Dunning does remind us that certain policy issues involving MNEs cannot be resolved satisfactorily at the level of national governments or even through bilateral governmental actions. He hints that some “rules of the game” for international production along the lines of GATT might be useful, but his discussion is brief and no concrete proposals are put forth.

American Trade Politics: System Under Stress
by I.M. Destler
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The goal of I.M. Destler is “to increase the understanding of the nature and purposes of American trade politics” (p. ix). He does this admirably through documenting the involvement of the Congress, the President (including the executive branch trade bureaucracy), and the International Trade Commission in the U.S. international trade policy process since the 1930 Smoot-Hawley Tariff Act. The strength of the book lies in the “insider” perspective that Destler brings to bear on recounting the historical details of U.S. trade policy. The purpose of the historical detail is to document the various ways in which the ability of governmental institutions to withstand political pressures for increased protectionism is eroding.

The primary argument that Destler makes is that the end of the Bretton Woods agreement marked the beginning of increased protectionist pressures on the U.S. government. These pressures stemmed in part from the U.S. trade deficits, the proliferation of Voluntary Restraint Agreements that weakened the credibility of the GATT, stagflation, and the overvalued dollar. At the same time, the capacity of the Congress, the International Trade Commission, and the President to resist these pressures was seriously weakened. In Destler’s view, this development is ominous because of his belief that “the weakening of our capacity to pursue liberal trade policies poses a severe threat to the world standing of the United States” (p.7). Destler’s concern with the trend towards protectionism stems also from its economic consequences. He suggests that not only would trade protection trigger the political decline of the United States, but the economic stagnation that would result from protectionism would also threaten the economic preeminence of the United States. He concludes with a list of policy prescriptions designed to strengthen the government’s ability to resist protectionist political pressures.

Destler describes the political dynamic inherent in trade liberalization as one characterized by concentrated costs to industries that find themselves trying to compete with low-priced imports and diffuse benefits to society as a whole that is able to consume low-priced foreign goods. This distribution of costs and benefits results in greater incentives for industries to organize that are struggling to compete with imports to pressure the government to restrict imports than for consumers to organize in support of trade liberalization. Destler’s fear is
that, "if the politics of benefit seeking and logrolling goes unimpeded, the result will be a high level of trade barriers, to the benefits of certain groups and the detriment of the nation as a whole" (p.3).

The point of departure for Destler's analysis is the Smoot-Hawley tariff (1930), the last tariff act passed by Congress in which the national interest was overwhelmed by specific interests. In response to the economic chaos that followed the Smoot-Hawley tariff, the Congress passed the 1934 Reciprocal Trade Agreements Act that for the first time in U.S. history delegated the authority to negotiate and determine tariffs to the executive branch. The significance of this legislation for Destler is that, "No longer did it (the Congress) give priority to protecting American industry. Instead, its members would give priority to protecting themselves: from the direct, one-sided pressure from producer interests that has led them to make bad trade law" (p.12). The Congress was able to stay out of the business of setting tariffs though creating its agent in the executive branch (the Special Trade Representative); authorizing the International Trade Commission to determine whether particular industries were seriously injured by "unfair" or just overwhelming import competition, and finally through the willingness of the executive to cut special deals with industries that were sufficiently large to pose a political threat to U.S. trade liberalization. If a restrictive trade bill was introduced into the Congress, the Ways and Means and Finance committees were sufficiently strong to contain the bill. These devices permitted members of Congress to "respond sympathetically to their constituents and point to all the possibilities for help available elsewhere, sending them 'downtown' to the Tariff Commission [now the U.S. International Trade Commission] or to the STR" (p.31).

Destler's discussion of U.S. trade policy focuses on the Congress because, he argues, its decision to delegate the authority to reduce tariffs to the executive made it possible for presidents to build and sustain the liberal trade order. Now, however, this insulation is eroding. A number of external factors have combined to weaken the arrangement that once enabled Congress to withstand protectionist pressures. Among others, these include decline of the role of the United States in world trade as reflected in growing trade deficits, the erosion of the General Agreement on Tariffs and Trade, and the misalignment of the dollar that has exacerbated the problems encountered by U.S. exporters.

The internal factors result from congressional reforms that made the legislative process more open and thereby more susceptible to special interest pressures. These reforms led to the creation of trade subcommittees in the House Ways and Means Committee and the Senate Finance Committee as well as other procedural changes such as the use of the open rule in the House that made floor amendments the norm. The use of the open rule weakened the ability of Congress to exercise self-restraint, which in the past had depended upon the capacity of legislators to prevent floor votes on product-specific restrictions (p.57). In addition, the creation of the trade subcommittees made it easier for protectionist legislation to get out of committee because the subcommittee chairs "lacked the stature and broader chamber leadership role of the full committee head" (p.60).