DOWNLOAD PDF PROSPECTS FOR NORTH AMERICAN TRADE RELATIONS BEYOND THE 1980S

Chapter 1 : South Korea-U.S. Economic Relations

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She had no school loans, she loved her job, she had a nice apartment, a nice car. I wanted to make sure that I was able to support myself. So I figured out what I needed to do to get into the program, and I enrolled at the community college. It was honestly so much harder than I thought it was going to be. You have to take three different board examinations. You have to take two written examinations and one clinical. So I took it the third time, and I passed. I worked the entire time. I do have student-loan debt from the one year at John Carroll. My dad paid off most of it. He cashed in his k and paid off all of our loans because we have five kids who all went to college, and he was just sick of the interest, and he knew it was going to crush us. So, now we just owe him the money back. My dominant role here is representation, so I do all of our 3-D modeling, most of our Photoshop, all of the documents that are either used for communicating the grand design of a space or of getting a really quick idea across to the client. Ninety percent of what we do is bars and restaurants. I live four miles from the office. I try to take the bus two or three times a week. As an East Coaster, I really value walking, and I find it super rejuvenating and balancing to have that hour commute. I went to Tufts for undergrad, and I did art history and architectural studies. There was a very big gap between undergrad and grad school. I was traveling the country giving away random promotional materialsâ€"I gave juice away for a couple of years for SoBe. While I was on the road with SoBe, I wound up meeting my eventual wife. I did a summer program at UCLA that is a sort of a crash course in architectural design. My studio instructor from that program wrote me a recommendation to get into UCLA. I think that for a lot of people the appeal of architecture from the outside is really strong. Do you watch Seinfeld? Or, if I stay in the field, I would be less in a design capacity and more in the partner capacity, the partners being the ones that actually go out and get work and get business. In high school, I did an internship at the Cleveland Clinic. I worked with a biomedical engineer there and really got interested in the field. Miami University of Ohio did not have a biomedical engineering program yet, so I did chemical engineering there with a focus in biomedical. I graduated in and took the summer off and then went to Ohio State University. I got my Ph. After I graduated, I did look at industry jobs pretty heavily. My husband has a job in Columbus, and so for ease of everything I tried to find a job here. For industry, they did want people with more experience. Obviously, I worked in a lab for the entirety of my Ph. Here we work in conjunction with several physicians who see patients with muscular dystrophy, so we are very close to the patient in terms of seeing the real impact of our work. Eventually, I do want to move into industry. People tend to come in between 7 and 9 A. It is definitely overwhelming at times, but overall I love it. Luckily, my husband is in a comfortable position. He is in finance for a clothing company. He certainly works his butt off. My dad is a Ph. Both of my parents are from South America. My husband and I want to have kids. Work-life balance is extremely important, so hopefully my husband will not be working hour days. I actually read an article saying that my generation is the first that is not going to be doing better than our parents. After high school, I wanted to go to community college in Morrilton, Arkansas, just to give it a try. I had a full scholarship there. I walked into class, and they wrote binary-number code on the board. Everybody knows all of this. I just stopped showing up. After about half a semester, I left that and went to work for Arkansas Electric, building substations. After about six months of that, there were enough substations built so they laid our crew off. Then I got done with that job and helped them lay tiles and stuff. I saw all the commercials and stuff. That turned out to be a disaster. I borrowed for all of the tuition. All the equipment was outdated. Nobody else I worked with had a degree. Now I work at Kazi Electrical in Clinton. But I really do like service work. I was in Seattle for a week earlier this year for a job training and loved it up there. Everybody told me that I needed to come down to Oregon. You look like a Portlandian. My little brother was in special education, and my mom would go to his class every single day and notice all these things that were going horribly wrong: She worked a long time to make things better. Seeing my mother advocate for my brother but also for other kids made me fall in love with the thought of teaching and working with kids. I got scholarships to go to Pomona College in Claremont, California. I had a lot of people push me toward Ph. Then in , I moved to Brooklyn and started teaching history at another charter school. Last year, I taught in East New York at a charter school designed for over-age, under-credit kidsâ€"kids who have been in and out of juvenile facilities, in and out of shelters and other social systems and programs. The bureaucracy of the school and the lack of transparency were difficult, and the inability of the administration to respond to the needs of kids was exhausting. I was preparing to teach again this year, but this opportunity arose to develop curriculum and work with teachers on how to integrate technology for both traditional public schools and charter schools. I grew up in Denver, Colorado, where my dad is a geriatrician. Med school was on me, which meant I took out tuition and my living expenses. The year I started, they increased the interest rate, so most of my loans were at about 7 percent, which is huge. My husband is a different situation. His single mom died when he was young, but she had a trust fund for him that covered about two years of medical school. There was a house attached to the trust, and we sold it. Now, it starts the second you graduate medical school. Residency is cheap labor. They have changed it a lot in the last ten years. They have restricted the amount of hours an intern can work in a row to less than 16, and theoretically no resident is supposed to be in charge of patient care for longer than 24 hours straight. I quickly realized that I loved geriatrics, which falls under primary care. It is actually the most needed of all the specialties and is a specialty that has very high job satisfaction. I chose to do an extra year, where I get paid like a resident, in geriatrics.

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Chapter 2 : Canadaâ€“US Economic Relations | The Canadian Encyclopedia

Prospects for North American trade relations beyond the 's: proceedings of the 26th annual seminar sponsored by the Center for Canadian-American Studies held at the University of Windsor, Windsor, Ontario, November 8, 9, / edited by Ralph K. Cowan.

Email On January 2, , leaders of the United States and Canada met to sign the first major agreement in decades designed to comprehensively lower trade barriers between the two countries. Since the s, American and Canadian politicians had striven to lower or eliminate trade barriers between the two countries, with uneven success; the first such agreement, the Elgin-Marcy Treaty of , was torpedoed by the United States only 12 years later in retaliation for British support of the Confederacy during the Civil War, and successive efforts over the years at eliminating various protectionist policies inevitably fell prey to cries of protectionism or favoritism on one side or the other. This time around, trade barriers would be lowered across the board, and protective tariffs and other barriers become a thing of the past. Moreover, Americans and Canadians received glib assurances that the agreement would in nowise jeopardize the sovereignty or independence of either country. In one respect, American and Canadian leaders were telling their constituents the truth: This trade agreement was different. The FTA â€" unlike its various abortive predecessors over the previous years â€" was intended to be but the first step in a process of economic and political integration that would indeed, over the long run, abolish the independence not only of the United States and Canada, but the rest of North America as well. As it stood, the FTA was a fairly typical trade accord, but it did not come about in a vacuum. Unnoticed by most lawmakers at the time of its passage was another initiative, under way since , to create a trilateral trade agreement involving not only Canada and the United States, but also Mexico. By the s, it was very clear to any careful observer what was afoot in Europe. Continent-wide Government With the creation of the North American Free Trade Agreement, the process of creating continent-wide government began anew, but this time on the other side of the Atlantic. Having had so much success in building a regional government in Europe using free trade as a pretext, the globalists, who have always had international â€" and eventually global â€" government as their overarching goal, decided to recycle the formula in the New World. And more is on the way â€" much more. In , in Toward a North American Community: In the absence of a compelling vision to define a modern regional entity, and lacking institutions to translate that vision into policies, the old patterns of behavior among the three governments remained. As it is, the yet-to-be realized North American Community would extend its competency far beyond trade â€" as intended. It would require harmonization of policing, immigration laws, and â€" more ominously â€" the creation of biometric ID cards. Meanwhile, propaganda organs disguised as centers for North American research would prepare public opinion for further integration down the road, which would doubtless include a single currency and central bank and, ultimately â€" as has been done in Europe â€" a continental legislature. Now, with the perceived threat of economic immolation receding, talk of a continent-wide community has resumed. A Vision of a Continental Future, in , which reiterated the proposals of the previous decade, but dressed up to appeal to post-Great Recession sensibilities. A merged working group should aim for across-the-board regulatory convergence. This means that pharmaceuticals should be subject to uniform high standards and would not need to be retested in each country, that food imports should be tested just once by North American inspectors, and that regulations on the size, weight, and fuel efficiency of trucks should be the same in all three countries. Parts of the Plan But what about more highly publicized, sensational-sounding steps toward North American integration? And of that there can be no mistake: After all, elites on both sides of the Atlantic ardently support that embryonic global government, the United Nations. As a general principle, those who believe government is the best solution to every problem and most political leaders and policy analysts do always want more and more government â€" including, wherever possible, regional and global government. The European Union was brought about on a continent that had seen two world wars in less than a half century, and was partitioned by the Cold War for another four and a half decades. North America has seen no comparable international conflict since the first half of the 19th century. Trade among the United States, Canada, and Mexico is brisk. The threat of external terrorism provides some pretext, but nothing on the scale that Nazism or World War II did for Europe. In short, nothing less than an epochal socioeconomic meltdown is likely to furnish the political camouflage for dissolving the borders between the United States and her northern and southern neighbors. The intent is not to create genuine free trade but to transfer economic and political power to regional arrangements on the road to global governance. Because of what is at stake, we encourage you to read the entire special report click here for the PDF and to become involved. We value our readers and encourage their participation, but in order to ensure a positive experience for our readership, we have a few guidelines for commenting on articles. If your post does not follow our policy, it will be deleted. No profanity, racial slurs, direct threats, or threatening language. Please post comments in English. Please keep your comments on topic with the article. If you wish to comment on another subject, you may search for a relevant article and join or start a discussion there.

Chapter 3 : North American Union: From NAFTA to the NAU

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Economies in bold are also among the 20 leading home economies for FDI note that definitions of FDI vary considerably across the economies. In many instances the ranking is very different from that based on the aggregate figures. The next largest declines are for the United States from 1st to 13th and France from 3rd to 10th. Denmark, Switzerland, Hong Kong and Singapore jump ten places or more each. In both and , the dominant destination was other OECD countries. This is commonly referred to as testing whether trade and FDI are substitutes negatively correlated or complements positively correlated. When the focus is on interlinkages, the question of whether FDI and trade are substitutes or complements is of secondary importance. A substitute relationship can create just as strong an interlinkage as a complementary one. And if they are interlinked, it means that trade policy affects FDI flows, and FDI policies affect trade flows, and therefore that both sets of policies would benefit from being treated in an integrated manner. This section provides an overview of the results of research on the relationship between FDI and trade, beginning with a brief review of current thinking on the driving forces behind FDI at the level of the individual firm. As will become clear, an awareness of the motivations behind FDI is an important part of understanding the interlinkages between FDI and trade. The focus in the remaining part is on the empirical evidence on interlinkages between FDI and trade, first from the viewpoint of the home country, and then from that of the host country. Researchers have examined this issue for almost forty years. There is now a degree of consensus that an MNC typically is the outcome of three interacting circumstances. First, the firm owns assets that can be profitably exploited on a comparatively large scale, including intellectual property such as technology and brand names , organizational and managerial skills, and marketing networks. Second, it is more profitable for the production utilizing these assets to take place in different countries than to produce in and export from the home country exclusively. Third, the potential profits from "internalizing" the exploitation of the assets are greater than from licensing the assets to foreign firms and are sufficient to make it worthwhile for the firm to incur the added costs of managing a large, geographically dispersed organization. Much of the literature on MNCs emphasizes technology as a driving agent for the internationalization of the operations of such firms. The technology may center on products the firm might produce a product variety that is, by virtue of technology embodied in it, preferred by consumers over variants of the same product produced by rival firms or on processes the firm might be able to produce standardized products at a lower cost than its rivals. At the same time, however, technology-based competitive advantages of firms often tend to become obsolete with the passage of time. Hence the real advantage possessed by certain firms may be not a given technology, but rather the capacity to consistently innovate such technologies. As powerful as technology might be in driving the internationalization of firms, it is not the only intangible asset that firms may seek to exploit worldwide. Patents and copyrights can impart obvious competitive advantages to the firm that holds them. In some industries, the assets are in the form of brand names for which consumers worldwide are willing to pay a premium for example, cola beverages. Firms owning such assets can, of course, license country-specific production rights, rather than deciding to invest in foreign production facilities. Why produce in more than one country? The fact that a firm owns assets that can be exploited on a large scale and that make it competitive internationally, still does not explain the international character of the MNC. After all, managing assets located in foreign countries entails extra costs, such as those associated with obtaining information about local laws and regulations, managing local labour relations, increased management travel, and the need to manage operations in different languages and cultures. Why not produce in one location and serve foreign markets through exports? For many service industries, the answer is very simple. In order to be competitive in foreign markets, the service provider must have a physical presence in those markets. Indeed, the fact is that most cross-border trade in services has been propelled by FDI. Whereas with manufactured goods, FDI often follows trade, in services it is more often the other way around. There are several reasons why multinational operations also may be superior for industries producing goods, many of which fall into one of two broad categories. First, there are those which tend to emphasize vertical FDI, where a firm locates different stages of production in different countries. These types of investment are typically seen as the result of differences across countries in input costs. An MNC involved in an extractive industry, where the endowment of natural resources is concentrated in certain countries, is an obvious example. The other main category of advantages from multinational operations gives rise to horizontal FDI, where similar types of production activities take place in different countries. The possession of intangible assets, and differences across countries in production costs, cannot by themselves explain why a firm undertakes the production itself. Many benefits from internalization have been identified in the literature. These and other costs can be reduced, perhaps significantly, by internalizing the transactions within a single firm. A closely related consideration is whether the legal environment in the host country, especially for the protection of intellectual property, gives an MNC that licenses its technology an amount of control over the use of the technology that is equivalent to the control it would have if it set-up an affiliate and undertook the production itself. Another motivation is that the external market for technologies may undervalue technologies relative to their value to the firm that developed them. For example, to fully exploit a particular technology might require that other, complementary, technologies be present, or that the organization employ persons with certain specific knowledge and skills not easily available elsewhere. In such cases, the technologies are likely to be of greater value inside the organization responsible for their creation than to outside organizations, which means that the organization cannot receive this value by licensing the technology on the open market. Trade polices can affect the incentives for FDI in many ways, two of which were just mentioned. A sufficiently high tariff may induce tariff jumping FDI to serve the local market. Other types of import barriers can have the same effect, of course. FDI may also be undertaken for the purpose of defusing a protectionist threat. Such quid pro quo investments are motivated by the belief that the added cost of producing in the foreign market is more than compensated by the reduced probability of being subjected to new import barriers on existing exports to that market. There is evidence, for example, that the perceived threat of protection had a substantial impact on Japanese FDI in the United States in the s, and that these investments reduced the subsequent risk of being subjected to contingent protection resulting from anti-dumping and escape clause actions. While some host countries intentionally use high tariffs as an incentive to induce investment, the gains from doing so may be limited. FDI attracted to protected markets tends to take the form of stand-alone production units, geared to the domestic market and not competitive for export production. Indeed, high tariffs on imported raw materials and intermediate inputs can further reduce international competitiveness, especially if local inputs are costly or of poor quality as suggested by the need to protect the domestic producers of those goods in the first place. To counteract the negative effects of high input tariffs, host countries often provide duty drawback schemes for foreign inputs entering into production for export. This is part of the standard incentive package offered to foreign investors, particularly in export processing zones. Comparing FDI flows to the relatively open markets of certain Asian countries with the until recently relatively protected Latin America markets, a recent study found that the former tended to attract export-oriented FDI, while the latter tended to attract local market-oriented FDI. These results are supported by another study which found that in the ratio of exports to total sales of Japanese affiliates in the manufacturing sector in Asia was 45 per cent, while the corresponding figure for Japanese affiliates in Latin America was just 23 per cent. Investment decisions are by their very nature long-run, and investors are certain to be affected by uncertainty about the durability of duty drawback schemes and other incentive packages that can be withdrawn or altered at the discretion of the government. By removing internal barriers to trade, a free trade area or customs union gives firms the opportunity to serve an integrated market from one or a few production sites, and thereby to reap the benefits of scale economies. This can have a pronounced impact on investment flows, at least while firms are restructuring their production activities. The single market program of the European Union stimulated substantial investment activity, both within the Union and into the Union from third countries, and similar effects on FDI flows have been observed for other regional trade agreements. The most common form of regional trade agreement is a free trade area, which differs from a customs union in that each member retains its own external tariff schedule. Because rules of origin can have a protectionist effect if not an intent , they can affect the location of FDI. Mexican clothing manufactures face a choice between sourcing all inputs beyond the fibre stage in North America to obtain free trade area treatment, or sourcing inputs outside NAFTA at potentially lower cost, but foregoing duty free access to its most important market. As MFN tariffs on clothing are still high, they may choose to source inside the area rather than outside. This obviously creates greater incentives for third country textile producers to invest in production facilities inside the NAFTA area to regain lost customers, than would less restrictive rules of origin. Such trade arrangements distort the pattern of FDI because there is an added incentive to locate FDI in the hub, from which there is duty free entry to all three markets, rather than in one of the spokes, since goods do not move duty-free between the two spokes. These examples indicate that trade policy can have a significant impact on FDI flows. The opposite relation also holds, as is shown in the next section. The origin of these views is the traditional thinking about FDI, which has focused on the possibility of using foreign production as a substitute for exports to foreign markets. Two developments explain much of this traditional view that FDI and home country exports are substitutes. A substitute relationship between capital flows and trade obviously is at the heart of this analysis. The other development was the popularity of import-substitution policies in large parts of the developing world until the early s. Whatever its origin, this traditional view of trade and FDI as substitutes ignores the complexity of the relationship in the contemporary global economy. To see why, consider a firm which is initially prevented from undertaking FDI, and instead serves the foreign market through exports. If the firm is then allowed to invest in the foreign country, the total effect on the home country exports is the result of several forces. First, at given levels of sales in the foreign market, and with the same productive activities taking place within what is now an MNC as prior to the liberalization, there could be a replacement of previous exports of the final product by the new production in the foreign host country. This gain in competitive position may be due to access to cheaper labour or material inputs, but it may also stem from lower transactions costs, closer proximity to local customers, and so forth. Total sales are likely to increase as a result of the investment, which would imply increased demand by the affiliate for intermediate inputs. This will increase home country exports, to the extent that the affiliate continues to purchase intermediate goods and services from the parent company, or from other firms in the home country. In addition, if the FDI stimulates economic growth in the host country, as appears to be the case see below , the result will be an increase in demand for imports, including from the home country. Now consider the impact of the FDI on home country imports. Some portion perhaps all of the inputs that were imported before the FDI for use in the production that is relocated abroad, will not be imported into the home country after the FDI has been undertaken. On the other hand, the foreign affiliate may begin serving the home country market, and in which case imports of the final product would increase. Again, because of these and other possibly off-setting effects, there is no reason per se to expect FDI and home country imports to be either substitutes or complements. The discussion so far has been concerned with the complexities of the relationship between FDI and home country trade. But it should be clear that, for many of the same reasons, it is no easier to determine a priori the relationship between FDI and host country trade. Again the question of the relationship between FDI and trade can only be settled by looking at the empirical evidence. Before turning to the empirical evidence, four points should be emphasized. First, the theory has only provided limited guidance to the empirical work. This in turn makes it very risky to draw policy conclusions from individual studies. Second, because data problems are particularly acute with regard to service industries, most research on FDI focuses on goods. This lack of empirical research on FDI in the services sector is increasingly troublesome, considering the growing importance of services in production, trade and investment. Third, the theoretical literature is largely focused on analysing the impact of an individual marginal investment. At the margin, incremental investment may have a very different set of implications from those related to the entire trade and FDI regime. As a result, empirical research on MNCs is largely limited to firms from just a few countries, notably the United States, Sweden and Japan. The relationship between outflows of FDI from the United States and exports from the United States has been examined in a number of studies. In each industry, United States MNCs whose foreign production was above the industry average also had above-average exports from the United States.

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Chapter 4 : Trumpeting a global trade war | Prospect Magazine

The North American Free Trade Agreement (NAFTA) has had a profound effect on Mexico's trade and foreign direct investment. In , to keep the process going, Vicente Fox, the new Mexican president, introduced proposals for deepening North American integration--including a common currency, a system of fiscal transfers for development in Mexico.

By , the population of the Sun Belt had risen to exceed that of the industrial regions of the Northeast and Midwest â€”the Rust Belt , which had steadily lost industry and had little population growth. Young, working-age Americans and affluent retirees all flocked to the Sun Belt. The boom mentality in this growing region conflicted sharply with the concerns of the Rust Belt , populated mainly by those either unable or unwilling to move elsewhere, particularly minority groups and senior citizens. The Northeast and Midwest have remained more committed to social programs and more interested in regulated growth than the wide-open, sprawling states of the South and West. Electoral trends in the regions reflect this divergenceâ€”the Northeast and Midwest have been increasingly voting for Democratic candidates in federal, state and local elections while the South and West are now the solid base for the Republican Party. The liberal response, typified by Mayor John Lindsay of New York City was to dramatically increase welfare services and education, as well as public employment and public salaries, at a time when the tax base was shrinking. New York City barely averted bankruptcy in ; it was rescued using state and federal money, along with strict state control of its budget. This was a potent theme in the presidential race and the mid-term elections , when the Republicans captured the House of Representatives after 40 years of Democratic control. The Vietnam War and the Watergate scandal shattered confidence in the presidency. The energy crisis, high unemployment, and very high inflation and escalating interest rates made economic planning difficult and raised fundamental questions over the future of American prosperity. Under the rule of Leonid Brezhnev the Soviet economy was falling behindâ€”it was decades behind in computers, for exampleâ€”and was kept alive because of lucrative oil exports. Most dramatic was the victory in Vietnam in when North Vietnam invaded and conquered South Vietnam ; American forces were involved only to rescue American supporters. Nearly a million refugees fled; most who survived came to the U. And the Soviet Union seemed committed to the Brezhnev Doctrine , ending the s by sending troops to Afghanistan in a move roundly denounced by the West and Muslim countries. Many clustered around Senator Henry "Scoop" Jackson , a Democrat, but they later aligned themselves with Ronald Reagan and the Republicans, who promised to confront pro-Soviet Communist expansion. Generally they were anti-communist Democrats and opposed to the welfare programs of the Great Society. They wanted rollback and the peaceful end of the Communist threat rather than aimless negotiations, diplomacy, and arms control. Before the election of Reagan, the neoconservatives, gaining in influence, sought to stem the antiwar sentiments caused by the U. During the s, Jeane Kirkpatrick , a political scientist and later U. Kirkpatrick became a convert to the ideas of the new conservatism of once liberal Democratic academics. She drew a distinction between authoritarian dictators, who she believed were capable of embracing democracy and who were, not coincidentally, allies of the United States, and Communist totalitarian dictators, who she viewed as unyielding and incapable of change. Gripped by the worst economy since the s , the automobile and steel industries in serious trouble, the ongoing Iranian Hostage Crisis, and the U. Olympic hockey team defeated their professional Soviet counterparts in the Miracle on Ice. Ronald Reagan and the elections of [edit] Ronald Reagan, 40th President of the United States Conservative sentiment was growing, in part due to a disgust at the excesses of the sexual revolution and the failure of liberal policies such as the War on Poverty to deliver on their promises. Against the backdrop of economic stagflation and perceived American weakness against the USSR abroad, Ronald Reagan, former governor of California, won the Republican nomination in by winning most of the primaries. After failing to reach an unprecedented deal with Ford, who would be a sort of co-president, Reagan picked his chief primary rival, George H. Bush , as the vice-presidential nominee. He also promised an end to "big government" and to restore economic health by use of supply-side economics.

Supply-side economists were against the welfare state built up by the Great Society. They asserted that the woes of the U. The solution, they argued, was to cut taxes across the board, particularly in the upper income brackets, in order to encourage private investment. They also aimed to reduce government spending on welfare and social services geared toward the poorer sectors of society which had built up during the s. It signaled the new electoral power of the suburbs and the Sun Belt, with the Religious Right for the first time a major factor. Moreover, it was a watershed ushering out the commitment to government anti-poverty programs and affirmative action characteristic of the Great Society. It also signaled a commitment to a hawkish foreign policy. A third-party candidacy by Representative John B. Anderson of Illinois, a moderate Republican, did poorly. Carter seemed unable to control inflation and had failed in his rescue effort of the hostages in Tehran. Republicans defeated twelve Democratic senators to regain control of the Senate for the first time in 25 years. Reagan received 43,, votes in the election John Anderson won 5,, 6. Presidency of Ronald Reagan , Domestic policy of the Reagan administration , and Foreign policy of the Reagan administration After years of unstinting praise from the right, and unrelenting criticism from the left, historian David Henry finds that by a consensus had emerged among scholars that Reagan revived conservatism and turned the nation to the right by demonstrating a "pragmatic conservatism" that promoted ideology within the constraints imposed by the divided political system. Furthermore, says Henry, the consensus agrees that he revived faith in the presidency and American self-confidence, and contributed critically to ending the Cold War. As an executive, Reagan framed broad themes and made a strong personal connection to voters. He recovered fully, with opponents silenced in the meanwhile. His fourth appointment in proved controversial, as the initial choice had to withdraw he smoked marijuana in college , and the Senate rejected Robert Bork. Reagan finally won approval for Anthony Kennedy. Reaganomics Ronald Reagan promised an economic revival that would affect all sectors of the population. He proposed to achieve this goal by cutting taxes and reducing the size and scope of federal programs. Critics of his plan charged that the tax cuts would reduce revenues, leading to large federal deficits, which would lead in turn to higher interest rates, stifling any economic benefits. Reagan and his supporters, drawing on the theories of supply-side economics , claimed that the tax cuts would increase revenues through economic growth, allowing the federal government to balance its budget for the first time since Reagan declared spending cuts for the Social Security budget, which accounted for almost half of government spending, off limits due to fears over an electoral backlash, but the administration was hard pressed to explain how his program of sweeping tax cuts and large defense spending would not increase the deficit. He would later say that the program was rushed through too quickly and not given enough thought. Appeals from constituencies threatened by the loss of social services were ineffectual; the budget cuts passed through the Congress with relative ease. The recession of [edit] The Rust Belt is highlighted on the above map in red. In the short term, the effect of Reaganomics was a soaring budget deficit. Government borrowing, along with the tightening of the money supply, resulted in sky high interest rates briefly hovering around 20 percent and a serious recession with percent unemployment in Some regions of the " Rust Belt " the industrial Midwest and Northeast descended into virtual depression conditions as steel mills and other industries closed. Many family farms in the Midwest and elsewhere were ruined by high interest rates and sold off to large agribusinesses. Reagan allowed the Federal Reserve to drastically reduce the money supply to cure inflation, but it resulted in the recession deepening temporarily. His approval ratings plummeted in the worst months of the recession of Democrats swept the mid-term elections, making up for their losses in the previous election cycle. At the time, critics often accused Reagan of being out of touch. His Budget Director David Stockman, an ardent fiscal conservative, wrote, "I knew the Reagan Revolution was impossible--it was a metaphor with no anchor in political and economic reality. A factor in the recovery from the worst periods of was the radical drop in oil prices due to increased production levels of the mids , which ended inflationary pressures on fuel prices. The virtual collapse of the OPEC cartel enabled the administration to alter its tight money policies, to the consternation of conservative monetarist economists, who began pressing for a reduction of interest rates and an expansion of the money supply, in effect subordinating concern about inflation which now seemed under control to concern about unemployment and declining investment. By the middle of , unemployment fell from 11 percent in to 8. GDP growth was 3. Inflation was below 5 percent. When the economy recovered, Ronald Reagan declared it was Morning in America. Housing starts boomed, the automobile industry recovered its vitality, and consumer spending achieved new heights. Rising deficits[edit] Following the economic recovery that began in , the medium-term fiscal effect of Reaganomics was a soaring budget deficit as spending continually exceeded revenue due to tax cuts and increased defense spending. Military budgets rose while tax revenues, despite having increased as compared to the stagnant late s and early s, failed to make up for the spiraling cost. The tax cuts, some of the largest in U. Even so, by the end of , funding for domestic programs had been cut nearly as far as Congress could tolerate. In addition, the media and entertainment industry during the s glamorized the stock market and financial sector e. The government was thus forced to borrow so much money to pay its bills that it was driving up the price of borrowing. Although supply-siders promised increased investment as a result of top-rate and corporate tax cuts, growth and investment suffered for now in the context of high interest rates. In October , a sudden and alarming stock market crash took place, but the Federal Reserve responded by increasing the money supply and averted what could have been another Great Depression. Perhaps more alarmingly, Reagan-era deficits were keeping the U. With such a high demand for dollars due in large measure to government borrowing , the dollar achieved an alarming strength against other major currencies. As the dollar soared in value, American exports became increasingly uncompetitive, with Japan as the leading beneficiary. The high value of the dollar made it difficult for foreigners to buy American goods and encouraged Americans to buy imports, coming at a high price to the industrial export sector. Steel and other heavy industries declined due to excessive demands by labor unions and outdated technology that made them unable to compete with Japanese imports. The consumer electronics industry which had begun declining in the s was one of the worst victims of dumping and other unfair Japanese trade practices. American consumer electronics also suffered from poor quality and a relative lack of technical innovation compared to Japanese electronics, in part because the Cold War had caused most American scientific and engineering effort to go into the defense sector rather than the consumer one. By the end of the decade, it had virtually ceased to exist. On the bright side, the upstart computer industry flourished during the s. Thus, American industries such as automobiles and steel , faced renewed competition abroad and within the domestic market as well. The auto industry was given breathing space after the Reagan administration imposed voluntary import restraints on Japanese manufacturers allowing them to sell a maximum of 1. The Japanese responded by opening assembly plants in the U. The VIR was repealed in after auto sales were booming again, but the tariffs remain in effect to this day. With the event of CAFE regulations, small cars came to dominate in the s, and much like with electronics, Japanese makes bested American ones in terms of build quality and technical sophistication. Reagan asked Congress for a line-item veto which would allow him to lower the deficits by cutting spending that he thought was wasteful, but he did not receive it. He also called for a balanced budget amendment which would mandate that the federal government spends no more money than it takes in, which never materialized. Reagan and the world[edit] Foreign policy: Third World[edit] See also: A new arms race would develop as superpower relations deteriorated to a level not seen since the Kennedy Administration a generation earlier. He favored a hawkish approach to the Cold War, especially in the Third World arena of superpower competition.

Chapter 5 : Outline of the U.S. Economy

The future prospects of the industry as it enters the s are examined with regard to three issues: the likely impact of the implementation of the automotive-industry provisions of the FTA; the consolidation of the significant auto-manufacturing presence in North America established by Japanese automakers during the s; and the fact that.

First is the need for a "new multilateralism" that reaches for a modified set of rules acceptable to almost all countries particularly rules for the management of money and conduct of trade while allowing special or additional arrangements for various clusters of countries, consistent with the global framework. A few relatively effective global organizations the IMF, IBRD and GATT in particular need to be strengthened to provide overall surveillance of these special or additional rules and also to help provide the kind of "leadership and steering" the system requires, buttressed by "key countries" not always trilateral ones that will vary over time and according to the issue at hand. It should also make it rather easy to add, and perhaps subtract, countries from these key-nation inner groups as changes in the economic weight of countries make this desirable. Continuing differentiation within the "First World" group and Second and Third Worlds as well is making it less useful to think of countries in these terms. Important new actors are emerging beyond the trilateral countries sometimes with different ideas about how the world economy should be organized. These themes are also prominent in the essay by Ryokichi Hirono, "The traditional intragroup bonds that have bound the OECD countries, the Group of 77, and the centrally-planned economies will continue to be eroded away in the s," he argues. The logic of the growing multi-polar world, however, will continue to brush aside such attempts. Nations will negotiate in different coalitions on different global issues, cutting across existing power groupings. Recent empirical analysis indicates "a large international element in the rate of wage inflation" in OECD countries. Such a link among the OECD economies carries important policy implications. For instance, "if a country pursues contractionary policies to reduce inflation, the international wage link operates in such a way that the process becomes even more painful" because the wage inflation imported from abroad necessitates even sharper contractionary policies to accomplish the domestic inflation-reduction goal. At the global level, a wage link of this nature casts additional doubt on some of the supposed economic virtues for the industrial countries of international "pump-priming", such as through massive transfers to developing countries. In fact there will be a reverse tendency if, as suggested above, there is an external element in wage inflation in the OECD countries. He is very critical of the current emphasis on contractionary measures to bring down inflation, and argues "an urgent need for supplementary policy instruments. Most important among these is a policy of wage restraint To the extent that expectations in wage formation contain an international element, a national wages policy is likely to be greatly facilitated if it becomes an integral part of the policy arsenal in all industrial countries. Each author acknowledges his or her debt to the range of individuals with whom they each discussed the general themes or actual drafts of their separate papers, though the responsibility for each paper remains that of the individual author alone. The authors first met in June in Paris to discuss the overall outline of the project. In the early fall of , Hirono prepared his first draft, on which some consultations were held in each of the three regions. Laursen prepared his first draft in November, which was discussed at the meeting of European members of the Trilateral Commission in Dublin late that month. Revised drafts of each of the three papers were discussed at the Trilateral Commission meeting in Washington at the end of March. In the months that followed, each author completed the final draft of his or her essay. Laursen held consultations in Tokyo at the end of June. Camps came to New York for a discussion of her draft in October. The editing of the three papers was completed in January

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Chapter 6 : Foreign relations of the United States - Wikipedia

The North American Free Trade Agreement (NAFTA) has had a profound effect on Mexico's trade and foreign direct investment. In , to keep the process going, Vicente Fox, the new Mexican president, introduced proposals for deepening North American integration--including a common currency, a system.

But since the Great Depression of the s and World War II, the country generally has sought to reduce trade barriers and coordinate the world economic system. This commitment to free trade has both economic and political roots; the United States increasingly has come to see open trade as a means not only of advancing its own economic interests but also as a key to building peaceful relations among nations. The United States dominated many export markets for much of the postwar period -- a result of its inherent economic strengths, the fact that its industrial machine was untouched by war, and American advances in technology and manufacturing techniques. This reflected both the tendency of Americans to consume more and save less than people in Europe and Japan and the fact that the American economy was growing much faster during this period than Europe or economically troubled Japan. Mounting trade deficits reduced political support in the U. Congress for trade liberalization in the s and s. Lawmakers considered a wide range of protectionist proposals during these years, many of them from American industries that faced increasingly effective competition from other countries. Congress also grew reluctant to give the president a free hand to negotiate new trade liberalization agreements with other countries. On top of that, the end of the Cold War saw Americans impose a number of trade sanctions against nations that it believed were violating acceptable norms of behavior concerning human rights, terrorism, narcotics trafficking, and the development of weapons of mass destruction. Despite these setbacks to free trade, the United States continued to advance trade liberalization in international negotiations in the s, ratifying a North American Free Trade Agreement NAFTA , completing the so-called Uruguay Round of multilateral trade negotiations, and joining in multilateral agreements that established international rules for protecting intellectual property and for trade in financial and basic telecommunications services. Still, at the end of the s, the future direction of U. Officially, the nation remained committed to free trade as it pursued a new round of multilateral trade negotiations; worked to develop regional trade liberalization agreements involving Europe, Latin America, and Asia; and sought to resolve bilateral trade disputes with various other nations. But political support for such policies appeared questionable. That did not mean, however, that the United States was about to withdraw from the global economy. Several financial crises, especially one that rocked Asia in the late s, demonstrated the increased interdependence of global financial markets. As the United States and other nations worked to develop tools for addressing or preventing such crises, they found themselves looking at reform ideas that would require increased international coordination and cooperation in the years ahead. At times in its history, the country has had a strong impulse toward economic protectionism the practice of using tariffs or quotas to limit imports of foreign goods in order to protect native industry. At the beginning of the republic, for instance, statesman Alexander Hamilton advocated a protective tariff to encourage American industrial development -- advice the country largely followed. The act, which quickly led to foreign retaliation, contributed significantly to the economic crisis that gripped the United States and much of the world during the s. In , Congress enacted the Trade Agreements Act of , which provided the basic legislative mandate to cut U. The United States supported trade liberalization and was instrumental in the creation of the General Agreement on Tariffs and Trade GATT , an international code of tariff and trade rules that was signed by 23 countries in By the end of the s, more than 90 countries had joined the agreement. In addition to setting codes of conduct for international trade, GATT sponsored several rounds of multilateral trade negotiations, and the United States participated actively in each of them, often taking a leadership role. The Uruguay Round, so named because it was launched at talks in Punta del Este, Uruguay, liberalized trade further in the s. American Trade Principles and Practice The United States believes in a system of open trade subject to the rule of law. Since World War II, American presidents have argued that engagement in world trade offers American producers access to large foreign markets and gives American consumers a wider choice of products to buy. Americans contend that free trade benefits other nations as well. Economists have long argued that trade allows nations to concentrate on producing the goods and services they can make most efficiently -- thereby increasing the overall productive capacity of the entire community of nations. To that end, the United States is willing to grant countries favorable access to its markets if they reciprocate by reducing their own trade barriers, either as part of multilateral or bilateral agreements. While efforts to liberalize trade traditionally focused on reducing tariffs and certain nontariff barriers to trade, in recent years they have come to include other matters as well. The United States and members of the Organization for Economic Cooperation and Development OECD took a step toward greater transparency in the s by agreeing to outlaw the practice of bribing foreign government officials to gain a trade advantage. The United States also frequently urges foreign countries to deregulate their industries and to take steps to ensure that remaining regulations are transparent, do not discriminate against foreign companies, and are consistent with international practices. American interest in deregulation arises in part out of concern that some countries may use regulation as an indirect tool to keep exports from entering their markets. The administration of President Bill Clinton added another dimension to U. It contend that countries should adhere to minimum labor and environmental standards. But Americans also argue that citizens of other countries will not receive the benefits of free trade if their employers exploit workers or damage the environment in an effort to compete more effectively in international markets. The Clinton administration raised these issues in the early s when it insisted that Canada and Mexico sign side agreements pledging to enforce environmental laws and labor standards in return for American ratification of NAFTA. Still, efforts by the Clinton administration to link trade agreements to environmental protection and labor-standards measures remain controversial in other countries and even within the United States. Despite general adherence to the principles of nondiscrimination, the United States has joined certain preferential trade arrangements. Generalized System of Preferences program, for instance, seeks to promote economic development in poorer countries by providing duty-free treatment for certain goods that these countries export to the United States; the preferences cease when producers of a product no longer need assistance to compete in the U. Another preferential program, the Caribbean Basin Initiative, seeks to help an economically struggling region that is considered politically important to the United States; it gives duty-free treatment to all imports to the United States from the Caribbean area except textiles, some leather goods, sugar, and petroleum products. The United States sometimes departs from its general policy of promoting free trade for political purposes, restricting imports to countries that are thought to violate human rights, support terrorism, tolerate narcotics trafficking, or pose a threat to international peace. But in , the United States repealed a law that had required Congress to vote annually whether to extend "normal trade relations" to China. The step, which removed a major source of friction in U. There is nothing new about the United States imposing trade sanctions to promote political objectives. Americans have used sanctions and export controls since the days of the American Revolution, well over years ago. But the practice has increased since the end of the Cold War. Still, Congress and federal agencies hotly debate whether trade policy is an effective device to further foreign policy objectives. Multilateralism, Regionalism, and Bilateralism One other principle the United States traditionally has followed in the trade arena is multilateralism. For many years, it was the basis for U. The Trade Expansion Act of , which authorized the so-called Kennedy Round of trade negotiations, culminated with an agreement by 53 nations accounting for 80 percent of international trade to cut tariffs by an average of 35 percent. In , as a result of the success of the Tokyo Round, the United States and approximately other nations agreed to further tariff reductions and to the reduction of such nontariff barriers to trade as quotas and licensing requirements. A more recent set of multilateral negotiations, the Uruguay Round, was launched in September and concluded almost 10 years later with an agreement to reduce industrial tariff and nontariff barriers further, cut some agricultural tariffs and subsidies, and provide new protections to intellectual property. Perhaps most significantly, the Uruguay Round led to creation of the World Trade Organization, a new, binding mechanism for settling international trade disputes. By the end of , the United States itself had filed 42 complaints about unfair trade practices with the WTO, and numerous other countries filed additional ones -- including some against the United States. Despite its commitment to multilateralism, the United States in recent years also has pursued regional and bilateral trade agreements, partly because narrower pacts are easier to negotiate and often can lay the groundwork for larger accords. The first free trade agreement entered into by the United States, the U. Geographic proximity has fostered vigorous trade between the United States, Canada and Mexico. Of particular importance to Americans, the agreement included some protections for American owners of patents, copyrights, trademarks, and trade secrets; Americans in recent years have grown increasingly concerned about piracy and counterfeiting of U. Trade Agenda Despite some successes, efforts to liberalize world trade still face formidable obstacles. Trade barriers remain high, especially in the service and agricultural sectors, where American producers are especially competitive. The Uruguay Round addressed some service-trade issues, but it left trade barriers involving roughly 20 segments of the service sector for subsequent negotiations. Meanwhile, rapid changes in science and technology are giving rise to new trade issues. American agricultural exporters are increasingly frustrated, for instance, by European rules against use of genetically altered organisms, which are growing increasingly prevalent in the United States. The emergence of electronic commerce also is opening a whole new set of trade issues. In , ministers of the World Trade Organization issued a declaration that countries should not interfere with electronic commerce by imposing duties on electronic transmissions, but many issues remain unresolved. The United States would like to make the Internet a tariff-free zone, ensure competitive telecommunications markets around the world, and establish global protections for intellectual property in digital products. President Clinton called for a new round of world trade negotiations, although his hopes suffered a setback when negotiators failed to agree on the idea at a meeting held in late in Seattle, Washington. Still, the United States hopes for a new international agreement that would strengthen the World Trade Organization by making its procedures more transparent. The American government also wants to negotiate further reductions in trade barriers affecting agricultural products; currently the United States exports the output of one out of every three hectares of its farmland. Other American objectives include more liberalization of trade in services, greater protections for intellectual property, a new round of reductions in tariff and nontariff trade barriers for industrial goods, and progress toward establishing internationally recognized labor standards. Even as it holds high hopes for a new round of multilateral trade talks, the United States is pursuing new regional trade agreements. High on its agenda is a Free Trade Agreement of the Americas, which essentially would make the entire Western Hemisphere except for Cuba a free-trade zone; negotiations for such a pact began in , with a goal of completing talks by Separately, Americans are discussing U. And the United States hopes to increase its trade with Africa, too. Meanwhile, the United States continues to seek resolution to specific trade issues involving individual countries. Its trade relations with Japan have been troubled since at least the s, and at the end of the s, Americans continued to be concerned about Japanese barriers to a variety of U. Americans also complained that Japan was exporting steel into the United States at below-market prices a practice known as dumping , and the American government continued to press Japan to deregulate various sectors of its economy, including telecommunications, housing, financial services, medical devices, and pharmaceutical products. Americans also were pursuing specific trade concerns with other countries, including Canada, Mexico, and China. In the s, the U. From the American perspective, China represents an enormous potential export market but one that is particularly difficult to penetrate. In November , the two countries took what American officials believed was a major step toward closer trade relations when they reached a trade agreement that would bring China formally into the WTO. As part of the accord, which was negotiated over 13 years, China agreed to a series of market-opening and reform measures; it pledged, for instance, to let U. China also agreed to reduce agricultural tariffs, move to end state export subsidies, and takes steps to prevent piracy of intellectual property such as computer software and movies. The United States subsequently agreed, in , to normalize trade relations with China, ending a politically charged requirement that Congress vote annually on whether to allow favorable trade terms with Beijing. Despite this widespread effort to liberalize trade, political opposition to trade liberalization was growing in Congress at the end of the century. Although Congress had ratified NAFTA, the pact continued to draw criticism from some sectors and politicians who saw it as unfair. Trade pacts like NAFTA were negotiated under "fast-track" procedures in which Congress relinquished some of its authority by promising to vote on ratification within a specified period of time and by pledging to refrain from seeking to amend the proposed treaty. Foreign trade officials were reluctant to negotiate with the United States -- and risk political opposition within their own countries -- without fast-track arrangements in place in the United States. In the absence of fast-track procedures, American efforts to advance the Free Trade Agreement of the Americas and to expand NAFTA to include Chile languished, and further progress on other trade liberalization measures appeared in doubt. Trade Deficit At the end of the 20th century, a growing trade deficit contributed to American ambivalence about trade liberalization. But oil price shocks in and and the global recession that followed the second oil price shock caused international trade to stagnate. At the same time, the United States began to feel shifts in international competitiveness. By the late s, many countries, particularly newly industrializing countries, were growing increasingly competitive in international export markets. South Korea, Hong Kong, Mexico, and Brazil, among others, had become efficient producers of steel, textiles, footwear, auto parts, and many other consumer products. As other countries became more successful, U. American workers also charged that foreign countries were unfairly helping their exporters win markets in third countries by subsidizing select industries such as steel and by designing trade policies that unduly promoted exports over imports. Technological advances made such moves more practical, and some firms sought to take advantage of lower foreign wages, fewer regulatory hurdles, and other conditions that would reduce production costs. An even bigger factor leading to the ballooning U.

Chapter 7 : WTO | News - Â“Trade and foreign direct investmentÂ”

Since I first encountered the U.S. team of the North American International Trade Corridor Partnership, I was convinced that you recognized "the right thing" and were busy doing it. That is personally gratifying to me because of my longstanding commitment to advancing U.S. interests by forging closer relations with our Latin American neighbors.

Published in March issue of Prospect Magazine Sad! Those who know their American history, however, were not so easily soothed. The question that can no longer be ducked is whether it could happen again. On their path to the top, many presidential candidatesâ€”Barack Obama and Bill Clinton includedâ€"have aired anxieties about trade, but they have tended to cool their rhetoric pretty quickly on assuming office. They were bound to do so if the United States were to maintain the role it has had for the last 70 years, as the linchpin of the liberal trading order. In important respects he is a creature of his time. If the great contemporary political battle is between globalisers and the malcontents, then trade is the front line. Even before the remarkable events of , world trade had been in trouble, mainly for economic reasons. Now, though, there is a new political cloud hanging over world trade, bringing in its wake greater protectionism and the real possibility of a full-on trade war. This is aimed largely, though not exclusively, at China, which Trump seems intent to weaken through trade issues. Everything depends on how far the US is prepared to go, and the extent to which the Chinese retaliate. The broader risk to the world economy is that we are losing America as the champion of an open, rules-based, regime of trade and investment, the role it has played ever since the Second World War. Both leaders have their political reasons to look as though they will be able to pull off an artful deal. But while a post-Brexit Britain would like to reinvent itself a trading buccaneer, it is essential to bear in mind the depressing wider context for tradeâ€"with America, and beyond. Put the politics out of your mind for a moment: World trade of goods and services was, until fairly recently, at the leading edge of globalisation. Between and , trade grew at twice the rate of world GDP, but since the financial crisis, it has hardly managed to keep pace, at times even lagging behind. In the last five years, it has grown at about 3 per cent annually, which is less than half the rate of growth over the previous 30 years. There are few historical precedents in the last 50 years for such weak performance, and none for such prolonged sluggishness. Yet the weakness of trade has been going on for so long, that it seems wiser to assume that structural factors are at work. Chronic weakness of business investment is one. The end in of the long commodity price boom, which had been boosting the value of trade, is another. The previously phenomenal growth in complex global supply chains has also been levelling off: Its companies now produce more locally. Across the planet, ageing societies weigh on trade, because older consumers devote more resources to things like healthcare, which are generally locally produced. In the wake of Trump, however, the whole idea of a temporary globalisation plateau is redundant. The principal example of such balancing arrangements was the Bretton Woods system. Established in the years after the Second World War, it was based for many years on fixed-but-adjustable exchange rates that proved to be unsustainable during the s. For 52 per cent of UK voters and many European citizens, the trusted institutions check-box is empty. The third part of the trilemma, economic integration, is falling away. Until we rebuild trust in our institutions at home and internationally, globalisation and trade will remain at continuous risk of unravelling. If you doubt it, look at what is already happeningâ€"and was already happening before Trump. Protectionism is on the rise Global Trade Alert, a monitoring organisation, reports that since it started work in , over 6, protectionist measures have been introduced by G20 countries, with over new ones in the last 12 months. Tariffs are no longer the main weaponâ€"state aid or bail-outs, as well as trade defence measures such as anti-dumping duties have both been invoked at least twice as often. Soon after, China accused Japan, South Korea and the EU of dumping steel on the market and announced its own penalties. India applied anti-dumping duties on Chinese steel. The Obama administration has also bequeathed to its successor measures aimed at Chinese semiconductor producers. Meanwhile, the liberalisation of trade has waned The Doha round, the last truly global attempt to liberalise world trade, died in , 14 years after it was launched, though it had been comatose since Its main focus was economic development in poorer countries. It wanted to liberalise agricultural trade especially. It soon became apparent, though, that exporters and importers of produce and crops saw liberalisation from unbridgeable points of view. The US farm lobby was unwilling to agree to cuts in agricultural subsidies without dramatic access to foreign markets than was on the table. On the other side, China and other emerging nations were unwilling to give ground. For a while, it looked like regional and bilateral free trade agreements FTAs might pick up the slack. But according to the Design of Trade Agreements database, where there were around 30 FTAs per year in the s, that slipped to 26 per year in the run-up to the financial crisis, and thenâ€"since â€"just 10 annually. Admittedly, some of these recent deals were big, multi-partner arrangements, sometimes covering more than just tariffsâ€"things like the product standards, rules of origin and public procurement rules which constitute the most important trade barriers. Until now, multi-country regional agreements have been more powerfulâ€"capitalising on geography, supply chains and scaleâ€"rendering bilateral deals a side-show. Currently, it is trying to conclude a new regional deal with 16 countries. The new White House view, however, rejects this multilateral way of working, insisting that bilateral deals are now in and regional deals out. There is no economic logic for this, except perhaps for the faith that the US can use its size to secure better leverage one-on-one. The Republicans in Congress are considering a so-called border tax adjustment as part of US corporate tax reform, which would, in effect, represent a tariff on imports and a subsidy for exports. As a stealth tax on trade this would probably fall foul of World Trade Organisation rules. Nobody knows how far Washington will press the new protectionism. The big picture, then, is not pretty. But there is particular reason to fear where the most important bilateral trading relationship of all is concernedâ€"between the US and China. Over many months, threats have emanated from Trump and his people, including a possible 45 per cent tariff on Chinese imports. Optimists hope that the economic interdependence between the US and China, the strong presence of businesspeople in the new administration and in the lobbying world may act as a moderating force. In parallel, he has indulged in purely political provocationsâ€"such as speaking directly to Taiwan, which the US does not officially recognise in deference to Beijingâ€"which do nothing to lighten the mood where trade is concerned. There is also a growing concern that the US may seek to challenge China militarily over its posturing in the South China Sea. Even if the US pulled back from very high across-the-board tariffs, there are other potential areas of dispute. There is little question that China will retaliate if the US pushes it too far. There is speculation that Beijing is drawing up lists of products and companies in 20 US states that voted strongly for the president so they can tax them in retaliation. But exactly how hard China will hit back is unclear. At the crucial 19th Communist Party Congress to be held late this year, President Xi Jinping wants to make important constitutional changes that will cement his power. A distracted China might, to some extent, be prepared to bite its tongue to keep the economy on an even keel. But it would be naive to imagine that Xi will endure US provocation without any response at all. With its ambitious attempts to replace its spaghetti of bilateral deals in Asia with proper regional agreements, China may even attempt to pose to the world as picking up where the US left off. But could the notionally communist country really ever replace the US as the leader of the global trading system? Optimists point to Chinese initiatives: And indeed, Asian countries may look increasingly to China for economic and trade security. But that seems extremely unlikely: Beijing would never accept TPP stipulations governing state enterprises, labour standards, independent unions and intellectual property rights. There are two more fundamental problems with the view that China can replace the US. First, the leader of globalisation needs to have willing followers, and a capacity for statecraft and diplomacy. It also has to be the recipient of trust, as well as the provider of generosity and shared ideals. China falls short of these criteria even though it can certainly act as a magnet for commercial marriages of convenience. Second, although China professes a belief in openness, it is anything but open at home. And because of a susceptibility to capital flight, it recently tightened capital controls that restrict the transfer of dividends and income. If, as many at the global elite who assembled at Davos in January fondly imagined, Xi was really going to push China to become the new leader of globalisation, he would have given quite different signals from those that he actually did. Above all, he would have acknowledged that China would address the structural causes of its own trade surpluses; reducing them would benefit China as much as the world economy. The logical flipside of those big trade surpluses is that China saves a lotâ€”and thus exports capital. National savings are a high 49 per cent of national income compared with investment at about 46 per cent. That would mean even bigger Chinese capital outflows and, more significantly, capital flight. Automated assembly in China. Rather it needs China to save less, and consume and import more. Yet the government is reluctant to risk the growth and employment consequences of this sort of upheaval in economic policies; instead, it drifts along with big surpluses, just as it does with a credit-fuelled model of growth which could soon prove unsustainable. So the chances of the required change in direction are slim. Instead, US trade pressure on China will most likely cause Beijing to become more prickly, and still more resistant to the economic reforms that it needs. Other countries are unlikely to be able to remain aloofâ€”and few should be more concerned about the fallout than the UK. The UK will soon, in this grim climate, begin the process of leaving the EU. As an exercise in damage limitation, it needs to sign new bilateral deals with far-away countries and markets. Some countries, such as the US and China, can bring strong leverage and powerful vested interests to bear. Others, like India, are not even big fans of free trade, and have special interests they want to protect, and industries they would like to nurture. Trump encouraged her in this hope. Both politicians have a political point to make to the EU. A quick deal would be a totemic win for Brexit supporters, but for the economy, speed matters less than the terms. It will want access for its agricultural produce, pharmaceutical and financial services companies at a time when UK farmers, the NHS and the City are already facing various degrees of dislocation. There may not be a new German government until November or December. That would leave a good deal less than two years, not least because the European parliament would also have to ratify an agreement.

Chapter 8 : History of the United States (â€“) - Wikipedia

The strategy in the s would come in with the ratification of the North American Free Trade gave Mexico privileged trading and investment relations.

Ensuring access to the United States market for exports, and attracting American capital and technology for economic development, have been overarching Canadian goals since Confederation. The relationship has always come with risks for Canada, including vulnerability to US interests. Managing it carefully is a constant of Canadian history. But given the great difference in the size and power of the two countries, the relationship can also generate tensions. US actions have great potential impact on Canada, but Canadian actions having little impact on the US. Dependence on American capital and technology has also resulted in a high level of US corporate ownership and control in important sectors of the Canadian economy with important consequences. US corporate interests have been able to enlist the support of the US government in opposing policies that target development of Canadian industry. The US has also attempted to apply its laws to US subsidiaries operating in Canada to achieve its foreign policy goals. At times it is difficult to live with her. At all times it is impossible to live without her. Canada remains the largest export market for the US, accounting for about 19 per cent of US merchandise exports about 67 per cent of Canadian imports in Canada for the past plus years has enjoyed a merchandise trade surplus with the US, with Canadian exports of natural resources offsetting imports of manufactured goods and technology. However, since , China has displaced Canada as the largest exporter to the US while Mexico is also an increasingly important competitor in the US market. Shared Infrastructure Joint infrastructure has also furthered economic relations. In , for example, the St. In , the two countries signed the Columbia River Treaty , launching a major project to build and operate four dams for electric power and flood control, with three of the dams in British Columbia and one in the state of Montana. As the Canadian and US economies integrated in the second half of the 20th century, the two countries were closely linked through oil and gas pipelines, railways, highways, electricity grids and telecommunications networks. Shared Concerns Deepening economic ties over roughly years reflect the ongoing evolution of the Canadian and US economies, from rural to industrial and now to knowledge-based economies. Globalization and technological change, shifts in demand for natural resources, as well as new concerns â€” for example, environmental challenges such as climate change , and geopolitical challenges such as terrorism and border security â€” have all shaped the ongoing relationship. It was not until the start of the s that trade with the US exceeded trade with Great Britain. Before the First World War, Canadaâ€"US trade was relatively small and concentrated, on the Canadian side, in agricultural products , fisheries and raw materials such as lumber , while imports from the US included manufactured products. Although officially neutral, Britain had supported the Confederate states in the American Civil War â€" a key factor in US abrogation of the treaty. This was an unexpected blow and over the next 40 years Canada made repeated efforts to persuade the US to enter into a new reciprocal trade agreement, starting with Prime Minister John A. Canada soon found itself battling a prolonged recession , with many Canadians moving to the US and some suggesting the country would be better off joining the US. Improved access to the American market was seen as essential. The government of Prime Minister Alexander Mackenzie in drafted a proposed reciprocity treaty that matched the agreement, but also added a long list of manufactured goods, including agricultural equipment, steel, locomotives, furniture, paper and boots and shoes. National Policy In office again after the federal election, Macdonald began implementing his proposed National Policy of high tariffs on manufactured imports but lower tariffs on raw materials and intermediate products , as well as a coast-to-coast rail system and rapid settlement of the West. If Canada was to be denied the access it desired to the US market, it would create new opportunities within Canada for economic development through eastâ€"west nation-building. Prime Minister John A. Major US corporations first began establishing bases in Canada late in the 19th century, increasing US investment. It was estimated that US corporations owned branch plants in Canada by , and that more were added over the next 12 years. Twenty per cent of the book value of Canadian industry was US-owned by The Macdonald government felt it had little choice but to pursue a higher-tariff policy, facing a US policy of even higher tariffs. Yet the National Policy legislation also included a standing offer of a reciprocity agreement with the US. Little progress was made until , when the American president, William Howard Taft, decided the time had come to develop a new bilateral relationship. The government of Prime Minister Wilfrid Laurier reported to the House of Commons in that a free trade agreement had been reached. By this time, Canada had a population of 7. However, the Laurier government, despite a parliamentary majority, decided to first hold a free trade election. The Conservatives under Robert Borden defeated the Liberals and the free trade agreement with the US was not implemented. Fears of annexation by the US and concern over the loss of the British connection, along with strong business opposition, doomed the agreement. Canada had spent nearly 45 years seeking a reciprocal trade agreement, but when the Americans finally agreed, Canada changed its mind. The US initiative was designed to improve competition in the US market. It included a general reduction in tariff rates and the addition of many items to the free list, and it was highly favourable to Canadian exporters. Zero or near-zero tariffs were introduced for steel rails, timber, iron ore, agricultural equipment and a range of farm products. But this promising period in Canadaâ€”US economic relations came to an abrupt end. Faced with an agricultural crisis, as farm prices collapsed, the US passed the Emergency Tariff Act of , which sharply raised tariffs on agricultural imports. This was followed, in , by the Fordney-McCumber Tariff, which completely reversed the trade liberalization in the Underwood Tariff initiative and dealt a harsh blow to Canada. Not surprisingly, Canada and other countries retaliated with higher tariffs of their own. However, in and , Canada invited the US to negotiate a reciprocal trade agreement. There was no US response. Canadian exporters did benefit from US prohibition, which ran from January to December , though smuggling profits did not show up in official statistics. Great Depression Worse was to come with the Great Depression. In , the US enacted the Tariff Act of â€” the Smoot-Hawley Tariff â€” which took US tariffs to record levels, not only dealing an immediate and devastating blow to the Canadian economy but precipitating competitive rounds of protectionism worldwide, making the Great Depression much worse. Canada responded quickly, raising tariffs twice, in its and budgets. The Great Depression led to more trade protectionism and even higher tariffs in both Canada and the US. Bennett tried to ease tariffs and gain more access to US and world markets during the Depression. This offset some of the damage from the harsh US measures but was not a long-term solution for Canadian economic growth and prosperity. By early , Prime Minister R. Bennett met with Roosevelt in April, with the two leaders agreeing to increase trade. A Canadaâ€”US agreement in was a modest step, but marked the beginning of an economic relationship that over time led to steadily declining tariffs and other trade barriers. A second reduction in tariffs came with a subsequent agreement under the Reciprocal Tariff Act. These agreements made it easier to export commodities such as fish, lumber, cattle, dairy products and potatoes, as well as machinery and equipment to the US, while Canada reduced some of its barriers to imports. These were the first successfully concluded trade agreements between the two countries since the reciprocity agreement, a gap of roughly 80 years. Canada needed access to US industrial supplies and dollars to undertake its war effort. All Canadians were required to sell their holdings of foreign exchange to the Foreign Exchange Control Board and Canadians were not permitted to buy foreign exchange for pleasure travel. Until the Second World War, Canada had regularly run trade deficits with the US but had offset these through its surpluses with Britain. At the same time, to meet its industrial war and other needs, Canada found itself with a serious shortage of US dollars. Under the resulting Hyde Park agreement, Canada and the US agreed to co-ordinate production of war materials to reduce duplication and to enable each country to specialize. Mackenzie King second from left and Franklin D. Roosevelt second from right courtesy NGC. The postwar economic recovery had led to a surge in imports as Canada experienced a sharp rise in domestic demand, along with conversion of its industrial base to peacetime production. In , Canada again introduced exchange controls to limit the purchase by Canadians of US dollars to essential purposes. The oil discoveries at Leduc , Alberta, and other discoveries in western Canada, meant that the US now had access to more secure oil supplies shipped overland rather than in ocean-going vessels. The US gave Canadian oil preferential treatment in what at the time was a highly protected market. This also marked the beginning of a network of North American oil and gas pipelines. The economic crisis in the mids and the growing interdependence in trade and resource development led to new discussions between Canada and the US for a free trade agreement. But Prime Minister Mackenzie King in halted discussions out of fear of rejection by Canadians concerned about the threat of assimilation into the US. Canada relied instead on successive rounds of the General Agreement on Tariffs and Trade now the World Trade Organization to progressively improve access to the US market. These agreements over several decades led to the elimination or significant reduction in most tariffs between Canada and the US. Defence Industry Collaboration became more important in defence procurement during the Cold War. The two countries agreed to maintain trade in defence products in rough balance. Canada relied on the US for major military technology, while the US agreed to assist the development of a defence industry in Canada by eliminating tariffs on most Canadian military products and exempting Canada from Buy America provisions that required the US Defence Department to purchase US products. While acknowledging that Canada had benefited in terms of capital, technology and management skills from US investment, the commission, chaired by Walter Gordon , raised concerns about US domination in the oil and gas, mining and smelting, and various manufacturing industries. Canada had relied on foreign capital for development since Confederation and without it, the economy would have been smaller and the standard of living lower. But in the 19th century, most of that capital came from Great Britain, mostly in the form of debt that was paid back and concentrated in railways, construction of utilities and funding of governments. In contrast, US investment from the late 19th century and in the 20th was in the form of direct investment, allowing permanent ownership and control of enterprises. By the s, direct investment had become the most important form of foreign capital in Canadian industry, mainly in subsidiary companies or branch plants. In , 85 per cent of foreign capital invested in Canada was owned in Great Britain and 14 per cent in the US. By , the British share had fallen to 17 per cent while the US share was 77 per cent. The concern of the Gordon commission was that US corporations controlled businesses in the fastest-growing sectors of the Canadian economy. It was also concerned that US subsidiaries would give preference to US suppliers of machinery and equipment, parts and components and professional services over competing Canadian suppliers, while good jobs in research and development, finance and corporate strategy would be held in US head offices. The report proposed that wherever possible, branch plants should employ Canadians in senior management and technical positions, retain Canadian engineering and other professional and service personnel, and whenever possible do their purchasing of supplies, materials and equipment in Canada. The commission also called on foreign subsidiaries to publish full financial statements of their operations in Canada, include on their boards of directors a number of independent Canadians and sell an appreciable interest â€” 20â€”25 per cent â€” of their equity stock to Canadians. The commission also called for restrictions on foreign ownership in Canadian banks and life insurance companies. By the s, politicians were raising concerns about US ownership and control of Canadian industries, including the oil industry. Limiting US Ownership In , the report of the Task Force on the Structure of Canadian Industry was published, recommending the creation of a development corporation to support the growth of Canadian-controlled companies, and the regulation of foreign takeovers of Canadian companies. In , the federal government created the Canada Development Corporation to support the development of Canadian-controlled companies in the private sector, but it was dismantled in In , the federal government established Petro-Canada as a Crown Corporation to build a Canadian-owned presence in the oil industry it was privatized in and merged with Suncor Energy in This was followed, in , by the National Energy Program , which set the goal of 50 per cent Canadian ownership of the Canadian oil and gas industry by