Both reflecting and contributing to elite ambivalence was the increased questioning of liberal trade ideology, not just in the Washington policy community but at leading intellectual centers. Just as the Great Depression and postwar prosperity had discredited "protectionism," the relative decline of the United States weakened support for "free trade." The audience was growing for perspectives that held free trade ideology to be flawed or incomplete. The new challenges were of two basic sorts. The first, focusing on specific firms and industries, argued that the free trade–protectionist distinction was obsolete in a world characterized by pervasive government intervention in the marketplace. The second, which rose and fell with the trade imbalances, questioned the compatibility of open market policies with exchange rate misalignments that saddled producers with enormous competitive burdens not of their own making.

At the broadest level, proponents of the first school argued that the actual world economy was not at all like that posited by Adam Smith. The United States did not face autonomous foreign firms jousting for business on their own, with rewards to the most efficient. Rather, other governments rigged the game through a range of actions—subsidies, product standards, procurement regulations—that favored their national producers at the expense of foreign competitors. American firms thus operated not on a level playing field, but on one tilted against them.

For some critics, the challenge was economywide. The Labor-Industry Coalition for International Trade (LICIT), comprising eight firms and 11

18. Schneider, "Trade Protectionism is Growing from the Top Down," *National Journal*, 29 January 1983, 240–41. Figures earlier in this paragraph come from Schneider and from Rielly, *American Public Opinion 1991*, 26–27.

19. LTV Corporation, "The Future of America's Basic Industries: A Survey of Opinion Leaders," conducted by Opinion Research Corporation, 1983.

labor organizations, found in 1983 that "our nation's industrial base has been weakened across a spectrum ranging from basic industries to the most technologically advanced." It placed much of the blame on "the widening gap between specific industry support efforts in other countries and the absence of such policies and programs in the United States." It argued that the "resulting 'industrial policy gap' has put American industry at a systematic disadvantage." To close the gap, LICIT recommended a range of policy changes aimed at both offsetting the effects of foreign industrial subsidies and providing broader government support to American industrial enterprise.[20]

In essence, the argument was that because other nations subsidized and protected their industries, the United States must do so, lest it fall behind. But the very comprehensiveness that made the LICIT line attractive for coalition-building purposes made it relatively easy for trade traditionalists to refute. For what made products move in international commerce was *comparative* advantage. No country could gain an across-the-board trade supremacy, since one had to import in order to export, and vice versa. A foreign government that subsidized its industries in general would not help any particular one and would probably contribute to overall inefficiency. Or if it subsidized a particular industry, like steel, costs would be borne by other sectors of its economy, and benefits would accrue to consumers of its steel, importers included. For the United States, the choice was then a simple one: accept the foreign subsidy in the form of cheaper steel (which would harm US steel makers but help steel users), or offset it with a countervailing duty. In this case also, no comprehensive policy response was required.

But what if a nation could prepare the way for market success tomorrow by helping an industry today? Many critics correctly argued that trade theory rested on "static comparative advantage." Trade flowed according to current prices, reflecting current production costs. But the process by which producers achieved international competitiveness was a dynamic one, subject to influence by national policies.[21] Governments might, by targeting growth sectors, create comparative advantage: they could aid and protect industries that would one day become strong enough to conquer world markets. Japan had done so persistently and

20. Labor-Industry Coalition for International Trade, *International Trade, Industrial Policies, and the Future of American Industry* (Washington, DC: Labor-Industry Coalition for International Trade, 1983), iii, iv, 57–66.

21. Classical trade theory did focus on static comparative advantage, but it does not necessarily follow that a longer-term perspective undercuts the liberal trade case. Indeed, a central theme in Mancur Olson's analysis is the opposite: that the "gains from trade" are much larger than traditional models specify because of the pressure that competition generates for technological innovation and ongoing resource reallocation. See Olson, *The Rise and Decline of Nations* (New Haven, CT: Yale University Press, 1982).

successfully, argued scholars such as Ezra Vogel of Harvard and Chalmers Johnson of the University of California, Berkeley, creating what Johnson labeled the "developmental state."[22]

This raised the question of whether, for certain products in certain types of markets, industry-specific trade policy intervention might promote broader national interests, not just those of the specific workers and firms involved. The National Bureau of Economic Research (NBER) inaugurated a major project examining possible economic rationales for interventionist trade policies, export subsidies as well as import barriers, drawing upon oligopoly models of "imperfect" interfirm competition. In a world with a limited number of firms, some drawing support from home governments, the NBER analysts hypothesized, laissez-faire might not always be the best policy. In certain oligopolistic industries with increasing returns to scale, timely government intervention could enable American firms to gain a greater share of "supernormal profits," bringing gains to the nation greater than the cost of the subsidy provided.[23]

The conclusions of the NBER-sponsored analyses were tentative and cautious, recognizing the real-world difficulty of determining, in advance, when to intervene, in which industries, and through what instruments. Centers of political analysis like the Berkeley Roundtable on the Interna-

22. Ezra Vogel, *Japan as Number One: Lessons for Americans* (Cambridge, MA: Harvard University Press, 1979); Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975* (Stanford, CA: Stanford University Press, 1982). On the critical side, Philip H. Trezise countered that such "models of Japan's postwar economic development are subject to so substantial a discount as to make them largely valueless as guides to understanding. . . . To suppose . . . that politicians and officials in league with businessmen were able to plan and guide Japan's explosive economic growth in detail is neither credible in the abstract nor (as will be seen) supported by the realities." See Trezise, "Politics, Government, and Economic Growth in Japan," in Hugh Patrick and Henry Rosovsky, eds., *Asia's New Giant: How the Japanese Economy Works* (Washington, DC: Brookings Institution, 1976), 753–811. Marcus Noland found that "while in some cases Japanese industrial policy may have successfully targeted industries, welfare-enhancing interventions have been the exception, not the rule." See Noland, "The Impact of Industrial Policy on Japan's Trade Specialization," *Review of Economics and Statistics* 75, no. 2 (May 1993): 241–48.

23. See Paul R. Krugman, ed., *Strategic Trade Policy and the New International Economics* (Cambridge, MA: MIT Press, 1986), especially the articles by advocates James A. Brander and Barbara J. Spencer and by critic Gene M. Grossman. For a comprehensive critique of this literature, see J. David Richardson, "The Political Economy of Strategic Trade Policy," *International Organization* 44, no. 1 (Winter 1990): 107–35.

Of course, oligopoly has multiple effects, and in another essay Richardson cited empirical work showing "that the gains from trade were *larger* under imperfect competition than they would have been with perfectly competitive markets" (emphasis added). The quote is a paraphrase by Anne O. Krueger in Robert Z. Lawrence and Charles L. Schultze, eds., *An American Trade Strategy: Options for the 1990s* (Washington, DC: Brookings Institution, 1990), 84n. The Richardson work is "Empirical Research on Trade Liberalization with Imperfect Competition: A Survey," *OECD Economic Studies*, no. 12 (Washington, DC: Organization for Economic Cooperation and Development, Spring 1989): 8–44.

tional Economy (BRIE) at the University of California, led by John Zysman and Stephen S. Cohen, were less hesitant in setting forth conceptual rationales for government intervention, which they viewed as essential to meet the Japanese challenge and guide the United States toward a competitive future industrial structure.[24] Meanwhile, at the Harvard Business School, Bruce R. Scott and George C. Lodge were making a case for activist government industrial policy.[25] And before the end of the Reagan administration, one of its battle-scarred trade negotiators, Clyde V. Prestowitz, Jr., had resigned and written a book entitled *Changing Places: How We Allowed Japan to Take the Lead*. In it he documented, relentlessly, his argument that the divided, disorganized, multipurpose US government was no match for centrally orchestrated Japanese industrial policies. Hence we were "losing the chips,"[26] and many other industries besides.

Prescriptions varied as to how Americans should respond to government-created comparative advantage. Indeed, even critics like Prestowitz were not immune from the tendency to follow sweeping critiques with proposals for marginal policy change. No one in this school called for protection per se; in fact, all warned that a simple defensive response would only make things worse for the United States. But most were inclined toward some form of selective intervention, although their purposes varied. One formulation was that of Robert B. Reich, who saw a need for the United States to move "beyond free trade." He argued that trade-related US policy should not be laissez-faire but proadjustment. The US goal should be one of "promoting the rapid transformation of all nations' industrial bases [especially that of the United States] toward higher-value production." Existing US trade policies had, in Reich's view, "just the opposite effect."[27]

The case for activist industrial policy rested on the conviction that the United States faced a deep and pervasive industrial competitiveness problem. As summarized by a trenchant skeptic, Charles L. Schultze, the cases of most proponents in the early 1980s were built on four premises: first, the United States had been "deindustrializing" and was suffering substantial losses (absolute or relative) in its manufacturing capacity; second, without assistance, US management and labor might not be capable of

24. Stephen S. Cohen and John Zysman, *Manufacturing Matters: The Myth of the Post-Industrial Economy* (New York: Basic Books for the Council on Foreign Relations, 1987).

25. See Bruce R. Scott and George C. Lodge, eds., *U.S. Competitiveness in the World Economy* (Boston: Harvard Business School Press, 1985).

26. This was the title of Prestowitz's second chapter, on the semiconductor industry. See Prestowitz, *Changing Places* (New York: Basic Books, 1988). For a comprehensive look at how Americans defined and waged the trade competition with Japan over this period, see John Kunkel, *America's Trade Policy Towards Japan: Demanding Results* (London and New York: Routledge, 2003).

27. Robert B. Reich, "Beyond Free Trade," *Foreign Affairs* 61, no. 4 (Spring 1983): 790.

making the transition from old heavy industries to new high-technology industries; third, the United States was losing its edge in world export markets, with a consequent threat to its global leadership position; and fourth, other countries, and Japan in particular, had been successful in pursuing industrial policies, "selecting potential winners in the technological race" and nurturing them through a range of policy devices.[28]

If these four premises were correct, the conclusion followed clearly: the United States needed an aggressive industrial policy to manage the transition to a new industrial era, to move resources from declining industries into growth industries, and to defend itself in a mercantilist world. Otherwise, this school suggested, the US economy might end up a sort of residual composed of those industries that were left after more purposive nations had chosen theirs.

Schultze found this case unpersuasive: the evolution of international trade in the 1970s did not, on balance, support any of the four premises of the "industrial policy" critique. In fact, the US balance of trade in manufactured goods improved markedly during this period.[29] In addition, advocates of activist, industry-specific policy intervention carried a political burden. Such policy was far easier to prescribe than to pursue. Was the United States capable of selective mercantilism? Could its political system tilt in favor of industries with future potential and allocate resources to them? Or would political pressure from those currently feeling trade pain inevitably channel public resources to the entrenched, embattled industrial "losers"? Alternatively, if economywide industrial policy were attempted along LICIT-recommended lines, would not this build up, within the US government, strong bureaucratic interests in the welfare of specific industrial sectors, interests that would impede economywide adjustment and slow down growth for the nation as a whole?[30]

Industrial policy proposals flourished particularly in 1981–82, when the US economy suffered a severe cyclical downturn. They withered in the years thereafter, as the economy recovered and domestic laissez-faire gained backing inside and outside the administration. But if "industrial policy" became a label for policy packagers to avoid, the same was not true of "critical technologies," or "high-tech industries."[31] These phrases evoked a response both from many in the business community worried

28. Charles L. Schultze, "Industrial Policy: A Solution in Search of a Problem," *California Management Review* 24, no. 4 (Summer 1983): 5–6.

29. See Robert Z. Lawrence, *Can America Compete?* (Washington, DC: Brookings Institution, 1984).

30. For a comprehensive argument linking the rise of "distributional coalitions" seeking maximum income for their members to slowdowns in national economic growth, see Olson, *The Rise and Decline of Nations*.

31. For an analysis by a "cautious activist," see Laura D'Andrea Tyson, *Who's Bashing Whom? Trade Conflicts in High-Technology Industries* (Washington, DC: Institute for International Economics, 1992).

about future economic competitiveness, and from many in the defense community who saw loss of technological leadership as a threat to military preparedness.[32] There was particular anxiety about dependence on Japanese suppliers, and lively debate over whether and how the United States should respond. Congress enacted the Exon-Florio amendment to the 1988 Trade Act authorizing the president to block foreign takeovers of US firms on national security grounds, and a prominent 1991 proposal—the Collins-Gephardt bill—aimed to broaden the Exon-Florio review process to encompass threats to US technology.[33]

As these examples illustrate, Capitol Hill was a ready market for such ideas. Especially receptive were those who would challenge existing centers of trade leadership. This was part of the broader flowering of "issue politics." With decentralization in the Congress and electoral entrepreneurship in individual districts, members sought press attention by espousing "new ideas" that differentiated them from their political rivals. Both the internationalization of the US economy and the new forms of (fair and unfair) foreign competition provided ample sources of such ideas, particularly among activist Democrats. And the ideas of Cordell Hull were no longer at the intellectual cutting edge.

And even as the industrial-policy school was losing its audience, the American industrial trade balance was turning enormously negative. The prime cause was another phenomenon that highlighted the limits of laissez-faire trade doctrine—the incredible, unanticipated surge of the dollar (see chapter 3). By early 1985, the massive international capital inflows that were needed to finance record US budget deficits and rising private borrowing had driven the dollar to roughly 40 percent above the level that would have brought balance to the US international current (trade and services) account. This meant that in competition with foreign producers, American firms faced the equivalent of a 40 percent tax on their exports and a 40 percent subsidy on competing imports.[34]

As the French economist Albert Bressand put it, the United States seemed afflicted with " 'good things' that do not go together," a free market currency regime that wreaked havoc on the free market in trade.[35] And, as C. Fred

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

33. See Edward M. Graham and Paul R. Krugman, *Foreign Direct Investment in the United States* (Washington, DC: Institute for International Economics, 2d ed., 1991), 121–28.

34. John Williamson, *The Exchange Rate System*, Policy Analyses in International Economics 5 (Washington, DC: Institute for International Economics, second edition, 1985); Stephen Marris, *Deficits and the Dollar: The World Economy at Risk*, Policy Analyses in International Economics 14 (Washington, DC: Institute for International Economics, second edition, 1987).

35. Albert Bressand, "Mastering the 'World Economy,' " *Foreign Affairs* 61, no. 4 (Spring 1983): 762.

Bergsten noted as early as 1981, the trade imbalance produced by a strong dollar was bound to generate enormous pressure for trade restrictions as it expanded the ranks of the "trade losers" in the American industrial economy.[36] At the urging of such international economic policy analysts, organizations like the Business Roundtable began to make the overvalued dollar (and the undervalued yen) one of their chief "trade" policy priorities.

As in the case of industrial malaise, a focus on the exchange rate did not yield a persuasive, broadly supported, general-interest alternative for US trade policy. On the contrary, its message was that the required measures lay outside the trade sphere—such as the Group of Five initiative of September 1985, which helped move the dollar down, and the continuing need to reduce the federal budget deficit. Explicators of macroeconomic causes and cures, in fact, performed a singular service to American trade politics in the mid-1980s, muting protectionist responses by exposing their irrelevance to the trade imbalance.[37] But then, after the dollar went down, the trade deficit continued to rise—for a year longer than most experts had expected.[38] A new skepticism emerged, built upon the seeming limits of exchange rate adjustment—especially vis-à-vis Japan—or on its costs in making US assets cheap to foreign investors.

In due course, the trade balance did improve, with manufactured products sharing disproportionately in the gains. Rust belt areas devastated by the 1981–82 recession were less affected by the recession of 1990–91. Still, US manufacturing employment remained below its spring 1979 record of 21.1 million workers. When it reached another prerecession peak a decade later, the total was just 19.6 million.

Still, years of misaligned exchange rates, together with intensified industrial competition, had spawned an intellectual challenge that put free market purists on the ideological defensive. Liberal values continued to be widely held, of course; no competing doctrine for trade policy won comparable acceptance. Still, these challenges muted the liberal-protectionist dichotomy that served as an enormous political advantage to trade expanders throughout the postwar period. Intellectually as well

36. C. Fred Bergsten, "The Costs of Reaganomics," *Foreign Policy*, no. 44 (Fall 1981): 24–36.

37. Thus one contemporary analysis of the 1988 trade legislation noted that "the economic sophistication of Congress" had "improved greatly." "Most members of Congress recognize that foreign protection is not the cause of the trade deficit." Raymond J. Ahearn and Alfred Reifman, "Trade Legislation in 1987: Congress Takes Charge," in Robert E. Baldwin and J. David Richardson, eds., *Issues in the Uruguay Round* (Cambridge, MA: National Bureau of Economic Research, 1988), 80.

38. The common prognosis, reflected in the first edition of this book, was that dollar decline beginning in 1985 would lead to decline in the annual trade deficit by 1987. In fact, this did not arrive until 1988.

as politically and procedurally, the trade policy game had become more open, and this added to the unpredictability of policy outcomes.[39]

New Patterns of Interest Group Politics

Finally, there were significant shifts from the pattern of trade politics that had predominated in the early postwar period. During that time, a modest number of industries typically sought protection, each more or less on its own. Executive and congressional leaders encouraged each to go it alone in order to avert logrolling of the Smoot-Hawley variety. They pointed the smaller industries toward the Tariff Commission (now the US International Trade Commission) and the quasi-judicial trade remedy procedures. Larger industries, mainly textiles, cut separate deals for themselves, part of which involved promises not to obstruct broader trade-liberalizing initiatives like the Kennedy and Tokyo Rounds. No important groups took across-the-board protectionist stances.

Nor was there much self-initiated interest group activism on the liberal trade side. National business and labor organizations were generally on call to endorse major new trade-expanding initiatives; yet once particular legislative battles were fought and won, the coalitions supporting them faded away. Nor were those who benefited specifically from open trade—importers, industrial consumers, and retail consumers—inclined to enter the political fray.[40]

The 1970s and 1980s brought four significant changes in this pattern. First and most important, the number and range of industries seeking governmental trade action increased. Substantial (if oft-temporary) protection was won not just by the textile-apparel coalition, but by other mature industries such as steel and automobiles. Nor was pressure on trade policy any longer limited to those who were clearly current trade losers: the low-technology sectors whose manufacturing processes could be widely replicated around the world. The old rule was that losers enter

39. For a historical analysis of intellectual challenges to free trade, see Douglas Irwin, *Against the Tide* (Princeton, NJ: Princeton University Press, 1996).

40. Those whose overall interests tilted toward open trade but who might at some point want protection for certain products were influenced by the long-established practice of "reciprocal noninterference," which induced them, in the words of E. E. Schattschneider, "to accept the incidental burdens" of others' protection without protest. See Schattschneider, *Politics, Pressures and the Tariff* (New York: Prentice-Hall, 1935), 284. Those actively involved in the import business felt disadvantaged in the political arena, since they could be charged with helping foreign interests take away American jobs. In both cases, abstention from politics therefore seemed the wisest course.

trade politics while winners stick to business. But beginning in the late 1970s, producers of high-technology products like semiconductors, telecommunications, and machine tools were pressing for governmental action.

The Semiconductor Industry Association (SIA) went to Capitol Hill with its concerns about Japanese competition. Executives of Corning, a leader in fiber optics, expressed concern that Japanese industrial targeting was making international trade a losing proposition for them. An important electronics firm, Motorola, began in 1982 to place a series of 20 full-page advertisements in the *Wall Street Journal* under the heading, "Meeting Japan's Challenge." And in early 1985, even David Packard, chairman of the board of the successful high-tech Hewlett-Packard Co. and cochair of a binational US-Japan Advisory Commission, suggested that the United States consider imposing temporary quotas to "decrease the growth of Japan's exports to the U.S."[41]

What moved Motorola and other firms in technology-intensive industries was a new mix of export-market interest and import-market anxiety. As a group, they had done very well in the international marketplace; as noted in chapter 3, they were disproportionately responsible for the explosion of US exports in the 1970s. But they had suffered trade losses also, particularly in 1982–86, and they worried about competing, as solitary private actors, against what they feared was a government-industry combine headquartered in Tokyo. They contrasted the inroads Japanese producers were making in American markets with their own problems in selling across the Pacific. Their call was seldom for out-and-out protection (although the machine-tool industry did win import limits in 1986 on national security grounds). Rather, they became advocates of what trade specialists call "sectoral reciprocity."[42] If, by hard negotiations, the US government could not persuade other nations—above all Japan—to open up their markets to US products and establish a level playing field for trade, then the United States should take protective action in return.[43]

By and large, trade-afflicted firms still pursued their campaigns separately, on behalf of their particular industry groupings, though (as noted in chapter 6) they did join in coalitions seeking revision of the general trade remedy laws. A textile-shoe alliance was formed in 1970—and again

41. Letter from Packard to Stephen R. Levy, chairman, International Committee, American Electronics Association (AEA), 5 March 1985, released by the AEA, Washington, DC.

42. For an academic defense of this position, see Stephen D. Krasner, *Asymmetries in Japanese-American Trade: The Case for Specific Reciprocity*, Policy Papers in International Affairs 32 (Berkeley: University of California, Institute of International Studies, 1987).

43. For a sophisticated comparative analysis of the extent to which high-technology industries embraced the new "strategic trade" gospel, see Helen V. Milner and David B. Yoffie, "Between Free Trade and Protectionism: Strategic Trade Policy and a Theory of Corporate Trade Demands," *International Organization* 43, no. 2 (Spring 1989): 239–72.

in 1985—to win statutory import quotas, but it faded as soon as the textile firms won new protection by traditional (executive-negotiated) means. At the same time, there did emerge in the 1970s and 1980s a major national, cross-industry organization—a coalition, more accurately—that took a general trade-restrictive stance. That was, of course, organized labor, whose shift from early postwar trade liberalism was the second major development in interest group politics.

In its direct impact on trade legislation, labor's new protectionism was limited. After two decades, it had virtually nothing in statute to show for its major trade stands: for the Burke-Hartke quota bill of 1971, against the Nixon-Ford trade bill in 1973–74, for domestic-content legislation for autos in 1981–84, and against extension of trade preferences to advanced developing countries in 1974 and 1984. An older labor priority, trade adjustment assistance for workers, was inaugurated in 1962 and expanded in 1974, but was gutted in 1981. Steel unions were able to obtain in the trade bill of 1984 a provision requiring firms to reinvest net cash flow in steel facilities and worker training. But as discussed in chapter 4, labor failed to exploit the vulnerability of that bill to extract concessions on any of a number of its long-standing concerns. In 1988, labor did better. It won inclusion of "worker rights" as the fourteenth of sixteen "principal trade negotiating objections" for the Uruguay Round. And unions scored a major symbolic victory in the legislative endgame of 1988: first, attaching to the omnibus legislation a requirement that workers be prenotified of plant closings; and then, after the president vetoed the bill because of this measure, forcing Reagan to swallow a separate bill with the identical requirement. Labor was, moreover, fast off the mark in 1991 in mobilizing opposition to granting fast-track authority for a free trade agreement with Mexico. But labor ended up losing this one, as it had more often than not on major trade issues.[44]

What labor did achieve was indirect: It neutralized important potential supporters of liberal trade. The hearts and minds of many Democrats who voted for the domestic-content bills were elsewhere, but House members who were unwilling to buck the United Auto Workers (UAW) on a proposal that had so little other support were not going to be spear carriers for trade liberalization more generally. Instead, they would either look for issues on which they could take a trade-restrictive stance or confine their activism to other policy areas. Similarly, organizations like the Consumer Federation of America (CFA), an umbrella group that counted the UAW among its members, found the union "calling in some old debts" to extract an endorsement of domestic content. "On the surface, this might appear to go against consumer interests" in lower prices and in variety

44. For a detailed analysis of labor's impact on trade issues through 1995, see I. M. Destler, "Trade Politics and Labor Issues, 1953–1995," in Susan M. Collins, ed., *Imports, Exports, and the American Worker* (Washington, DC: Brookings Institution, 1998), 389–422.

and quality of products, admitted the CFA's executive director to the *Wall Street Journal*. But "we appreciate all the work for consumer issues that the UAW has done over the years."[45]

More generally, consumers did not fulfill the hopes of liberal traders who saw them as a natural domestic constituency for international openness. Consumers Union did file a suit that contributed to temporary abandonment of US-EC-Japanese steel export restraint in the early 1970s. But the more politically activist consumer advocates like Ralph Nader did not play, lest labor be offended. (A symptom of this difficulty is the fact that Consumers for World Trade, a dedicated antiprotectionist lobbying group in Washington, had a board of directors that was impressive in its international economics and business expertise but limited in its connections to the domestic US consumer movement.)

There did emerge, however, an activist group on the trade-expanding side: the Emergency Committee for American Trade (ECAT), created in 1967. Unlike labor, this organization representing major multinational firms kept a relatively low profile but cultivated congressional power centers skillfully, supplying needed analysis and argumentation and staying alert to the timing of trade action (as labor often did not). Also active were general-purpose industry organizations like the Business Roundtable, the Chamber of Commerce, and the National Association of Manufacturers. In the mid-1980s, such general business groups became subject to cross-pressures within their memberships as a result of increased US trade exposure and the record trade deficit.[46] But they recovered some of their unity and energy in the final stages of the omnibus legislation battle in 1988, and put forward a strong, unified effort to win extension of fast-track authority in 1991.

The third new development in interest group politics was the emergence of "special interests" who benefited from exports or imports and were driven, by the prospect of economic losses, to do direct battle against seekers of protection.[47]

One example came in mid-1983. The Reagan administration, unable to win Chinese adherence to stringent textile restraints, imposed quotas unilaterally. The government in Beijing, urged on by Washington-based liberal trade advocates, retaliated by withholding purchases of American grain. This brought farm organizations—and Senate Finance Committee Chairman Robert J. Dole (R-KS)—into the fray in a campaign to soften the administration's stance.

45. *Wall Street Journal*, 3 September 1982.

46. See I. M. Destler and John S. Odell with Kimberly Ann Elliott, *Anti-Protection: Changing Forces in United States Trade Politics*, Policy Analyses in International Economics 21 (Washington, DC: Institute for International Economics, 1987), chapter 6.

47. Ibid.

In mid-1984, again under industry pressure, the administration moved to tighten enforcement of country-of-origin rules under the textile quota regime. Importers and retailers charged that this would "steal Christmas" by making them unable to fill their orders for the holiday season. The Retail Trade Action Coalition (RTAC), representing major chain stores and trade associations, raised such a howl that the administration first deferred implementation of the new rules and then adjusted them to ease their impact.

In that same summer, after the USITC found that imports had injured the US copper industry, fabricators of wire and other copper products protested that this would simply lead to increased import competition for them without giving the copper producers more than temporary relief. They made it clear to the White House, facing a decision in the midst of the election campaign, that they had more workers than did the copper mines, and that their workers were more strategically placed insofar as electoral college votes were concerned. Their argument was a factor in the president's decision not to grant protection to the copper producers. A year later, shoe retailers mobilized against a USITC recommendation for footwear import quotas, getting 19 Republican senators to sign a letter in opposition. Reagan said no to shoe protection as well.

The new activism of apparel retailers was visible in resistance to textile quota bills of 1985, 1988, and 1990. Users of steel worked against the renewal of negotiated quotas in 1989 and may have influenced President Bush's commitment to phase out protection in two and a half years. And when the Semiconductor Industry Association sought renewal, in 1991, of the trade agreement with Japan, it had to deal with chip users burned by the sharp price rises that the agreement had precipitated in 1987 and 1988.[48] They insisted that the renewal pact include softer constraints on pricing in the US market. SIA acceded, since it needed the users' backing in order to persuade the lukewarm Bush administration to back a renewal.

Such antiprotectionist groups often worked in parallel with foreign interests: auto retailers worked with Japan-based companies; on copper, the National Electrical Manufacturers Association played an up-front role, with the government of Chile (the principal copper exporter) very active in the background. And while Toshiba spent millions to block a statutory embargo on its products—an initiative provoked when a Toshiba subsidiary sold sensitive equipment to the Soviet Union—the decisive pressure came, by several accounts, from US firms that feared the disruptive costs of being cut off from Toshiba inputs.[49] Taken together, the activity of

48. Laura D'Andrea Tyson, *Who's Bashing Whom?*, chapter 4.

49. For a sweeping and thoroughly unconvincing picture of omnipresent, ever-winning lobbyists for Japanese interests, see Pat Choate, *Agents of Influence: How Japan's Lobbyists in the United States Manipulate America's Political and Economic System* (New York: Alfred A. Knopf, 1990).

domestic and foreign antiprotection interests provided a welcome—if hardly equal—balance to the activity of protection seekers. It communicated one important political point. As firms seeking trade relief escalated their demands, they could no longer be assured that adversely affected business interests would stay on the sidelines. Politicians were likely to feel pressure from more than one direction.

And if some saw the foreign element in this lobbying as nefarious, others viewed it as a normal consequence of internationalization. In a world of multinational firms, Kenichi Ohmae preached the pervasiveness of interdependence,[50] and Robert Reich asked the gut question, "Who Is Us?"[51] If, in certain industries, it was the foreign-owned firms that were producing high-value-added products on American soil, should not US policy be supporting them rather than the Asia-based production of American-owned electronics firms?

The fourth interesting development in interest group politics was the apparent erosion in the strength and political astuteness of the oldest supporters of protection. The steel industry was one apparent case. More significant, at least potentially, was the textile-apparel coalition.

Throughout the postwar era, textile industry leaders had dealt effectively with both branches of government. They would win action commitments from presidential candidates of both political parties: John F. Kennedy in 1960, Richard M. Nixon and Hubert H. Humphrey in 1968, Ronald Reagan in 1980. They would show, on Capitol Hill, a capacity to block or threaten trade-liberalizing legislation—from the Eisenhower administration in the late 1950s to the Carter administration in the late 1970s. They seemed to understand that Congress would not, in the end, enact a bill restricting textile imports: That was outside the rules of the postwar policy game. But by working both ends of Pennsylvania Avenue, the textile executives repeatedly won new increments in *negotiated* textile protection.

In the mid-1980s, the industry began by employing a similar strategy. Imports were now a really serious problem: after slow growth in the 1960s and 1970s, the import-consumption ratio for textiles and apparel rose from 12.1 percent in 1980 to 22 percent in 1986, and from 18.4 percent to 31.1 percent for apparel alone.[52] In response, the industry put forward a bill, proposed by Ed Jenkins (D-GA), whose formal aim was to impose statutory quotas on textile imports but whose effect was to toughen the US position in negotiations for renewal of the Multi-Fiber Arrangement (MFA). After favorable House and Senate action and the expected Reagan

50. Kenichi Ohmae, *Triad Power: The Coming Shape of Global Competition* (New York: Free Press, 1985).

51. This was the title of a widely read article in the January–February 1990 *Harvard Business Review*, 53–64.

52. William R. Cline, *The Future of World Trade in Textiles and Apparel* (Washington, DC: Institute for International Economics, revised edition, 1990), 49.

veto in December 1985, the industry's House backers developed a new twist. Rather than following the standard practice of going for an override vote as soon as possible after the bill was returned, they arranged for such a vote to be scheduled eight months later, when the MFA talks were to be concluded. This kept the heat on negotiators from the Office of the US Trade Representative (USTR) and achieved at least a marginal stiffening of the US position.

But in the years thereafter the industry overreached, abandoning its hitherto winning formula. Intoxicated perhaps by coming so close to enacting a quota bill—the House override vote in 1986 was eight votes shy of the two-thirds required—textile executives overrode the cautions of their Washington representatives and made enactment of stiff quota legislation their overarching political goal. Previously they might have held an omnibus bill hostage; now they allowed the legislation of 1987–88 to move forward, in exchange for the promise of smooth procedural sailing for their separate bill.[53] Both the House Ways and Means and Senate Finance committees kept the promise, reporting the industry bill for floor action without recommendation, but the Senate did not pass it until September 1988. Reagan promptly vetoed it, and the House override failed by 11 votes. In 1990, the ritual was repeated, with George Bush casting the veto this time and the industry losing the override by 10 votes.

Neither vote yielded anything discernible for the industry, though both allowed strong majorities in both chambers to go on record for textile protection, secure in the expectation that the bill would fail. In the meantime, textile representatives reportedly alienated USTR Carla Hills with both the style and substance of their uncompromising position on the Uruguay Round textile talks. This increased the risk of a negotiated phaseout of the MFA, which developing countries were demanding.

At a minimum, the industry seemed guilty of serious tactical miscalculation. Its failure also reinforced a growing feeling that its trade policy power had peaked, an impression reinforced by evidence of strains in the coalition between cloth and apparel makers.[54] The industry remained one, of course, that no trade policy leader could ignore. But in contrast to previous decades, the industry was now presenting to executive and congressional leaders both the incentive and the opportunity to confront and beat it politically, rather than join in negotiating trade-restrictive compromises.

53. In the House they had no choice: Speaker Jim Wright (D-TX) insisted on keeping product-specific measures out of the omnibus trade bill. In the Senate, however, industry leaders could have exploited the chamber's more open rules by seeking to attach their bill as a rider to the omnibus legislation.

54. Beginning in the 1990s, US textile makers separated from their apparel brethren (many of whom had become major importers) and encouraged trade agreements whereby apparel made abroad from US fiber and cloth could enter the American market tariff- and quota-free. See chapters 8 and 9.

Conclusions

In the 1970s and 1980s, trade politics became more partisan. The elite became less committed to liberal trade. Intellectual challenges to open-market policies grew. Patterns of trade politics became more complex. All these changes weakened the 1934 system for diverting and managing trade policy pressures, and many increased the political weight of those backing trade restrictions.

The greatest risk, at least potentially, was that posed by the threat of new interparty competition on trade policy. If the Democrats were in fact to become an out-and-out protectionist party, this would risk for trade policy the fate that befell policy toward the Soviet Union and arms control in the late 1970s and early 1980s. A new president would represent not continuity but drastic change. And this would remove the strongest anchor of the old trade management system—the liberal-leaning executive branch.

Most of the other changes pointed not toward protectionism in the traditional sense, but toward greater negotiating activism, more confrontation with trading partners, stronger emphasis on unfair-trade statutes, and increased readiness to brandish the threat of protection at home to pry open markets abroad. Super 301 was a natural response to these pressures.

At a minimum, over the 1970s and 1980s, these changes in the national arena combined with changes in the congressional, executive, and regulatory domains to make trade politics a much more open, unpredictable game. Yet what followed in the early 1990s was not policy stalemate, but unprecedented new trade liberalization.