

NATIONAL TRADE POLICIES

DOMINICK SALVATORE
EDITOR

**STUDIES IN
COMPARATIVE ECONOMIC POLICIES
VOLUME 2**

NORTH-HOLLAND

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NATIONAL TRADE POLICIES

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PREFACE

The present volume is the second in a series of comparative economics handbooks. It presents an overview of national *trade* policies in the world's most important countries. Volume 1 presented an overview of national *economic* policies in the world's most important countries or groupings of countries. Future volumes will deal with monetary, fiscal, economic development, and environmental policies.

International trade is now almost universally regarded as an important stimulus to growth in developed countries and to economic development in developing countries. Indeed, after World War II international trade expanded faster than world output. Furthermore, former centrally planned economies in Eastern Europe, the Soviet Union, and China view international trade as a crucial component of their effort to restructure their economic systems and to move closer to a market system.

While many aspects of international trade in manufactured goods are regulated by international agreements, most nations also retain some important specific policies in trade in manufactured goods. Furthermore, agriculture and services generally do not fall into international agreements. Here nations have even more leeway in trade matters.

The aim of this volume is to examine and compare the trade policies followed by the most important trading nations of the world. Today there are few if any large-scale studies of comparative trade policies such as this one. Moreover, trade policies and controversies are expected to become even more important in the future.

A comparative study of trade policies for the world's leading trading countries is extremely important not only for the knowledge it provides on this subject in each country, but also, and more importantly, for the light it can shed on the

effect of various trade policies on the growth of developed countries, the rate of economic development of developing countries, and the progress made toward restructuring their economies in former centrally planned economies.

The volume has six parts. The first part presents an overview of the volume, and the next five parts deal with the trade policies respectively, in the G-7 (Group of Seven) or most important industrial countries, arranged in the order in which they are usually referred in official international publications; other industrial countries; Latin America; Asia and Africa; and the USSR, Poland, and China. In Parts III to VI, countries are arranged in the order of their importance in international trade or in the conduct of trade policies rather than alphabetically or by their general economic or political importance.

Of course, simply reading this volume will not make the reader an expert on trade policies. Nonetheless, the volume does offer an easily accessible overview of trade policies in each of the world's major trading countries. Thus, this handbook can be of great use to students of comparative economic systems in general and to economists, policymakers, and the general informed public, serving as a comprehensive source of reference and comparison. The references at the end of each chapter and the selected bibliography at the end of the volume identify the most important sources of additional information on the trade policies of the world's most important trading countries.

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PART I

INTRODUCTION

1

NATIONAL TRADE POLICIES: AN OVERVIEW

Dominick Salvatore

THE PRESENT INTERNATIONAL TRADE SYSTEM

The conduct of international trade under the present international economic system is regulated by the General Agreement on Tariffs and Trade (GATT), the organization that was set up after World War II and to which 105 nations now belong. GATT rests on four basic principles: (1) member countries should work to lower trade barriers, especially quotas; (2) any barrier to trade should be applied on a nondiscriminatory basis to all member countries (the so-called most-favored-nations principle); (3) trade concessions cannot be rescinded without compensation to affected trade partners; and (4) trade disputes should be settled through consultation and negotiations within the GATT framework. From 1947 to 1979 GATT sponsored seven rounds of multilateral trade negotiations that cut tariffs on manufactured goods from about 40 percent in the late 1940s to less than 5 percent by the early 1980s. This change stimulated the growth of international trade, which in turn provided a strong stimulus to the growth of the entire world economy. During the 1950s and 1960s the merchandise trade of industrial countries grew at an average rate of about 8 percent per year, which fueled a growth in world real gross domestic product of over 4 percent per year. This period can truly be regarded as a golden age of growth and stability.

Despite these successes, several fundamental weaknesses became evident in the 1980s in the conduct of international trade within the GATT framework. The first problem arose from the increasing tendency of nations to bypass GATT rules and to impose many new types of nontariff trade barriers (NTBs) to international trade. These barriers are collectively referred to as new protectionism and include voluntary export restraints such as orderly marketing arrangements, antidumping measures, countervailing duties, and so on. As much as 50 percent of world trade is now affected by this new protectionism. Since these new