domestic industries. The Tariff Commission proved reluctant to find injury, and presidents exhibited even more reluctance to withdraw concessions or impose import restraints. From 1951 to 1962 the Tariff Commission rejected 71 of 112 petitions. Of the 41 findings actually sent to the White House only 15 gained relief. Domestic industries suffered an even lower success ratio under the Trade Expansion Act of 1962. Until 1969 a Tariff Commission packed with supporters of the trade liberalization program made no escape-clause findings at all. In 1974 Congress modified the law, relaxing the injury standard and authorizing the use of higher tariffs or quotas to facilitate adjustment to increased competition. Over the ensuing years the escape clause gained renewed life. In the next 16 years petitioners brought 62 cases. The Tariff Commission recommended relief in 34, and the president actually provided import restrictions in 15 cases.

At the presidential review level foreign policy considerations frequently directed negative decisions on escape-clause recommendations. This pattern began in 1951 when President Truman rejected for the first time a majority Tariff Commission recommendation for import restraints on garlic imports, primarily from Italy. In accepting the State Department claim Truman insisted that substantial imports must substitute for direct foreign aid and thus assist countries like Italy to contribute to mutual defense costs.

Similar concerns led the Truman administration to reject a Tariff Commission recommendation for relief to the domestic watch industry in 1952. The State Department reminded Truman of his effort to draw Switzerland away from neutrality and to support export controls on shipments to the Soviet bloc.

During the Eisenhower years foreign policy and defense continued to drive trade administration. In 1954 Eisenhower did provide relief to domestic watchmakers, but in the belief that watchmaking skills were vital to military preparedness. The watch case had unique aspects, and Eisenhower generally avoided import restraints wherever possible. At one point he said it seemed "silly" to impose import restrictions on clothespins from 11 foreign countries to protect six small companies in the state of Maine employing 260 workers. Trade restrictions, he said, "which tend to drive away an ally as dependable as Great Britain would do much more harm in the long run to our security than would be done by permitting a U.S. industry to suffer from British competition." He proposed that in reaching trade remedy decisions the administration should take into account "the damage to national security which could result from restrictions which might weaken the ties which bind us to our allies in the collective security effort."[12]

In one escape-clause investigation after another the State Department counseled the president to withhold relief to U.S. industries and workers. For instance, in the 1953 handblown glassware case, State warned that import restrictions would have "grave political repercussions in the Federal Republic of Germany . . . and would provide the Soviet Union with unanswerable material for propaganda." In 1954 both State and Defense argued against relief to U.S. producers of scissors. State emphasized that West German production came from areas near the Ruhr where "Soviet propaganda has already had considerable effect." Defense warned that the increase of duty could have adverse effect on Germany, Italy, Japan and Britain. "The increase would affect the morale of such countries as well as their economic welfare and stability."

In a 1954 lead and zinc case involving several western hemisphere nations the State Department was especially insistent. Dulles advised Eisenhower that a decision to provide import relief would "gravely compromise" U.S. foreign policy objectives. "There would be strong popular resentment in Canada and Mexico, which will make our borders much less secure," Secretary Dulles said. "The great opportunity to combat communism in this hemisphere won by the success of Guatemala would be more than canceled out." Moreover, he added, "Soviet communist leaders would be elated and would redouble their efforts to divide the free world."[13]

Cold War concerns also benefited the Nordic countries and Iceland. For instance President Eisenhower approved a 1954 National Security Council policy memorandum asserting that the United States should avoid trade actions adversely affecting Iceland. Washington should seek to increase free world markets for Icelandic fish in order to reduce the country's dependence on Soviet bloc trade.

Given the importance that the administration assigned to Iceland as a base for NATO operations, it is not surprising that

[12]June 4, 1959, National Security Council discussion. *Declassified Documents Reference System* (DDRS): Research Publications Inc., Woodbridge, CT, 1990; 16:970–71.

[13]Department of State to Bureau of Budget, Nov. 2, 1953, and April 20–21, 1954, White House Central File, Eisenhower Library; Dulles to President Eisenhower, Aug. 12, 1954, DDRS:1983, 9:2103.

President Eisenhower twice rejected escape-clause recommendations to provide relief to New England fish producers who claimed that imports from Canada, Norway and Iceland were injuring the domestic industry. The Defense Department warned in 1954 that trade restrictions benefiting New England fishermen would have effects "adverse to the security interests of the United States." In 1956 the Tariff Commission again recommended escape-clause relief for the New England fishermen—this time unanimously. But again foreign affairs agencies scuttled import remedies. According to the International Cooperation Administration, a 50 percent duty on fish would strengthen "those elements in Iceland which wish to drive out U.S. NATO troops. As fish goes, so goes Iceland." As a result two countries that sold virtually no fish fillets to the United States before World War II gained, with U.S. economic assistance, 20 percent of the U.S. market in 1952. Canada, which held 9 percent of the U.S. market in 1939, obtained another 25 percent. Thirty years later Canada and Iceland held over 80 percent of the U.S. market for frozen groundfish fillets.[14]

After the steep Kennedy Round concessions the Tariff Commission made a number of affirmative escape-clause recommendations but, predictably, the foreign affairs agencies vigorously opposed import remedies.

VI

The labor-intensive nonrubber footwear industry offers an excellent example. Domestic producers repeatedly filed petitions for escape-clause relief in the Nixon, Ford, Carter and Reagan administrations. Although the shoe industry usually persuaded the independent ITC on the merits of the case to find injury and recommend a global import restraint program, it never succeeded in obtaining comprehensive relief at the presidential review level.

The story begins in 1970, as a 50 percent cut in nonrubber footwear duties granted in the Kennedy Round took effect. Shoe imports soared—especially from Italy, Japan and Spain. Indeed the quantity of imports rose from 18 percent of

[14] Department of Defense to Bureau of Budget, June 7, 1954, and Nov. 8, 1956, White House Central Files, Eisenhower Library.

domestic consumption in 1967 to 30 percent in 1970, while the number of production workers fell from 202,000 to 185,000.

In January 1971 an evenly divided Tariff Commission sent the White House escape-clause findings that included a recommendation for higher duties on women's and men's leather footwear. Swiftly the State Department swung into action. Secretary William P. Rogers warned President Nixon that a decision to impose restraints on nonrubber footwear might invite retaliation against U.S. exports in the EC and against military bases in Spain, as well as arousing opposition to U.S. goals in Japan. Import restrictions would undermine efforts of Mexico, India, Brazil and other developing countries to diversify their economies. Given the intensity of State Department opposition, it is not surprising that President Nixon disapproved trade restrictions and authorized instead only adjustment assistance.

The import assault continued to hammer the shoe industry. Domestic producers lost another 11 points of market share and laid off nearly 50,000 workers. In February 1976 the ITC made a unanimous injury recommendation. But once again international concerns doomed the shoemakers' petition. National Security Adviser Brent Scowcroft told President Ford that the "communists would seize on any U.S. import action against shoes. . . to argue that the U.S. was harming Italy during a time of economic crisis." He warned of similar negative reactions from Brazil, Korea and Taiwan as well. President Ford concluded that shoe restraints were not in the "national economic interest," and he too authorized only adjustment assistance to dislocated shoe workers.

Imports surged again. Nonrubber footwear producers filed another escape-clause petition, hoping the Carter administration would be more sympathetic. In February 1977 a unanimous commission found injury, and five commissioners recommended import restraints, including a global tariff quota. But National Security Adviser Zbigniew Brzezinski opposed assistance to the shoe industry as harmful to the administration's overall foreign economic policy. He warned that trading partners "see shoes as a test case" and indicated that import restraints could sour the atmosphere for the London economic summit. Weaker European economies, such as Italy, Britain and France, might "erect trade barriers of their own." Moreover implementing the ITC remedies would hit developing countries "hardest" and "raises serious doubts about our commitment to the economic well-being of the Third World." Furthermore Spain and Greece warned that footwear exports were "vital" to their respective bilateral relationships with the United States.[15]

Under enormous pressure from domestic as well as foreign interests President Carter sought a compromise. Rejecting the ITC recommendation on the ground that it did not provide balance among the contending interests, Carter authorized more adjustment assistance and directed his trade negotiators to conclude orderly marketing agreements (OMAs) with major foreign suppliers. The administration successfully concluded such pacts with Taiwan and Korea—but not with Italy, Spain or Brazil.

OMAs helped restrain Asian competition, but not competition from other sources. The domestic industry continued to lose market share. After OMAs were removed in 1981 the nonrubber footwear industry in the next three years lost another 20 points of market share, and 28,000 jobs. In 1985, when a unanimous ITC again found injury and recommended restraints, President Reagan declined to use trade restraints. This time the president criticized protectionism as a crippling cure more dangerous than any economic illness. And so the shoe industry continued to move offshore and to lay off domestic workers.

In 1992 imports had 88 percent of the U.S. market and domestic producers employed only 54,100 production workers, a loss of nearly 148,000 production workers since the Kennedy Round tariff concessions.

VII

The pattern of trading away specific domestic interests for foreign policy reasons is not confined to labor-intensive industries like footwear. Available documents in the National Archives and various presidential libraries reveal that similar considerations influenced decisions affecting high-wage industries producing automobiles, steel and consumer electronics, among many others. During the Johnson administration, for instance, the State Department fashioned an automotive products market-sharing agreement with Canada to forestall a

[15]Scowcroft to President Ford, April 12, 1976, Seidman Papers, Ford Library, Ann Arbor, MI; Brzezinski to Carter, March 16, 1977, and Special Trade Representative to Vice President, Feb. 4, 1977, White House Central File, TA4–12, Carter Library, Atlanta, GA.

countervailing duty determination by the U.S. Treasury that had been expected to damage bilateral political relations. The result was a one-sided "free trade agreement" opening the U.S. market to Canadian automotive products. But only original equipment manufacturers could import vehicles and parts freely into Canada; consumers could not. Other separate understandings between U.S. auto producers and the Canadian government effectively transferred auto production—and jobs—to Canada. The result: a $657 million automotive products trade surplus with Canada in 1965 turned negative. Over the last 25 years the United States has experienced automotive deficits with Canada in all but one year.

During Tokyo Round negotiations the archival evidence also indicates that the Ford and Carter administrations rejected trade-remedy petitions from U.S. industries to avoid unsettling allies and disrupting multilateral negotiations. Indeed at the November 1975 Rambouillet economic summit President Ford specifically pledged to deal with bilateral trade problems on a "common sense basis." He said: "Where flexibility exists under our domestic law and procedures, I am prepared to exercise it."[16]

Consistent with his word Ford then rejected import restraints in five of six escape-clause cases. The exception was specialty steel, where the administration faced a certain congressional override. Meanwhile the Treasury strained to avoid imposing countervailing and antidumping duties on foreign producers of automobiles, steel and canned hams. In each instance the available record suggests that foreign policy considerations influenced the trade-administration process.

Similar episodes occurred in the Carter and Reagan years. In 1978 and again in 1984 the ITC recommended import restraints to restrict surging copper imports and, consequently, two presidents faced difficult decisions. In the first instance Special Trade Representative Robert Strauss endorsed a tariff-rate quota as a way to head off efforts in Congress to limit presidential discretion in administering trade laws and to increase congressional receptivity to Tokyo Round agreements. He lost. President Carter sided with the State Department, the National Security Council and other agencies opposing protection. They warned that import restrictions

[16] Notes of Rambouillet Summit, Nov. 16, 1975, Seidman Papers, Ford Library.

would damage relations with Canada, Peru, Chile, Zambia and other copper exporters, while violating commitments made at the Bonn and London economic summits to resist protectionism.

President Reagan also rejected import restraints on copper. Political instability in Chile reportedly intensified opposition—at the State Department and the NSC—to relief for the domestic producers. Like his predecessors President Reagan assigned priority to free-trade pledges made at economic summits, and his decision pleased manufacturers who consumed large quantities of copper.

According to Clyde Prestowitz, a Commerce Department official in the 1980s, the executive branch was also reluctant to defend U.S. producers from subsidized Japanese and European competition.[17] In the Houdaille machine-tool case Prestowitz notes that President Reagan declined to impose sanctions that would embarrass his friend, Prime Minister Yasuhiro Nakasone, and harm the overall bilateral relationship with Japan. When the administration considered challenging European subsidies to Airbus—Boeing's leading competitor—Secretary of State George Shultz exhibited similar aversion. Vigorous representations would have upset European governments and harmed cooperation on national security issues.

VIII

Although the Cold War is over, officials in Washington continue to play the old game of trading access to the U.S. market for cooperation on nontrade issues. Each year the Bush administration renews low, most-favored-nation tariff rates for China, in an apparent trade-off for cooperation in the United Nations on matters involving Libya, Yugoslavia and Iraq. As a result China has become the leading U.S. supplier of shoe imports and is a major provider of apparel, toys and other labor-intensive items.

At the July 1992 economic summit in Munich officials of the Group of Seven leading industrialized nations discussed economic aid for eastern Europe. Most-favored-nation status and eligibility for one-way free trade privileges are among the lures enticing Russia and other remnants of the Soviet Union to

[17] Clyde Prestowitz, *Trading Places*, New York: Basic Books, 1988, pp. 217–249.

cooperate on arms control, human rights and political issues. At first glance each such transaction appears to have merit. Certainly it is important to cooperate on arms control and to strengthen international peacekeeping. It is advantageous to draw the former Soviet Union and China away from autarkic nationalism. It is desirable to promote respect for human liberties.

However, from the standpoint of U.S. workers and producers, such deals lack commercial reciprocity. China pursues highly protectionist import substitution policies—using stiff tariffs, import licensing and other barriers to exclude U.S. and other foreign goods. As a result Washington last year experienced a $12.7 billion trade deficit with Beijing; this year the deficit may widen to $19.9 billion. In effect China is rapidly becoming a second Japan: a nation that restricts foreign access to its own market while feasting on the open U.S. market.

A similar lack of reciprocity may emerge with eastern Europe. Given the West's enormous interest in promoting democratization and securing continued cooperation on military issues, the United States and the EC face a painful political choice. Either they continue direct aid programs, which are unpopular with voters, or they acquiesce to discriminatory and nonreciprocal trading relationships, as the Truman administration did to facilitate European and Asian reconstruction after World War II.

America's current economic problems have roots in those one-sided trade policies. A series of unilateral and nonreciprocal concessions have contributed, cumulatively, to a demise of domestic manufacturing and to the loss of production jobs. Indeed implementation of the final Kennedy Round tariff cuts in 1972 coincides with the beginning of a twenty-year decline in domestic earnings and manufacturing jobs. In 1991 American workers earned average weekly wages 20 percent below 1972 levels. Meanwhile the textile and apparel industries lost over 600,000 jobs, while steel and automobiles sacrificed another 500,000 positions. Measured in declining income and jobs, the burden of global leadership thus has fallen heavily on low-skilled American workers. Labor-intensive manufacturing jobs have moved abroad to low-cost Third World countries, leaving a caste of poorly skilled American workers living in Third World conditions here in the United States.

Not surprisingly the loss of jobs is associated with a revival of protectionism at the grass roots. From World War II to the early 1970s public opinion data show Americans generally supported tariff liberalization. But, when the impact of Kennedy Round tariff cuts began to harm workers in a variety of import-competing industries, the public mood shifted. Since about 1973 solid majorities have consistently favored increased import restrictions.

In 1992 rising public dissatisfaction with government and with the costs of international involvement reflects the pervasive perception that American leaders have neglected for too long the bread-and-butter concerns of average citizens. The future of Russia and eastern Europe, the success of the Uruguay Round and the promise of a North American Free Trade Agreement all may mesmerize and motivate Washington policymakers. But in the American heartland these initiatives translate as further efforts to promote international order at the expense of existing American jobs.

Continued public support for a liberal trade policy depends on more than vague promises about future export-related jobs and lectures on the benefits that consumers derive from low-cost imports. In the absence of secure and abundant employment, consumer concerns fade in importance. Most consumers are less concerned about the price of goods than about their own ability to pay the price. And recent experience in the current recession underscores another economic truth: the unemployed worker is not a happy consumer. Indeed the rapid transfer of jobs from high-cost to low-wage countries in a world of deregulated markets multiplies uncertainty and discourages consumption among those lacking employment security. Twenty years ago only production workers had to worry about losing jobs to cheap foreign competition. In the 1990s open borders have spread this insecurity to millions of service and professional workers.

Chairman Long, and his Republican and Democratic colleagues on the Senate Finance Committee, anticipated this reaction years ago. At a hearing in January 1976 he warned Secretary of State Henry Kissinger: "If we trade away American jobs and farmers' incomes for some vague concept of a 'new international order,' the American people will demand from their elected representatives a new order of their own, which puts their jobs, their security and their income above the priorities of those who dealt them a bad deal."[18]

[18] U.S. Senate, Committee on Finance, *Oversight Hearings on U.S. Foreign Trade Policy*, 94th Congress, 2nd session, p. 105.

IX

To restore public confidence in American leadership and strengthen the domestic economy, the next president and Congress need to focus their efforts closer to home. They must develop policies that will remedy the fiscal mess, help strengthen the competitiveness of domestic industries, improve the quality of the work force, rebuild domestic infrastructure and provide productive jobs for low-skilled workers.

For the United States trade policy must increasingly become an instrument of domestic policy, as it is for our leading competitors. Obviously government cannot construct nineteenth-century style protectionist walls to shelter permanently inefficient industries. But the experience of the Harley-Davidson company and the domestic steel industry in the 1980s shows that prudent and selective use of escape-clause type procedures can strengthen the competitiveness of even mature industries. Harley successfully used a five-year period of tariff relief to regain its competitive edge. Such safeguard actions are consistent with U.S. obligations under GATT.

In essence Washington must revive the concept of genuinely reciprocal trade. We should exchange market opportunities in the domestic market only for meaningful market access abroad. In future bilateral and multilateral agreements each party should gain the same opportunity to invest, distribute and conduct business in the other's market.

Finally the new administration needs to give greater attention to key personnel appointments. Too often in the past the U.S. Trade Representative's Office, the Commerce Department and the ITC have served as training schools for foreign lobbyists. Desire for personal advancement may have inhibited a judicious weighing of facts and assessment of statutory intent in trade remedy cases. Congress needs to undertake a more thorough oversight of trade policy to protect the public interest. To establish a strong domestic foundation for continued global leadership U.S. officials must demonstrate a greater sensitivity to the interests of domestic workers and producers.