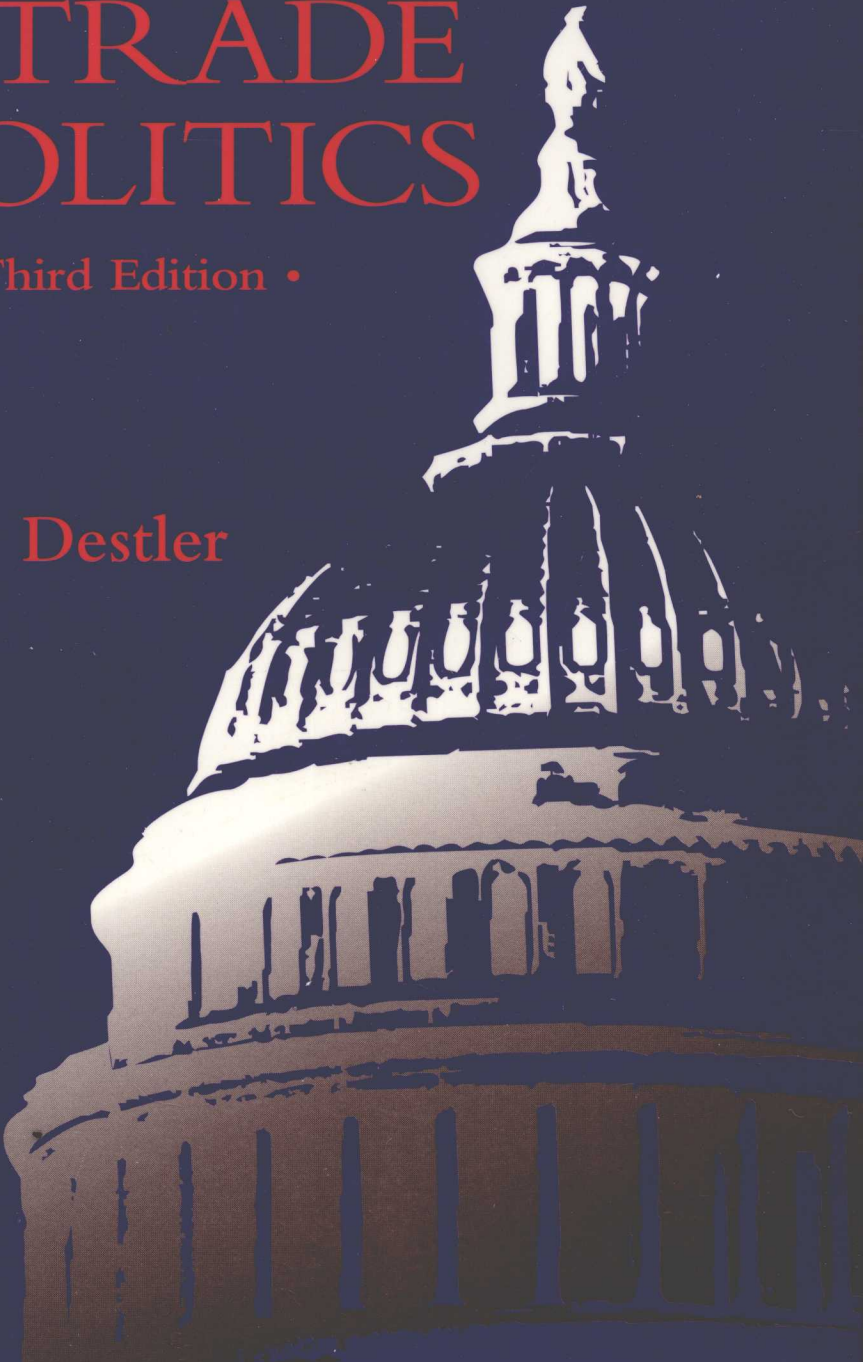


AMERICAN TRADE POLITICS



• Third Edition •

I. M. Destler

INSTITUTE FOR INTERNATIONAL ECONOMICS
WITH THE TWENTIETH CENTURY FUND

I. M. DESTLER

American Trade Politics

Third Edition

INSTITUTE FOR INTERNATIONAL ECONOMICS
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and

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Foreword

One of the seeds of the American revolution was the "trade policy" of the British empire. American foreign policy in the 19th century is often seen in terms of protectionism of "infant industries." Later, America was a key participant in the trade wars of the 1930s, and the main architect of the post-World War II liberal trade regime. More recently, the United States has frequently been accused of jeopardizing through its "aggressive unilateralism" the very multilateral system that it had built.

The salience of trade issues is reflected in many volumes prescribing the best trade policy for the United States. While this book does not dodge the question, its primary focus is on the people, politics, and institutions that set tariffs, apply dumping rules, and negotiate trade treaties. *American Trade Politics* thus crosses the terrain of both politics and history, offering a supplement to the econometric models that generally dominate discussions of trade and related issues.

Mac Destler shows in these pages that the United States has created over time a complex process for dealing with international trade. It is a robust mechanism that protects Congress from protectionist appeals, presses trading partners to open markets, and offers some relief to industries hit hard by imports. This system depends on both congressional restraint and presidential leadership, and Destler shows vividly how executive passivity, especially during the early and middle 1980s, created turmoil here and abroad—and how executive aggressiveness did so a decade later.

This third edition of *American Trade Politics* arose from the success of the original as well as from major developments since its publication. The first edition was awarded the American Political Science Associa-

tion's Gladys M. Kammerer Award in 1987 for the best book on public policy and is already considered a classic in its field. In light of that achievement, the Institute for International Economics and The Twentieth Century Fund asked Destler to revise—and now revise again—his original work to encompass the many trade policy events that have transpired since 1986.

The recent years have been remarkable. The United States has pursued the Uruguay Round of multilateral trade negotiations to a successful conclusion, while at the same time completing both the Canada–United States Free Trade Agreement and the North American Free Trade Agreement. The American Congress passed the Omnibus Trade and Competitiveness Act of 1988—the most comprehensive legislation in this field in the postwar period—after more than three years of intense debate, and then extended the president's fast-track negotiating authority in 1991. Efforts to achieve free trade in both the Asia Pacific Economic Cooperation (APEC) forum and a Free Trade Area of the Americas have been launched. Destler weaves these events together and sets out a series of new ideas for conducting trade policy as we enter the 21st century.

This book began in 1983 when The Twentieth Century Fund asked Professor Destler to undertake a comprehensive study of the politics of American trade policy; the completed manuscript was subsequently published jointly by the Fund and the Institute for International Economics after the author joined the staff of the Institute. The second and third editions were supported by the Fund and the Institute and were written at the latter organization. Like the first two, this third edition is a fully collaborative venture.

The Institute for International Economics is a private nonprofit institution for the study and discussion of international economic policy. Its purpose is to analyze important issues in that area and to develop and communicate practical new approaches for dealing with them. The Institute is completely nonpartisan.

The Institute is funded largely by philanthropic foundations. Major institutional grants are now being received from the German Marshall Fund of the United States, which created the Institute with a generous commitment of funds in 1981, and from the Ford Foundation, the William M. Keck, Jr. Foundation, the Korea Foundation, the Andrew Mellon Foundation, the C. V. Starr Foundation, and the United States–Japan Foundation. A number of other foundations and private corporations also contribute to the highly diversified financial resources of the Institute. About 12 percent of the Institute's resources in our latest fiscal year were provided by contributors outside the United States, including about 5 percent from Japan.

The Board of Directors bears overall responsibility for the Institute and gives general guidance and approval to its research program—

including identification of topics that are likely to become important to international economic policymakers over the medium run (generally, one to three years), and which thus should be addressed by the Institute. The Director, working closely with the staff and outside Advisory Committee, is responsible for the development of particular projects and makes the final decision to publish an individual study.

The Institute hopes that its studies and other activities will contribute to building a stronger foundation for international economic policy around the world. We invite readers of these publications to let us know how they think we can best accomplish this objective.

For over seventy-five years, The Twentieth Century Fund has supported research and writing on important public policy issues. The founder of the Fund, Edward A. Filene, hoped that its studies would raise the level of public debate, influence the making of policy, and ultimately contribute to the progress of the American nation. Throughout this century, the Fund has been concerned with the health of the American economy and the nation's role in the larger world. Mac Destler's book is a distinguished contribution to that effort. Moreover, the Fund plans to continue to support studies of trade policy and to examine the broader implications of the new global economy.

We are indebted to Mac Destler for this new edition of *American Trade Politics*. As the United States enters a new international era with the end of the Cold War, global economic issues are high on the public agenda. Americans will debate and decide how their nation will compete in the vigorous contest for markets and power. Destler's book will inform that argument and the choices we make about trade policy in the uncertain years ahead.

C. FRED BERGSTEN
Director
Institute for International Economics
February 1995

RICHARD C. LEONE
President
The Twentieth Century Fund
February 1995

Preface

As this third edition goes to press, the political health of US trade policy appears rather good. In December 1994 Congress approved, by lopsided House and Senate margins, the most comprehensive trade liberalization agreement (the Uruguay Round) since the establishment of the postwar GATT system. This followed, by 13 months, the dramatic ratification of US entry into the North American Free Trade Agreement, after the most contentious national trade debate since the Smoot-Hawley Tariff Act of 1930. And the administration of President Bill Clinton had committed the United States to the elimination of trade barriers through a projected free trade agreement for the Western Hemisphere and a similar arrangement within the framework of the Asia Pacific Economic Cooperation (APEC) forum.

But as always, new threats are not hard to find. The Republican sweep of midterm congressional elections has brought to Washington a large group of new legislators who lack their senior colleagues' internationalist commitment. This became evident when Mexico plunged from peso devaluation to broad economic crisis and Clinton sought Capitol Hill authorization of a broad "Mexican rescue" initiative. Despite the backing of Senate leader Robert Dole and House Speaker Newt Gingrich, the measure met a firestorm of rank-and-file criticism, and the president chose to withdraw it rather than risk defeat or serious delay. He was able to implement an alternative package of guarantees for Mexico under his own authority, but the crisis continued. At the very least, American industry's hopes for substantial near-term gains from NAFTA would have to be seriously scaled back. Meanwhile, new records were being registered for the global US trade deficit, and for the bilateral deficits with China and Japan.

The United States was still running huge budget deficits—a prime source of the trade deficits—notwithstanding the significant tax-and-spending package the president pushed through Congress in 1993 and the Republicans' commitment to deficit reduction (albeit with tax reduction) in 1995. The administration ended 1994, moreover, with no "fast-track" authority (or any other authority) for future trade negotiations. It had failed to secure such authority as part of the Uruguay Round implementing legislation. The controversy that contributed to this failure continued, over whether the United States should use this authority to negotiate on trade-related labor and environmental issues. And this controversy divided legislators along partisan lines, just what US trade policy leaders had long sought to avoid.

These issues posed continuing challenges for the president and Congress, and for US trade policy institutions. They also establish the framework for this third edition of *American Trade Politics*, which tells the stories of the great trade successes of 1992–94 and updates the author's broader analyses and prescriptions. Readers of earlier editions will find the core chapters largely as before, with modest corrections and updating. But they will also find an entirely new chapter 9 covering NAFTA and the Uruguay Round, as well as other trade action in the first two Clinton years. They will find also a reshaped prescriptive chapter (now 10), which makes specific proposals for the 104th Congress of 1995–96 and updates my comprehensive recommendations to take account of new developments. To lower the cost of the book, I have omitted this time the long appendices summarizing antidumping and other trade remedy cases. But we did bring the count of case submissions and outcomes through those initiated in 1993, and these data are presented to the reader.

The book remains one man's interpretation of postwar American trade policy experience. It is informed by considerable research, including interviews and discussions with many trade policy practitioners—a number of them conducted specifically for the third edition. Hard information has been sought where available: in compiling, for example, as thorough as possible a count of unfair trade practice cases brought to the US Department of Commerce since 1980. But ultimately, the most important events are *sui generis*, so their aggregation into larger patterns becomes a qualitative, interpretive enterprise. The true test of this edition—like the first two—will be whether it captures the issues and patterns of trade politics accurately enough to shed useful light on the difficult policy and procedural choices the United States now faces.

During my work on this edition, I have accumulated a range of debts. The greatest, once again, is to Director C. Fred Bergsten of the Institute for International Economics for his support of this enterprise and his cogent critiques of successive drafts. He continues to lead a think tank that is exceptional in both the stimulus it offers and the standards of

quality and relevance it imposes. The Twentieth Century Fund provided support once again, for which I am grateful, especially to Richard C. Leone, for continuing the research and publication partnership begun over a decade ago. Colleagues at the University of Maryland School of Public Affairs and its Center for International Security Studies at Maryland (CISSM) have provided a congenial intellectual environment for me since I joined the faculty in 1987. For this edition, I profited from insights gained in CISSM's US-Japan study, which I codirected with Professor Hideo Sato of the University of Tsukuba. And I owe a continuing debt to my wife, Harriett Parsons Destler, for her encouragement and support throughout my scholarly career.

Indispensable for updating data on trade remedy cases, and for helping me track trade politics through the hectic year of 1994, was the good work of my University of Maryland student and IIE research assistant, Steven Schoeny. Steve played a role for this edition equivalent to the major contributions of Diane Berliner for the first edition and Paul Baker for the second.

C. Michael Aho, C. Fred Bergsten, Robert C. Cassidy Jr., William L. Diebold Jr., Gary N. Horlick, Gary Clyde Hufbauer, Lawrence B. Krause, Harald B. Malmgren, Gary W. Nickerson, Pietro S. Nivola, Jeffrey J. Schott, Gilbert R. Winham, and Alan Wm. Wolff all read the original manuscript for the first edition and provided many helpful suggestion. Others offered good, oft-corrective commentary on specific draft chapters for this edition or previous ones: Thomas O. Bayard, Steve Charnovitz, Barber B. Conable, Kimberly Ann Elliott, J. Michael Finger, Jeffrey Frankel, William Frenzel, Ellen R. Frost, Claud L. Gingrich, Carl J. Green, C. Randall Henning, Alan Holmer, John H. Jackson, Julius Katz, Charles Levy, Stephen Marris, Robert Matsui, Marcus Noland, Ernest Preeg, Myer Rashish, William Reinsch, J. David Richardson, Richard R. Rivers, Howard Rosen, Susan C. Schwab, John Williamson, Rufus Yerxa, and Robert Zoellick.

Finally let me express my appreciation to the Publications Director Christine Lowry and the editor Valerie Norville, who were efficient and helpful in bringing *American Trade Politics*, third edition, into print. As before, any mistakes must be charged to my account.

I.M.D.

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To My Mother

Katharine Hardesty Destler

Who Got Me Interested in Politics

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