"Managing Free Vs. Fair Trade Policy during the Reagan Administration".

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RESUMEN

En este trabajo se intenta reconstruir la historia de las maneras cómo el Congreso y el Ejecutivo norteamericano han interactuado en torno a las cuestiones del proteccionismo y la libertad de comercio internacional.

Se concluye que la Administración Reagan ha manifestado una clara inclinación a favor de una política de libre comercio con marcada intervención estatal. Esta última se ha orientado a tratar de imponer a los socios comerciales de Estados Unidos una política de puertas abiertas para los productos norteamericanos, más que a levantar barreras contra la entrada de productos extranjeros. En el proceso ha resistido vigorosa pero flexiblemente las presiones proteccionistas internas.
I. INTRODUCTION

Over the past five years there has been a tendency to characterize the US trade policy front, as a battle between an increasingly protectionist Congress and a free trade Administration that tries to avoid protectionism as much as possible, but that on occasions is overpassed by the political pressure.

In this paper I will reconstruct the history of the ways that these two bodies have effectively acted during this period, and what their declared positions have been. In so doing, I intend to address the following questions. What have the statements and effective actions in trade policy of the Administration really been? Has the policy seemed to change over time? Has there been a monolithic position on this issue within the Administration, or have there been different views, and to what extent has this affected the actual trade policy? What has the Congress's effective position and strategy been on this issue, and did it vary between 1981 and 1985? To what extent have there been contradictory interests within Congress, and what role have these contradictions played? To what extent did the Administration's initial policy have to be modified due to the pressure of interests groups, and has Congress managed to
twist the Administration's hand? Or, has the latter been able to sort out most of these pressures and as a whole impose its position; and has it actually been Congress that has had to adapt to the Administration's views?

My purpose is to give some insight on how trade policy seems to have been managed and decided during the Reagan Administration, and how the interaction of the interested parts have given it its effective form. Trade policy is used with varied objectives, from trade actions motivated by foreign policy or security considerations, to the use of protection to avoid unemployment in a certain industry. I will narrow the scope of this paper to those aspects of trade policy that have been directly and principally a function of the "free trade vs. fair trade" debate (1).

II. THE ADMINISTRATION'S TRADE POLICY

On July 8, 1981, Ambassador William Brock, U.S. Trade Representative (USTR), delivered a statement before the Senate Committee on Finance and the Senate Committee on Banking, Housing, and Urban Affairs, setting forth the Administration's trade policy. The message was two-fold. The Administration declared itself a firm believer in the
benefits of free trade and open markets, and vowed to strongly resist protectionist pressures at home. However it added a new element. Its adherence to the principles of free trade would not only be based on avoiding closing or protecting the US market, but also in an active pursuit that other countries reduce their own barriers to trade, both in merchandise and in services, and to investment flows. At the same time the Administration recognized the fact that many of the US's international trading partners used varied forms of unfair trade practices like subsidizing exports, subsidizing export credits, targeting high technology industries, imposing performance requirements on foreign investment, and many others.

Both to reduce other countries' barriers and to attack unfair promotion of foreign exports, the statement said the US would actively apply its own trade laws, such as anti-dumping or countervailing duties procedures, in response to other countries' unfair practices. It also mentioned targeting Export-Import Bank export credits to counteract the negative effect of subsidized foreign export credits on US exporters. In another sphere, the US would insist on the enforcement of existing international trade agreements, dealing with what it considered undersirable trade practices. Where these agreements proved insufficient, it would seek
their expansion. The statement did not hint on the use of bilateral negotiations and pressure in order to extract desired actions from other countries. Interestingly, it actually condemned bilateral negotiations between other governments that overrode multilateral trade agreements, saying that they were a serious threat to US commerce and to the international trading system as a whole.

Another innovation was the position towards less developed countries' (LDCs) trade practices. The statement distinguished between the more advanced developing countries and the poorer LDCs. It introduced the principle of gradualism, saying that the first group should undertake trade obligations, along with the developed countries (DCs), commensurate to their degree of development. To this effect the US would initiate a dialogue with them.

Additionally, the statement mentioned some other relevant points. Exports would be stimulated by reducing self-imposed export regulations and disincentives, of which taxation of Americans employed abroad, the Foreign Corrupt Practices Act and export regulations and controls were mentioned. Also export promotion programs in the Commerce Department and in the Department of Agriculture would be given priority. The use of adjustment assistance and safeguard measures to ease
the problems of dislocation for firms and workers due to increased imports, was mentioned but not emphasized. The emphasis was put on the reliance on market forces for speeding any needed industrial adjustment. Finally, strong, noninflationary economic growth was viewed as a key policy in restoring the US's competitiveness abroad (2).

How the Reagan Administration meant to implement these principles, and which aspects would be stressed, soon began to become clear.

a) **Pressing other countries to open their markets and stop unfair trade policies.**

The most assertive aspect of the US's trade policy was the actions undertaken to extract "fair trade practices" commitments from other countries. The channels used were various, perhaps affected by the type of practice being attacked and by the type of relations with the countries involved.

Japan was chosen as a main target to press for increased market openness to US exports. In this case the means were bilateral negotiations with the Japanese, conducted by USTR, William Brock, and strongly backed by Malcolm Baldrige,
Secretary of the Commerce Department (3). Starting from the very beginning, in 1981, and with peaks of intensity and tension in 1982 and specially in 1985, US trade officials devoted a substantive part of their policy efforts to negotiating with the Japanese. The selection of Japan as a main target may have been due to its allegedly high non tariff barriers or to the visibility of a very high trade deficit with that country. This, though not a good economic reason since in a multilateral system bilateral imbalances have little relevance, made targeting the Japanese politically very popular. However one could advance a third explanatory hypothesis.

Putting pressure on the Japanese seems to be much easier than putting pressure, for example, on the Europeans. Under each successive US request, the Japanese accepted and promised a new package of measures to comply with the Americans desires. Even if later their packages proved to be less substantive than they wished the US to believe, they offered little resistance to the US negotiators requests. First they presented packages to reduce tariffs, quotas and other such barriers (4). As this seemed to have little impact, the US asked for simplification and reduction of administrative procedures and regulations and of quality and safety inspections, that were accused of constituting a powerful
impediment for access to that market. The Japanese offered a
new package of measures in this sense too (5). Later opening
the Japanese financial markets was negotiated, since a lower
domestic interest rate was held responsible for a more
depriciated Yen and Japan's trade surplus (6). An
additional step was Prime Minister Nakasone's request to the
Japanese people to buy US goods (7). Finally a major battle
was fought over access of American exports to the Japanese
telecommunications market (8). During all these negotiations
the threat of the protectionist sentiment within the US
Congress, specially against Japan, was persistently used, as
was the possibility that the Administration might decide to
propose measures that would significantly reduce Japanese
access to the US market.

In contrast, most pressures or trade conflicts with the
Europeans, either turned into major trade wars, as the war
over pastas, citrus fruits and walnuts in 1985 (9), or simply
met with a negative reply from the Europeans, as the
opposition of France in May of 1985 to the American proposal
to open a new round of trade negotiations within the
framework of the GATT (10). Perhaps as a consequence,
pressure put on the Europeans by the US has been more
selective and limited, recurring directly to retaliatory
action, like in the 1985 US wheat sales to Algeria under an
export subsidy program (11) or the application of anti-dumping and countervailing legislation on the imports of steel products and others (12). It has also been mainly through multilateral instances like the GATT or the summit meetings. For example, in 1985 the US presented complaints at the GATT for the increasing market share of European wheat exports due to subsidies (13), and used successive summit meetings to press the Europeans for agreement on organizing a new round of trade negotiations.

The final group of countries that had to face US pressures were the newly industrializing countries (NICs). Here again the US was able to exert power through bilateral pressures. During all the post-war period, LDCs have enjoyed a privileged status within the GATT in relation to their free trade obligations. Basically they have been exempt of such obligations in consideration of their development needs. The Reagan Administration set out to obtain that NICs, the most developed countries within the LDCs such as Brazil, Mexico, South Korea, Taiwan, Hong Kong and Singapore, would begin to reciprocate within the world trade system and start to abide by the GATT rules applied to the DCs. This was known as the application of the principle of reciprocity, and it would be gradual, since the degree of reciprocity required would be relative to the degree of development of the
These countries had become a target for US pressures as their export oriented growth strategies were successful. Low cost manufacturing exports from NICs started to gain increasing shares of the world markets, and of course began to penetrate the US market. In some sectors, such as labor intensive manufactures like textiles and shoes, they had become a principle menace to the US industry. In other cases, such as steel, they were still minor, though growing, suppliers of the US market. Here the American reaction probably had more of a symbolic origin, where being displaced by these underdeveloped countries also, was just considered to be too much. The Administration's position was that if these countries were to enjoy relatively free access to the US markets for their products, they too should give similar access to American exports to their own markets. Additionally the US would no longer be complacent to the unfair trade practices that these countries might use to promote their exports.

Pressures against the NICs for their trade policies did not start out with the intensity that they did in the Japanese case from the beginning of the Administration. Actually they grew as the US trade deficit became more
alarming. Bilateral channels were used to address specific aspects that bothered the USA. For example, pressure was put on Brazil that they give access to US firms to their minicomputer market (14). Talks were carried on with Taiwan and South Korea on the issue of international trade of counterfeit goods (15). Negotiations were successfully finalized with Mexico in 1985, where the US agreed to reduce some import restraints, and Mexico agreed to eliminate certain subsidies on exports to the US (16).

US trade legislation was also used against the imports coming from these countries. Before reaching a "voluntary export restraint" agreement for steel, Brazilian and South Korean steel exports, for example, were affected by antidumping and countervailing duty procedures (17). In 1985, when the Administration proposed a more global plan to tackle the trade issue, one of its proposals was a more aggressive use of unfair trade procedures, that the Administration would initiate. Principle targets would be Brazil for its restrictions on US computer exports, South Korea for Prohibiting US life and fire insurance companies in that country, and Taiwan for not protecting intellectual property with adequate copyright laws (18).
Additionally NICs were affected in a more global approach. The 1984 US Trade Act had to deal with the extension of the General System of Preferences (GSP), that allows a certain amount of LDC exports that fulfill certain characteristics, to enter the US market duty free. The GSP was extended, though the eligibility requirements were somewhat tightened, the number of products that could use this privilege was reduced, and Taiwan, South Korea and Hong Kong were eliminated from the beneficiary list, supposedly for their unfair trade practices (19).

Apart from the effect of direct actions, some NICs, specially Southeast Asian countries like South Korea, reacted to the whole process of pressures and threatenings exerted on Japan. For such countries access to the US market is crucial, and trade conflicts with Japan created a sort of demonstration effect on them. For example, apparently as a consequence of this conflict and in order to diminish trade frictions with the US, South Korea announced in January of 1984 that it would remove import bans on around 390 commodities, so approximately 85% of all goods would enter the country free of any restrictions. In March of that year it announced it would purchase $2.4 billion of US goods as part of the same campaign. Finally it started implementing a strategy of Korean investment in the US and US investment in
Korea, as a way of winning allies within the US (20).

At the same time it used bilateral pressures and negotiations to obtain its trade objectives, the US also tried to open foreign markets and reduce unfair trade practices through the traditional multilateral channels. It sought support from the main developed countries for another round of GATT negotiations, and pressed for this at consecutive summit meetings. It met with the resistance of the Europeans, specially the French, and when the US finally got agreement of the main DCs, many LDCs manifested their opposition (21). The US wanted this round to address certain issues that were of particular interest to it, like reducing barriers to trade in services and high technology; reducing barriers to international investment; decreasing export subsidies, specially to agricultural goods; international regulations for protecting intellectual property; improvement of dispute settlement mechanism of GATT; and extending GATT regulations to more developed LDCs (22).

b) Stimulating US exports.

From the beginning of the Administration, measures to stimulate exports were proposed as a way to deal with the trade problem. To the initial list of proposals, some, like
the reduction of antimonopolic regulations for mergers of
comppanies facing increased foreign competition, were added
later on (23). However, the export stimulating path did not
have the impetus of the previous strategy and its record of
successes was quite mixed.

The proposal of using subsidized Export-Import Bank
export credits to counteract similar practices by other
countries, met with contradictory positions within the
Administration. While the Commerce Department favored the
initiative, David Stockman, head of the Office of Management
and Budget (OMB) opposed it due to budgetary considerations
(24). The tax relief mechanism for exporting companies,
known as DISC (Domestic International Sales Corporations) was
sanctioned by the GATT as constituting an export subsidy, and
had to be changed (25). The idea of creating an export
cOMPANY to promote exports faded out.

On the other hand, export restrictions contained in the
Foreign Corrupt Practices Act, were diminished. In
particular those that refered to export bans on products
whose sales were not authorized within the US, or the
prohibitions of paying money or giving excessive gifts to
foreign authorities, in order to obtain governmental
approvals. Also the application of the antitrust regulations
relative to mergers, were relaxed for export or import competing companies. The authorization of a merger would now consider the share of foreign production within the US market, and cooperative ventures in research and development between companies facing strong foreign competition would be allowed (26). Finally in late 1985, Reagan announced a $300 million fund to subsidize exports that are facing subsidized competition abroad (27). However the allocation of this fund, and the adequacy of its magnitude are still to be seen.

(13c) Coping with protectionist pressures.

As import penetration and the US trade deficit grew explosively, the pressure for receiving protection by a number of industries also mounted. During a number of years, the Administration seemed to give little importance to the high value of the US dollar as a main consequence of the increasing deficit. From time to time however, differences of opinion within the Administration were evident. Martin Feldstein, shortly before leaving his position as head of the Council of Economic Advisers, claimed that the high US dollar was a main cause of the external imbalance, and that prompt reductions in the budget deficit were needed in order to address the root of the problem. At the time Donald Regan,
then Secretary of the Treasury, was praising the benefits of a strong dollar. William Brock, in an interview in December of 1984, made similar statements to those that Feldstein had made some time before, on the issue of the dollar value and the high budget deficits (28).

It was not till September of 1985, that the US, under the influence of a seemingly more pragmatic financial policy headed by the Secretary of the Treasury James Baker, led the way to a concerted effort on the part of the major industrialized countries to lower the value of the US dollar by intervening in the exchange markets, and perhaps even more, by declaring their intention to do so (29).

The Administration's record relative to directly protectionist initiatives has been mixed, though on a whole it has been a containing force against the avalanche of propositions and petitions in this sense during the period. From the beginning, as soon as more protectionist bills started to appear in Congress, it made public statements on its opposition to them and its intention to veto them in case they were approved by the Congress. This was the case; for example, regarding the "bill of domestic content" promoted by the United Automobile Workers (UAW); a first more protectionist version of the "reciprocity bill"; a bill for
approving steel import quotas; bills broadening the possibility of application of the unfair trade legislation and of the safeguard clause (Section 201 of the Trade Act of 1974) for relief to industries adversely affected by increased imports; bills proposing import quotas for copper; a bill closing off the US market to Japanese imports; or others proposing general increases in the tariff rate to 20%; and still another aimed at increasing the tariff rate for imports coming from Japan, Brazil, Taiwan and South Korea to 25%. Moreover, in December of 1985 the Administration actually did veto a bill approved by Congress that would have imposed further restrictions on textile imports and also restrictions on shoe imports (30).

The Administration also had to decide on numerous cases of relief to industries that had filed petitions before the International Trade Commission (ITC) under Section 201, and where the ITC had found that there was "serious injury of which imports were a substantial cause". Among them most important cases were specialty steel, carbon steel, copper, shoes and motorcycles. There were also other cases, like the automobile industry, where the ITC had given a negative recommendation for the industry, but that none the less the Administration seems to have felt compelled to look further into the case; or the machine tool case where under Section
103 of the Revenue Act of 1971, Houdaille Industries filed a petition asking President Reagan to deny investment tax credit to companies that used Japanese machine tools (31). Finally, under a different procedure, the extension of the Multifiber Agreement (MFA), the Administration had to make some decision on protection to the textile sector (32).

It is in these decisions where the record of the Administration was more mixed. However, it is possible to advance some hypothesis as to the pattern of such decisions. The record on the cases mentioned is as follows. In 1981, the Administration forced Japan to negotiate "voluntary export restraints" of car sales to the US market. In 1985, it decided not to pursue a renovation of such restraints in 1986. The Japanese, however, decided to continue with the measure on their own behalf. The change in attitude of the Administration seems to have been influenced by the fact that the interests of main US car producers, Chrysler, Ford and General Motors, were more ambivalent and divided in 1985 than they had been in 1981, and that the pressure put by Chrysler and Ford in 1981 had diminished substantively (33).

Steel was also successful in obtaining protection. In 1983, specialty steel presented a petition for relief before the ITC. After a favorable recommendation by the ITC for
protecting this industry, Reagan decided to grant import tariffs and quotas for a four year period. Later, in 1984, carbon steel also requested relief before the ITC. Again the ITC's decision was generally favorable. This time President Reagan didn't grant quotas or tariffs, but did decide to press for "voluntary export restraints" from the main foreign suppliers, restraints which in fact the Administration obtained (34).

After a similar process before the ITC, the Administration also granted tariff-rate quotas to the motorcycle industry in 1983, for a five year period (35).

In 1981, the Administration granted a six year extension of the MFA protecting textiles and apparel. However in late 1985, it vetoed an even more restrictive initiative that had been approved by Congress, that proposed to limit textile and apparel imports even further and included restrictions for shoe imports as well.

The shoe industry instead was consistently unsuccessful in obtaining protection. In 1981, the Administration had decided not to renew the "orderly market agreement" for non rubber footwear that existed with Taiwan and South Korea. In early 1984, the industry presented a petition for import
relief before the ITC, along with several other industries. The ITC first made a negative determination on the shoe industry case in mid 1984. It later revised this decision, at a request from Congress to review this case in 1985, and recommended protection for the industry. But President Reagan decided against such protection (36). In 1984 and 1983 other unsuccessful stories were the copper industry and machine tools. Copper producers had a favorable recommendation from the ITC in response to their petition for relief, but President Reagan decided against any type of protection (37). He also decided against the tax relief petition presented by Houdaille Industries, that would have affected the machine tool industry (38). Finally it is worth noting that the "orderly market agreement" that had been negotiated with Taiwan and South Korea for colored television sets, and that expired in 1982, was not renewed by the Administration (39).

First it can be pointed out that with the exception of the carbon steel industry, President Reagan's major protectionist concessions took place in his earlier years in office. Perhaps as protectionist petitions were more sporadic, the Administration felt it could be more indulgent with exceptions. However, as more and more industries
started to require relief from imports a stronger anti-protectionist stand seems to have been taken.

Another relevant factor seems to have been the political clout of the petitioning industry. Industries like steel, automobiles, and textiles with either strong workers' unions, high employment, strength in a number of key States, a good ability for political mobilization and coalitions, or a number of these characteristics, have had a greater ability to influence the Administration. While smaller or weaker industries, like copper or shoes have not had such luck. This fact reflects an existing tension within the Administration between a free trade ideology and a certain political pragmatism that advises to avoid the alienation of certain key sectors. For example, the case in favor of taking some action to protect steel in 1984, was argued along these lines among the Cabinet officials participating in the decision making process (40).

Moreover, the degree of adherence to free trade principles does not seem to be the same within the major Cabinet officials of the Administration. Or the particular interests and responsibilities of the different Departments, push them to have different, and many times contradictory, views on the issue. In such a way, the Secretary of State
and of the Treasury have tended to be consistently against protectionist actions. While the Department of Labor and of Interior have had favorable positions to protecting these industries. Other Departments have varied their position from case to case, or depending on the orientation of the head of the Department. In general, however, the Secretary of Agriculture tends to be more favorable to avoiding protection, while the Secretary of Commerce has been more open to granting relief. The USTR office, both under William Brock and Clayton Yeutter, has been more inclined towards free trade, though without losing a dosage of pragmatic perspective (41). However, when the political consequences at stake have been large, like in the carbon steel decision just before the 1984 election, the pragmatist vision has tended to predominate, though always avoiding extremely protectionist options.

The opposition organized by consumers and other interested parties against protection, has also been an influential factor. In the copper case, for example, semimanufacturers organized strongly against protection, while in the steel case the coalition against protection was much weaker, with key affected parties, such as the automobile industry, totally absent from the lobbying effort to "oppose" such a policy (42). A final fact mentioned in
several cases, is the view of the ability of the industry asking for relief, to eventually regain competitiveness. In justifying the negative decision for the copper industry, an argument advanced several times, was that the problems of the copper industry were beyond repair (43).

III. THE TRADE STRATEGY OF THE CONGRESS

The trade policy strategy of the Congress seems to have evolved during the course of President Reagan's Administration. At the beginning most Congressional initiatives on this subject were not protectionist, but along the lines of helping export promotion, for example, through legislation to form an export trading company, to extend the Export-Import Bank subsidized export loans, to grant tax relief to exporting companies, to relax anti-trust legislation for exporting companies, and to ease the Foreign Corrupt Practices Act (44). Moreover in December of 1982, the 97th. Congress actually approved tariff reductions on a number of articles ranging from Chinese toy tea sets to pipe organ parts (45).

As trade deficits grew, and the number of industries suffering inclement foreign competition also grew, protectionist initiatives in Congress started to flourish.
The first bills aimed at this purpose that had more repercussion, were the "bill of domestic content", that called for an obligatory percentage of US fabricated parts within cars sold in the US, and the "reciprocity legislation", that would expand presidential authority to retaliate against unfair trade. The first was approved by the House of Representatives in 1983, but later languished in the Senate. A reviewed and less protectionist version of the second was finally incorporated in the Trade Act of 1984 (46).

From 1983 on, the amount and variety of protectionist bills grew exponentially. Some of the most important ones were mentioned earlier. It is said that in 1985, there were more than 300 pieces of protectionist legislation in the Congress (47). Actually very few of these bills made it all the way through both Houses.

The main trade bill approved by Congress during this period was the "Trade and Tariffs Act of 1984". This bill included some of the initiatives that had been circulating in Congress in different bills. However, the final version presented to President Reagan eliminated all the more protectionist aspects that had tried to work their way into the bill and that the President would oppose, or weakened
them into the form of recommendations. The bill included increased presidential authority to retaliate against unfair foreign trade practices; extended a more restrictive GSP for 8.5 years; authorized negotiations for free trade areas with Canada and Israel; extended the Trade Adjustment Assistance Act for two years; backed presidential action to reduce barriers for service exports and international investment; included a reduction of steel imports to a level compatible with President Reagan's September decision on this industry; and recommended protection for wine, grapes and copper (48).

Apart from this major trade bill, Congress also approved a textile bill in late 1985, proposing to curb the imports of textiles, apparel and shoes. President Reagan vetoed this bill. Actually some have suggested that once it was clear that a bill to this end would be approved, some Congress members may have made it almost purposefully so protectionist that it would be very difficult to get presidential approval (49).

Additionally Congress has also approved some smaller bills, extending Export Import Bank guaranteed and subsidized loans for export sales, or giving the President authority to carry forth the trade policy he announced in September of 1985. But none of the other more contentious trade bills
ever got to be approved by both Houses.

How can this outcome be interpreted, considering the allegedly very protectionist mood of Congress? One interpretation commonly given is that there would be a certain deal between Congress and the Executive. Knowing their weakness to constituency pressures, specially after the Smoot-Hawley experience, and at the same time knowing the harm of very protectionist policies, the Congress would have given up power to the Executive on trade policy, in order to insulate such policy and legislation from the effect of pressure groups. However, the public acceptability of this deal could be sustained as long as the executive was viewed as basically considering and protecting the interests of the US industry and workers. As import penetration started to cause increasing problems to vaster and vaster sectors and industries, and there was seemingly no clear policy on the part of the Administration to solve the situation, Congress would have felt the Executive was not fulfilling its part of the deal; and would have felt the need to take the initiative in the trade front (50). Perhaps responding to this problem, USTR Clayton Yeutter and Secretary Baldrige insisted, and finally convinced the President, that the Administration must present a trade package that gave the impression of offering a global solution, which was what the September 1985 trade
announcements were suppose to do (51). In effect, after the Administration presented this plan, much of the Congressional protectionist fervor tended to abide.

A slight variation of this view, is that actually the protectionist posture of many Congressmen was more a political need to comply with their constituencies, than a deep conviction on the issues. In order to satisfy their constituencies, the main point would have been to present protectionist bills, much more than effectively getting them approved (52).

Another important dimension to understand the Congress's behaviour on the trade front, is the variety and contradiction of interests that are represented in it. Though protectionist interests gained strength as the number of affected industries grew, there continued to be powerful interests against restrictive import measures. Exporting sectors, specially farmers and high-technology industries, opposed protection both for the fear of retaliation by other countries, as for the fact that many of their imported inputs would become more expensive and their own competitiveness would be eroded. Import consuming industries or sectors, such as shoe or clothes retailers, semimanufacturing industries in steel or copper products, or steel consumers
like Caterpillar, started to organize strong lobbying efforts against protectionist legislation (53). Finally in some cases, the affected industries had mixed interests. For example, in the automobile industry, General Motors was persistently against protection since it has large investments abroad. Later on, both Chrysler and Ford had hedged to the possibility of reduced protection by increasing their international operations, and so were less insistent in maintaining protection (54). The alliance of these pro-trade interests had strength, and pressed their Congressional representatives to avoid protectionist legislation. The appearance of a more organized force on the part of consumer interests, was a new phenomena, and gave greater force to the free trade alliance. In summary, though the protectionist interests seem to have been more vociferous, those opposing protection also had strength and reacted effectively.

Additionally one must consider the problem of strategy on the part of the Congress. Even if it had all the will to pass a very protectionist legislation, it was confronting an Administration that had manifested a relatively clear stand on the issue. President Reagan consistently stated his opposition to most of the bills that were being introduced in Congress, and in many cases, his intention to veto them if they came to be approved. Not only was this a threat, but he
actually did veto the textile bill. On the other hand, even in the cases that bills were approved by one or both Houses, as in the "bill of domestic content" or the textile bill, they did not have the required majority to overrule a presidential veto. So after starting out with an apparently more aggressive position on the topic, Congress seems to have modified its strategy towards favoring bills that might get presidential approval (55). In so doing, it started to favor and promote trade bills that were very much in line with the overall trade policy of the Administration. So in a sense, one might say there was an accommodation of the Congress towards President Reagan's positions.

A last factor that is worth mentioning is the role that party considerations seem to have played in this confrontation. For some time Democrats had been viewed as representing more the "fair trade" position, while Republicans were supposed to be on the "free trade" side. However, as trade started to pose a problem to more and more industries, many Republicans, who represented areas with affected industries, also started to favor protection. Recently there has also been a shift in the Democratic party, as they have seen greater political potential in attacking the Administration's fiscal and financial policy, viewed to be the root of the trade problem than in attacking its trade
policy. So they have tended to shift the emphasis from protectionist legislation, to budgetary and monetary policy (56). In global terms, however, the division between the "free traders" and "fair traders" in Congress has obeyed much less to party differences, as to constituency representations. So Democrats and Republicans representing areas with affected industries, have joined to support protectionist legislation, while representatives from both parties with "free trade" constituencies have joined to oppose such legislation.

IV. CONCLUSIONS

The Administration started out with a trade policy that more than a "laissez faire" free trade policy, was an interventionist free trade policy, where the US would actively seek and pressure other countries to open borders towards US exports, including services, high technology and investment, and avoid unfair trade practices. On the other hand it would try to avoid protecting or closing its own markets. Though the Administration made some protectionist concessions, specially in its initial years when the political pressure and stake was not too big, it has in general maintained the principle core of its trade program throughout the whole period. Moreover, it has put resistance
to major protectionist initiatives, and when making concessions to political pressure, has opted for milder alternatives. There is little evidence therefore, that the Administration has succumbed to protectionist pressures coming from the Congress or from interest groups.

The importance of deregulation, reducing tax burdens and stable economic growth in improving industrial competitiveness and expanding exports, was seen as a key factor in the original trade policy statement. However, perhaps pushed by the evolution of events, these factors never really constituted the main thrust of the trade policy, and actually lost relative importance as time passed.

In implementing its program to open foreign markets and avoid unfair trade practices, the Administration has made extensive use of bilateral pressure and bilateral negotiation. Additionally, it has constantly threatened to use retaliatory measures against unfair practices. In the 1984 Trade Act it obtained increased authority from Congress to retaliate against trade restrictions from other countries, and in the September 1985 package of trade measures, it proposed to use US legislation against unfair trade practices more aggressively. During this whole period, extensive use of the anti-dumping and countervailing duties procedures has
been made.

The danger in this approach is that there is always a thin line between using protectionist or "unfair trade" measures as a retaliation to other countries' practices, in the hope that they will cease to use them, and outright protectionism. The hypothesis of the Administration has been that increasing the costs for foreign countries to use such practices, will dissuade them of using them. But in so doing, the US effectively implements measures that tend to close its markets or that tend to alter and distort present trade flows. These actions would hopefully be reversed if the Administration's strategy proves successful, though there is always the danger that once certain practices are put in effect, it is later difficult to eradicate them. If other countries don't respond as the Administration expects, then the danger of increasing intervention, protectionism and trade distorting actions from one side and the other, would threaten to undermine today's level of trade.

The reliance on bilateral instruments also has the danger of undermining the multilateral trade regime built after the Second World War. The Administration's original trade statement warned against this procedure, though later the US has used it extensively. Not only has it used bilateralism
to pressure certain countries, but it has been negotiating the possibility of creating free trade areas with Canada and Israel, another blow on the free trade multilateral idea.

As to the strategy of Congress, the multiplicity and contradictions of interests represented by Congress and that have a stake in the trade debate, have made most of its protectionist bills to be stillborn. Many Congress members seem to have been more worried with appearing to favor protectionism before their constituencies, than being effective in actually getting certain bills passed. Finally, one gets the impression that it has been Congress that has mainly ended up adapting its trade initiatives to be more closely tuned into those of the Administration.
1. The term "free trade" or "free trader" is self explanatory. The term "fair trade" or "fair trader" is used by the advocates of protectionism to name themselves with a more acceptable term.


33. Mardones, Jose Luis (1986).


41. Interview with Professor Roger Porter, Professor in Government and Business, J.F. Kennedy School of Government, Harvard University, former Head of the Office of Policy Development in the Reagan Administration.


47. Professor Richard Cooper, Professor of Economics, Harvard University, class lectures in International Trade and Investment, fall term, 1985.


49. Professor Richard Cooper, Professor of Economics, Harvard University, class lectures in International Trade and Investment, fall term, 1985.


54. Mardones, Jose Luis (1986).


