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Introduction

Robert E. Baldwin and Anne O. Krueger

American interdependence with the world economy continues to increase. One in seven manufacturing jobs were export related in 1980, and by 1981 merchandise exports amounted to 8.0 percent of GNP in contrast to only 4.3 percent in 1970. Furthermore, imports have increasingly become a significant determinant of the competitive fate of corresponding American industries. Although this greater interdependence has been widely recognized and subject to considerable attention, there has been a surprising lag in research on specific trade policies, particularly the numerous nontariff measures and specific tariff arrangements that characterize the modern international trading system.

A number of factors have contributed to this gap in economic research. Trade relations were less important historically than they are now, and the extensive use of nontariff trade policies is a comparatively recent phenomenon. But institutional reasons also account for the deficiency of rigorous trade policy analysis.

One such reason relates to the failure to establish an international organization that deals with international trade in a manner comparable to the way the International Monetary Fund (IMF) and the World Bank handle international financial and economic development issues. The economic staffs of both the IMF and the World Bank have for years been leaders both in carrying on research themselves and in stimulating research by others on these issues. The rejection of the third major international economic organization proposed at the end of World War II, namely, the International Trade Organization (ITO), prevented a comparable level of international research from becoming established in the trade field. While the secretariat of the General Agreement on Tariffs and Trade (GATT)—the salvaged part of ITO—carries on high quality research, its comparatively modest size and authority precludes extensive research in the field.

A similar contrast exists within most countries. In the United States, for example, no federal agency dealing with trade issues comes close to matching the research capabilities that the Board of Governors of the Federal Reserve System and the various individual Federal Reserve Banks have in international finance. A perception by academic economists, at least until relatively recently, that there were many more significant problems to study other than trade policy issues may also help to account for the comparative dearth of research in this field.

The National Bureau of Economic Research project on trade relations is directed at reducing this research deficiency. This volume represents an effort to do so particularly with respect to U.S. trade policies. In Parts II, III, and IV of this volume, eight specific import and export-promoting policies affecting U.S. trade are analyzed in institutional, theoretical, and empirical terms. The objective is to better understand how policies operate, how effective they are in terms of their stated purposes, and their economic costs and benefits. The policies covered are the Japanese voluntary export restraint agreement on autos, the Trigger Price Mechanism established to regulate imports of steel into the United States; the Multifiber Arrangement covering textile and apparel imports; the U.S. Trade Adjustment Assistance program; the Generalized System of Preferences; the U.S. Strategic Petroleum Reserve; the U.S. Domestic International Sales Corporation legislation; and the export-credit subsidization undertaken by the U.S. Export-Import Bank.

Part I of this volume traces the shifts in U.S. import policy after World War II and sets the stage for the detailed studies of the particular issues just listed. Part V adopts a global point of view and tries to assess the degree of trade restrictiveness in the industrial countries, including the extent of their protection against the exports of the developing countries. Brief summaries of the papers are given in the introduction to each part of the volume, while comments of the discussants follow each paper.

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