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Beyond Doha: Multipolar Challenges for a Globalized World

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* © 2008 William A. Lovett. Joseph Merrick Jones Professor of Law and Economics, Tulane University School of Law, New Orleans, LA 70118. Tel. (504) 865-5960; e-mail: wlovett@tulane.edu. This Article developed out of nine previous trade policy studies: WILLIAM A. LOVETT, SUBCOMM. ON ECON. STABILIZATION, 98TH CONG., REPORT ON COMPETITIVE INDUSTRIAL POLICIES AND THE WORLD BAZAAR (Comm. Print 1984); WILLIAM A. LOVETT ET AL., U.S. TRADE POLICY: HISTORY, THEORY, AND THE WTO (2d ed. 2004) [hereinafter LOVETT ET AL., U.S. TRADE POLICY]; WILLIAM A. LOVETT, WORLD TRADE RIVALRY: TRADE EQUITY AND COMPETING INDUSTRIAL POLICIES (1987) [hereinafter LOVETT, WORLD TRADE RIVALRY]; William A. Lovett, *Bargaining Challenges and Conflicting Interests: Implementing the Doha Round*, 17 AM. U. INT'L L. REV. 951, 951-1002 (2002) [hereinafter Lovett, *Bargaining Challenges*]; William A. Lovett, *Current World Trade Agenda: GATT, Regionalism, and Unresolved Asymmetry Problems*, 62 FORDHAM L. REV. 2001, 2001-45 (1994) [hereinafter Lovett, *Current World Trade Agenda*]; William A. Lovett, *Grand Bargain or Grand Illusions? Trade, Finance, and Security Challenges*, 17 TRANSNAT'L LAW. 301, 301-27 (2004) [hereinafter Lovett, *Grand Bargain or Grand Illusions?*]; William A. Lovett, *Rethinking U.S. Industrial-Trade Policy in the Post-Cold War Era*, 1 TUL. J. INT'L & COMP. L. 135, 135-89 (1993) [hereinafter Lovett, *Rethinking U.S. Policy*]; William A. Lovett, *The WTO: A Train Wreck in Progress?*, 24 FORDHAM INT'L L.J. 410, 410-26 (2000) [hereinafter Lovett, *Train Wreck in Progress?*]. A central theme of these works is the problem of asymmetries, unequal openness, and differential subsidies. Trading imbalances have become entrenched. These trade and current account imbalances strain the global trade-finance system. The WTO is ill-equipped to cope with such problems. These flawed arrangements have increased political tensions among nations.

I. INTRODUCTION

U.S. trade policy has gone through seven major periods. Each seemed reasonable at the time: (1) mercantilist colonial development as part of the British Empire, 1607-1776; (2) early nationhood—seeking fair and reciprocal treatment with some tariffs and trade promotion, 1777-1815; (3) substantial tariffs and selective industrial promotion, 1816-1860; (4) broader tariff protection and general industrial promotion, 1861-1933; (5) reciprocal tariff reductions and trade promotion, 1934-1945; (6) leading a free-world alliance with unequal openness, 1946-1992; and (7) post-Cold War globalization and dissonance, 1993-2007.[1] Now another era is under way—rebalancing efforts within multipolar rivalry.[2]

Understanding this flow is crucial to globalization debates and imbalance problems that challenge the early twenty-first century. Among advanced nations, rising newly industrialized countries (NICs), and less developed areas, we see many winners and losers and widespread worry. Among elites and multinational corporations (MNCs), we see great gains. Engineering and technical progress offered greatly enhanced living standards. Meanwhile, world population trebled from 2 billion in 1925 to 6 billion in 2000,[3] which put heavy stress on resources and the environment. Not surprisingly, many people remain poor and distressed. We observe stubborn conflicts and terrorist dangers. The crucial issue is how to broaden progress and prosperity while preventing unraveling and widespread breakdowns in the trade-finance network.[4]

Consensus is lacking in many respects, for example: (1) on going forward with even more globalization and increased openness; (2) setting limits on globalization and safeguarding nations' local communities, industries, and workers; and (3) improving the balance of results among

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1. *See generally* J.B. CONDLIFFE, THE COMMERCE OF NATIONS (1st ed. 1950); JOHN. M. DOBSON, TWO CENTURIES OF TARIFFS 8-9, 11, 15, 17, 35, 38 (1976); ALFRED ECKES, OPENING AMERICA'S MARKET (1995); PAUL HIRST & GRAHAME THOMPSON, GLOBALIZATION IN QUESTION 27 (2d ed. 1999).

2. *See* LOVETT ET AL., U.S. TRADE POLICY, *supra* note *; LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 15. *See generally* KEVIN PHILLIPS, BAD MONEY (2008).

3. Human Population Growth, http://www.biologycorner.com/worksheets/humanpop_graph.html (last visited Nov. 10, 2008).

4. The United States led the way from 1946 to 2007 toward globalization with unequal, asymmetrical trade openness. This worked as long as the U.S. dollar remained the dominant reserve currency. But the increasingly massive U.S. trade and current account deficits of 1983 to 1987 and 1993 to 2008 are no longer sustainable. *See infra* Table 1. Finally, the U.S. dollar is eroding in value, and a recovery in the dollar cannot be achieved without major rebalancing in U.S. trade and current account flows.

countries, regions, and communities.[5] Gradually, social insurance and progressive taxes increased in the twentieth century. After the Great Depression, most Organisation for Economic Co-operation and Development (OECD) democracies expanded social insurance and used Keynesian deficit-finance policies in the 1940s, 1950s, 1960s, and 1970s.[6] Labor unions and regulated industries became customary in OECD countries. Western democracies felt obliged to maintain social peace, limit unemployment, and improve distributional fairness in their long struggle with the Soviet Union, China, and the various communist satellites.[7]

But communist societies failed to establish adequate incentives and sustain economic growth over the long run, and they gradually lost out in the competition with OECD nations.[8] In the late 1980s, communism collapsed in Eastern Europe and the Soviet Union, and China transformed itself into a market-oriented society.[9] In the 1990s most developing countries reduced socialistic elements and became more market oriented. Thus, Western-style OECD social market democracies served as the dominant model for about 15 years (say 1989-2003). OECD ascendancy became the only game in town.

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5. Setting limits on globalization and safeguarding local interests, communities, industries, and workers is the dominant policy in most NICs and least developed countries (LDCs). Thus, universalizing complete free trade is not really an offer or feasible for many years. This leaves the most advanced countries, and especially the United States, with a predicament: either accept the unequal access, asymmetrical openness, nonlevel playing field, and excessive trade imbalances or enforce more reciprocity and discipline.

6. *See generally* BARRY EICHENGREEN, GLOBALIZING CAPITAL (1996); CHARLES KINDLEBERGER, A FINANCIAL HISTORY OF WESTERN EUROPE (2d ed. 1993); LOVETT ET AL., U.S. TRADE POLICY, *supra* note *; LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 21-73; PHILLIPS, *supra* note 2; HERBERT STEIN, PRESIDENTIAL ECONOMICS, THE MAKING OF ECONOMIC POLICY FROM ROOSEVELT TO REAGAN AND BEYOND (1984).

7. The Western democracies spent fifty years of progressive efforts toward social democracy, and full employment policy, to establish a healthy mix of economic growth, incentives, and widely shared prosperity. *See* LOVETT, WORLD TRADE RIVALRY, *supra* note *. New Deal policies and social democracy in the United States, Western Europe, Canada, Australia, New Zealand, Japan, South Korea, Taiwan, Singapore, and Costa Rica successfully outperformed centralized communism and repressive regimes. *See* Lovett, *Grand Bargain or Grand Illusions?*, *supra* note *.

8. *See* PHILLIP BOBBITT, THE SHIELD OF ACHILLES 610-12 (2002); RICHARD CROCKATT, THE FIFTY YEARS WAR 358 (1995); INT'L INST. FOR STRATEGIC STUDIES, THE MILITARY BALANCE 2002-2003, at 273 (2002); INT'L INST. FOR STRATEGIC STUDIES, THE MILITARY BALANCE 1992-1993, at 89 (1992); INT'L INST. FOR STRATEGIC STUDIES, THE MILITARY BALANCE 1990-1991, at 32-33 (1990); PAUL KENNEDY, THE RISE AND FALL OF THE GREAT POWERS 489-90, 512 (1987); JACK F. MATLOCK, JR., AUTOPSY ON AN EMPIRE 253, 671 (1995); LESTER C. THUROW, THE FUTURE OF CAPITALISM 4-5, 304 (1996); Lovett, *Bargaining Challenges*, *supra* note *, at 962.

9. MATLOCK, *supra* note 8, at 407, 683, 688; INT'L INST. FOR STRATEGIC STUDIES, 2002-2003, *supra* note 8, at 273.

The United States, British Commonwealth, and other Western allies encouraged a revival of international trade, investment, and finance under the Bretton Woods framework (1944-1947).[10] The International Monetary Fund (IMF), the Bank for Reconstruction and Development (World Bank), and the General Agreement on Tariffs and Trade (GATT) provided funding, loan support, stabilization efforts, and a structure for multilateral agreements.[11] Successive rounds of tariff- and trade-barrier reductions were led by the United States and OECD nations. Eight GATT negotiating rounds followed between 1947 and 1994. A key feature was asymmetrical or unequal openness, with the United States offering more openness and tariff reductions than most other nations. Because the United States emerged from World War II with half the globe's industrial output and a lead in most technologies,[12] the Americans could afford greater and unequal openness to stimulate more international trade, investment, and finance—at least for a while. U.S. Marshall Plan assistance to Europe and other aid to developing countries were added to undercut communism and to promote broader recoveries and economic integration.[13]

The original 1947 GATT agreement provided a lot more leeway for continued tariffs and trade-barrier protection by developing nations.[14] The United Nations Conference on Trade and Development (UNCTAD) bloc was determined to use protection and/or subsidies in various forms as a means to catch up with the United States and wealthier countries.[15] The United States largely accepted this unequal openness as a political necessity. MNCs and banks in the most advanced countries adapted skillfully to this uneven landscape. They increasingly relocated branch operations and assembly plants, and used outsourcing to lower-wage countries and less developed countries (LDCs).[16]

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10. *See* BARRY EICHENGREEN, GLOBAL IMBALANCES AND THE LESSONS OF BRETTON WOODS 8-9 (2007); JEFFREY A. FRIEDEN, GLOBAL CAPITALISM: ITS FALL AND RISE IN THE TWENTIETH CENTURY 259 (2006); HIRST & THOMPSON, *supra* note 1, at 52-54; ROBERT KUTTNER, MANAGED TRADE AND ECONOMIC SOVEREIGNTY 2, 6-8, 12 (1989); ANDREAS F. LOWENFELD, INTERNATIONAL ECONOMIC LAW 501-02 (2002); MAURICE OBSTFELD & ALAN M. TAYLOR, GLOBAL CAPITAL MARKETS 26, 37 (2004); Peter Temin, *The 1990s as a Postwar Decade*, *in* THE GLOBAL ECONOMY IN THE 1990S, at 218, 232 (Paul W. Rhode & Gianni Toniolo eds., 2006).

11. FRIEDEN, *supra* note 10, at 267-69.

12. LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 45.

13. *See* EICHENGREEN, *supra* note 10, at 1-2; FRIEDEN, *supra* note 10, at 267-68; KUTTNER, *supra* note 10, at 8, 12; LOWENFELD, *supra* note 10, at 502; Michael A. Bernstein, *The American Economic Policy Environment of the 1990s*, *in* THE GLOBAL ECONOMY IN THE 1990S, *supra* note 10, at 263, 275.

14. Lovett, *Current World Trade Agenda*, *supra* note *, at 2002.

15. *Id.*

16. Lovett, *Bargaining Challenges*, *supra* note *, at 953.

Gradually, for OECD westernized nations at least, international investment, production, and trading activity became more globalized.[17] This brought economic efficiencies, profit opportunities, risk factors, disruptions, and losses. Globalization has become a reality, but with mixed blessings. Countries differ greatly in their degree of openness and interdependence.[18] This poses a critical question—to what extent is an unequal, asymmetrically open world market really desirable or even sustainable?[19]

Asymmetry increased in the 1980s and early 1990s with the Uruguay Round of GATT negotiations.[20] Meanwhile, as economic development increased, a growing inflation hit energy and other commodity markets. From 1971 to 1980, oil prices surged from $3.50 per barrel to almost $34 per barrel.[21] Big profits flowed to the Persian Gulf and other large oil exporters. For a while, petrodollar recycling allowed larger lending to accommodate this inflation. Enlarged borrowing flowed in the 1970s to many NICs and LDCs.[22] This inflation boom collapsed[23] and global recession threatened in the early 1980s.[24] Nearly 75 countries found themselves in a global debt overload crisis.[25] The IMF, multinational banks, and leading creditor nations faced a grave challenge. If debtor countries defaulted on their debts and expropriated a lot of foreign investments, another Great Depression, financial meltdown, and collapse in world trade like that of 1929-1938 would have been repeated.[26] Unemployment and distress would have multiplied. Fortunately, however, the IMF and multinational banks restructured and

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17. *See* Nicholas Crafts, *The World Economy in the 1990s*, *in* THE GLOBAL ECONOMY IN THE 1990S, *supra* note 10, at 21.
18. LOWENFELD, *supra* note 10, at 379; OBSTFELD & TAYLOR, *supra* note 10, at 26-27.
19. Some free trade enthusiasts naively assume that complete and equal openness was achieved under the accumulated GATT rounds, and particularly the last Uruguay GATT Round (1985-1994) that created the WTO. *See* Lovett, *Bargaining Challenges*, *supra* note *, at 952. But the reality is much more complex. The United States became the most open, while the European Union, Canada, Australia, and New Zealand became substantially open. *Id.* Next come some NICs (such as South Korea, Mexico, and Chile) that have considerable, recent openness. *See id.* at 961. Most NICs and LDCs (China, India, Brazil, Argentina, and so forth), however, are much less open and use significant protective tariffs and subsidies. Lovett, *Train Wreck in Progress*, *supra* note *, at 416.
20. *See* Lovett, *Grand Bargain or Grand Illusions?*, *supra* note *, at 311; Lovett, *Rethinking U.S. Policy*, *supra* note *, at 140.
21. *See generally* FRIEDEN, *supra* note 10.
22. LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 49-55.
23. FRIEDEN, *supra* note 10, at 374.
24. *Id.*
25. *See* LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 55-61.
26. FRIEDEN, *supra* note 10, at 374.

stretched out debt overloads into longer time periods.[27] Much government debt was also privatized, switched into equity securities, and greater budget discipline was imposed in many nations.[28]

Thus, what really launched the Uruguay Round (1985-1994) was fear of a global breakdown, similar to the Depression of 1929-1938, that could set off another round of beggar-thy-neighbor policies, and a renewal of greatly increased protective tariffs and quota restrictions. Remember that communist breakdown and economic crisis had not yet become evident in 1982-1987. Both the Soviet Union and Red China were trying to reform, partly liberalize, and improve their economic performances in 1983-1987.[29] The West feared another Great Depression could erase their gains in the Cold War. Fear forced an overhaul effort.

Details of Uruguay Round deals strongly favored MNCs and lower wage exporters.[30] Broader U.S. gains for farmers, intellectual property, finance and services, and a level playing field for manufacturing workers had been trumpeted as goals for the Office of the United States Trade Representative negotiators.[31] But the final outcome greatly favored MNCs and entrenched unequal openness.[32] Foreign subsidies and dumping became hard to attack and relief more problematic under U.S. trade laws, and subject to WTO panel review. The North American Free Trade Agreement (NAFTA) of 1993 also secured wider U.S. investment and service opportunities. Ross Perot, an independent populist candidate, warned of a "giant sucking sound" as jobs moved south from these trade deals.[33] Ironically, Perot proved right on the sucking sound: many jobs moved to low-wage countries, but he got the direction wrong. Many more U.S. jobs moved to China, India, and Southeast Asia; some jobs moved to Latin America, but not so many. Most of Asia boomed, Latin America suffered mixed results, and a backlash developed against neoliberalism.

Strictly speaking, however, the Uruguay Round could have evolved into a more reciprocal trade regime. Stronger antidumping measures and countervailing duties against subsidies could have been retained. Offsets to value-added tax (VAT) waivers and/or revenue tariffs (in the 10-15% range) could have been used to cushion domestic manufacturers and

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27. *See* LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 58.
28. *See* FRIEDEN, *supra* note 10, at 375; OBSTFELD & TAYLOR, *supra* note 10, at 161.
29. BOBBITT, *supra* note 8, at 611-12.
30. Lovett, *Current World Trade Agenda*, *supra* note *, at 2002.
31. *Id.* at 2006.
32. Lovett, *Rethinking U.S. Policy*, *supra* note *, at 182 n.93.
33. Ross Perot, The Third Clinton-Bush-Perot Presidential Debate (Oct. 19, 1992), *available at* http://www.debates.org/pages/trans92c.html.

workers. Substantial security for foreign investments was in the works anyway. A spreading network of bilateral investment treaties (BITs) were negotiated by most industrial nations and LDCs between 1970 and 2007. Many BITs later grew into bilateral free trade agreements in the last 10 to 15 years. Increasingly, strong reassurance to MNCs became a competitive necessity for countries seeking foreign investments in technology, improved growth, and more substantial exports. The lesson: *If you want to share in the global economy, treat MNCs well.*

Most importantly, perhaps, average tariffs remaining *for most developing countries* provided substantial protection even after the Uruguay Round was completed. Tariff levels were cut by roughly one-third (for most countries) in this deal. However, the United States, Western Europe, and Japan already had low tariffs (2, 3, 4 1/2%), so their markets were largely open anyway.[34] On the other hand, most developing countries were reducing tariffs from much higher levels, say 25-50%, so their tariffs remained in the 16-35% range.[35] In other words, most NICs and many LDCs kept substantial protection intact as a result of the Uruguay Round.

Why did the United States, Western Europe, and Japan accept this unequal access or asymmetry? Their MNCs had become the most powerful interest groups in shaping international trade policies.[36] In fact, MNCs found substantial residual tariffs in developing country plants to be valuable safeguards and protections for such investments. Although domestic factory workers, labor unions, and small manufacturers would suffer and complain, the bigger MNCs found the post-Uruguay Round environment quite comfortable. Thus, MNC lobbies and domestic

34. LOVETT ET AL., U.S. TRADE POLICY, *supra* note *, at 10.

35. *Id.*; *see* Marc Bacchetta & Bijit Bora, *Industrial Tariff Liberalization and the Doha Development Agenda* (Dev. & Econ. Research Div., World Trade Org., Discussion Paper No. 1, 2003), *available at* http://www.wto.org/english/res_e/booksp_e/discussion_papers_e.pdf.

36. Some MNC advocates from the advanced countries (especially many financial and communications companies) argued that broad benefits would trickle through quickly to most people in mature countries, or that NICs would rapidly open up to exports from other nations and universalize free trade. LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 58, 85-89. But once the United States and European Union achieved openness, most NICs and LDCs (that now dominate WTO membership and further multilateral trade bargaining in the Doha Round) backed away from reciprocal openness. *See* Lovett, *Grand Bargain or Grand Illusions?*, *supra* note *, at 303. Thus, universal free trade and general openness did not follow in the years since 1994, and the income gains within advanced countries were channelized into their MNCs, banking and finance, various services, and capital owners. *See* Phillip Stevens, *The Blindfolds That Wrecked a Deal To Boost Global Trade*, FIN. TIMES, Aug. 1, 2008, at Comment 9. Many workers, communities, companies, and manufacturers were squeezed and lost income and jobs. *See* Lovett, *Current World Trade Agenda*, *supra* note *, at 2020-21; *see also* PAUL BLUSTEIN, THE CHASTENING 55 (2001).

activities, insulated from displacement by international trade (i.e., most services, government workers, MNC stockholders and executives, and international finance interests), found the unequally open global marketplace very pleasant.

Interestingly, the post-Uruguay trade system now enjoys great conservative momentum. Many developing countries are happy. MNCs are better protected, with freedom to move capital and jobs at their convenience. But strong complaints come (1) from displaced workers, farmers, and weakened small businesses in the United States, Europe, and some NICs and (2) from many LDCs that "missed the bus" in not attracting enough foreign investments or not securing their own business and property interests, and therefore suffering significant capital flight, economic stagnation, or worse.[37]

An awkward complication followed in the 1990s for some NICs. Investment outflows from advanced countries surged strongly into NICs with economic booms. Herds of foreign investors and MNCs flowed heavily into booming Mexico, Brazil, Argentina, Southeast Asia, and China (and even into Russia briefly). Bubbles of excess enthusiasm burst, with big rebounds of capital moving into safer capital markets. Some emerging markets suffered substantial currency depreciations and banking crises (for example, Mexico, Thailand, the Philippines, Malaysia, South Korea, Brazil, Argentina, and Ecuador). More liquid capital rebounded back into the U.S. currency market, debt instruments, and stock markets (and to a lesser extent, into West European, Australian, New Zealand, and Canadian capital markets).

"Hot money" flows helped U.S. stocks into a late 1990s-2000 peak, a limited slump, and another boom and peak in 2005-2006. Is another U.S. boom/bubble working out in 2007-2008? Is the resurgence of the euro, British pound, and Australian and Canadian dollars another unsustainable bubble? And what about China, India, or the Association of Southeast Asian Nations (ASEAN)? Do we enjoy responsible, realistic exchange-rate management? Is there excessive volatility and vulnerability to speculative liquidity sloshing around the global

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37. "Losers" from the asymmetrically open, unbalanced, freer trade regime that the Uruguay Round (1985-1994) and WTO entrenched found their roles, incomes, and security reduced. Lovett, *Current World Trade Agenda*, *supra* note *, at 2007. In the United States, at least 20 million jobs were lost since the late 1970s from a failure to enforce more effective trade reciprocity. PHILLIPS, *supra* note 2, at 73-75, 91. Some job losses from improved technology and cheaper foreign labor were unavoidable, but U.S. trade policy for the last *30 years* favored outsourcing and did not sufficiently offset foreign preferences, subsidies, and tariffs. *See* LOVETT ET AL., U.S. TRADE POLICY, *supra* note *, at 184-85 n.12.

marketplace? Financial volatility may be an awkward consequence of unequally open markets for goods and services in the global economy.[38]

So what should follow GATT 1994 and the new WTO? One early view was to relax and let the WTO panels gradually evolve. However, many WTO leaders and MNC lobbies feared that growing trade dissension in the United States, Europe, some NICs, and many LDCs would unravel the fragile ascendancy and momentum of freer trade.[39] Accordingly, another round of multilateral trade negotiations was proposed in Seattle in 1998. This, unfortunately, collapsed into anti-WTO demonstrations on television in 1999.[40] President Clinton withdrew his sponsorship of the Seattle Round under these circumstances. Many trade experts doubted at that stage that another WTO round could be launched for some years.

But, rather oddly, the tragedy of September 11, 2001, created an opportunity for a broader coalition—and for another GATT-WTO negotiating round.[41] It was launched at Doha, Qatar, in the Persian Gulf. Security was tight. Troublesome demonstrators could be excluded. The new round was given a theme—the Doha Development Round—in response to complaints from a majority of countries that worried about insufficient sharing of prosperity in the global economy thus far. Unfortunately, job losses and displacement effects in wealthy countries like the United States did not receive serious concern. Nor were the growing U.S. trade and current account deficits and imbalance problems given attention in the Doha Development Round. Rather, securing MNCs and broadening benefits for poor countries received priority for the Doha Round negotiations.

The evolving mix of winners, losers, and the worried made further opening of world markets very difficult in the Doha Round.[42] Most developing countries feared renewed currency crises, capital flight, and further disruptions and job losses at home. The Group of Twenty (G20), most of the larger NICs (including China, India, Brazil, and Argentina), demanded big openings in protected agricultural markets in the European Union, United States, Japan, and elsewhere. Such big agricultural concessions were impossible for the European Union and problematic for the United States and Japan. The G20 also wanted concessions on

38. *See* Martin Wolf, *How Imbalances Led to Both Credit Crunch and Inflation*, FIN. TIMES, June 17, 2008, at Comment 3.

39. *See* FRIEDEN, *supra* note 10, at 468-69; Robert J. Samuelson, Editorial, *The End of Free Trade*, WASH. POST, Dec. 26, 2007, at A21.

40. FRIEDEN, *supra* note 10, at 457-59.

41. *See* Lovett, *Bargaining Challenges*, *supra* note *, at 958-59.

42. Lovett, *Grand Bargain or Grand Illusions?*, *supra* note *, at 313-14.

intellectual property and financial markets, with cheap access to OECD pharmaceuticals. The United States, European Union, and Japan offered only limited ground there. But the United States, Japan, and others insisted upon substantial further tariff reductions on manufactured goods from the G20 and other developing countries. Little or no give seemed available here. By mid-2007 U.S. fast-track presidential negotiating authority for trade agreements had expired. Few trade experts believed the Doha logjam could be broken before the next U.S. presidential election in 2008, and perhaps not for some years thereafter.

Meanwhile, U.S. trade and current account deficits surged to record levels in 2006, 2007, and 2008—about $2.3 trillion altogether.[43] Current account *surpluses and currency reserves* (mostly in U.S. dollars, T-bills, and other debt instruments) also surged in China, ASEAN members, Japan, Organization of the Petroleum Exporting Countries (OPEC) members, and some OECD members. The U.S. dollar sagged. The euro appreciated from $0.82 in 2000 to $1.60 in late spring 2008.[44] The British pound appreciated to $2.12;[45] the Canadian dollar hit parity with the U.S. dollar from a low of $0.65 recently.[46] In the last 18 months, the Chinese renminbi was allowed to appreciate by 15%, but the Chinese Government and banking authorities strongly resist more rapid appreciation of its currency.[47] Many observers worried that a major dollar devaluation crisis threatened the global economy.

Aggravated U.S. trade and current account deficits had begun in 1983-1987, when $500 billion in such trade deficits accumulated.[48] This was associated with a major upsurge of the U.S. dollar's value compared to the West German deutschmark, the British pound, and the Japanese yen. Accordingly, the Group of Five (G5) finance ministers agreed in the Plaza Agreement of 1985 to bring down the dollar and ease this currency misalignment.[49] By 1987, the Louvre Accord celebrated G5 stabilization policies that could limit further misalignments.[50] For a few years thereafter, U.S. trade and current account deficits eased, but in 1993, these U.S. external deficits surged again. Between 1993 and 2008, U.S.

43. *See infra* Tables 1-2.
44. *See infra* Tables 1-2.
45. *See infra* Tables 1-2.
46. *See infra* Tables 1-2.
47. *See The Credit Crunch Mess—What Next?* (BBC News radio broadcast Sept. 5, 2008), *available at* http://www.bbc.co.uk/2/hi/programmes/moneybox/7612607.htm.
48. *See infra* Tables 1-2.
49. *See* U.S. Dep't of the Treasury, Exchange Stabilization Fund History, http://www.treas.gov/offices/international-affairs/esf/history/#I08590 (last visited Nov. 10, 2008).
50. *See infra* Tables 1-2.

trade and current account deficits totaled $9 trillion.[51] In the last 4 years (2005-2008), U.S. annual external trading deficits averaged $750 million (nearly 6% of U.S. GNP) each year.[52]

When the euro took over the role of 11 Western European national currencies (including the deutschmark), the new euro fell from an initial $1.17 down to $0.89 in 2000-2002. Although the long U.S. stock market boom peaked in 2001, the U.S. dollar still kept most of its value for a few more years.[53] In fact, foreign investments in stock, bonds, T-bills and other liquidity still flowed into the United States with increasing volume until 2007.[54] Skeptics warned that these U.S. trade and current account deficits could not keep growing much longer. Finally, the U.S. dollar value, due to surging oil prices, came down substantially in 2006-2007.[55]

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51. *See infra* Tables 1-2.
52. *See infra* Tables 1-2.
53. *See* Lovett, *Bargaining Challenges*, *supra* note *, at 964, 967; Lovett, *Grand Bargain or Grand Illusions?*, *supra* note *, at 304.
54. *See* Lovett, *Bargaining Challenges*, *supra* note *, at 976; *infra* Table 1 (containing large current account deficits and capital inflows into the United States).
55. *See infra* Table 2; *see also* Peter S. Goodman, *The Dollar: Shrinkable but (So Far) Unsinkable*, N.Y. TIMES, May 10, 2008, at Wk1.

Table 1
GDP, Gross Federal Debt, Imports, Exports, and Trading Balances
(billions of dollars)

Year	GDP[a]	Gross federal debt[b]	Merchandise imports[c]	Merchandise exports[c]	Merchandise trade balance[c]	Current account balance[c]	Customs merchandise trade balance[d]
1961	526.4	292.6	-14.5	20.1	5.5	3.8	5.4
1962	544.7	302.9	-16.2	20.7	4.5	3.3	4.5
1963	585.6	310.3	-17.0	22.2	5.2	4.4	5.2
1964	617.7	316.1	-18.7	25.5	6.8	6.8	7.0
1965	663.6	322.3	-21.5	26.4	4.9	5.4	5.3
1966	719.1	328.5	-25.4	29.3	3.8	3.0	3.8
1967	787.8	340.4	-26.8	30.6	3.8	2.5	4.1
1968	832.6	368.7	-32.9	33.6	.6	.6	.8
1969	910.0	365.8	-35.8	36.4	.6	.3	1.2
1970	984.6	380.9	-39.8	42.4	2.6	2.3	3.2
1971	1,038.5	408.2	-45.5	43.3	-2.2	-1.4	-1.4
1972	1,127.1	435.9	-55.7	49.3	-6.4	-5.7	-5.7
1973	1,238.3	466.3	-70.4	71.4	.9	7.1	2.3
1974	1,382.7	483.9	-103.8	98.3	-5.5	1.9	-3.8
1975	1,500.0	541.9	-98.1	107.0	8.9	18.1	9.5
1976	1,638.3	629.0	-124.2	114.7	-9.4	4.2	-7.8
1977	1,825.3	706.4	-151.9	120.8	-31.0	-14.3	-28.3
1978	2,030.9	776.6	-176.0	142.0	-33.9	-15.1	-30.2
1979	2,294.7	829.5	-212.0	184.4	-27.5	-.2	-23.9
1980	2,563.3	909.0	-249.7	224.2	-25.5	2.3	-19.6
1981	2,789.5	994.8	-265.0	237.0	-28.0	5.0	-22.2
1982	3,128.4	1,137.3	-247.6	211.1	-36.4	-5.5	-27.5
1983	3,255.0	1,371.7	-268.9	201.7	-67.1	-38.6	-52.4
1984	3,536.7	1,564.6	-332.4	219.9	-112.4	-94.3	-106.7
1985	3,933.2	1,817.4	-338.0	215.9	-122.1	-118.1	-117.7
1986	4,220.3	2,120.5	-368.4	223.3	-145.0	-147.1	-138.2
1987	4,462.8	2,346.0	-409.7	250.2	-159.5	-160.6	-152.1
1988	4,739.5	2,601.1	-447.1	320.2	-126.9	-121.1	-118.5
1989	5,103.8	2,867.8	-477.6	359.9	-117.7	-99.4	-109.3
1990	5,484.4	3,206.3	-498.4	387.4	-111.0	-78.9	-101.7
1991	5,803.1	3,598.2	-491.0	414.0	-76.9	2.8	-65.3
1992	5,995.9	4,001.8	-536.5	439.6	-96.8	-50.0	-84.5
1993	6,337.7	4,351.0	-589.3	456.9	-132.4	-84.8	-115.5
1994	6,657.4	4,643.3	-668.6	502.8	-165.8	-121.6	-150.6
1995	7,072.2	4,920.6	-749.3	575.2	-174.1	-113.5	-158.8
1996	7,397.7	5,181.5	-803.1	612.1	-191.0	-124.7	-170.2
1997	7,816.9	5,369.2	-876.4	678.3	-198.1	-140.4	-180.5
1998	8,304.3	5,478.2	-917.1	670.4	-246.6	-213.5	-229.7
1999	8,747.0	5,605.5	-1,029.9	683.9	-346.0	-299.8	-328.8
2000	9,268.4	5,628.7	-1,224.4	771.9	-452.4	-415.1	-436.1
2001	9,817.0	5,769.9	-1,145.9	718.7	-427.1	-388.9	-411.8
2002	10,128.0	6,198.4	-1,164.7	682.4	-482.2	-472.4	-468.2
2003	10,469.6	6,760.0	-1,260.7	713.4	-547.3	-527.5	-532.3
2004	10,960.8	7,354.7	-1,472.9	807.5	-665.4	-665.2	-650.9
2005	11,712.5	7,905.3	-1,677.3	894.6	-782.7	-791.5	-767.4
2006	12,455.8	8,451.4	-1,861.3	1,023.1	-838.2	-811.4	-817.3
2007	13,970[e]	8,950[e]	-1,936.2[e]	1,129.8[e]	-806.3[e]	-752.6[e]	-790.3[e]
2008							

[a] Council of Econ. Advisors, Economic Report of the President 1975-2008 (2008)
[b] Council of Econ. Advisors, Economic Report of the President 1975-2008 (2008)
[c] U.S. Bureau of Econ. Affairs, U.S. International Transactions, 1960-Present
[d] U.S. Census Bureau, Foreign Trade Division, Historical Series, U.S. International Trade in Goods
[e] Estimates based on first three quarters of 2007

Table 2
Currency Exchange Rates, 1973-2008

	UK Pound	Japan Yen	Sw. Franc	German Mark	SK Won	Taiwan Dollar	Euro	US$ Weighted Average
1973	2.45	280	3.20	2.66	—	—	—	101.94
1974	2.34	300	2.60	2.45	—	—	—	101.53
1975	2.22	306	2.63	2.62	—	—	—	106.00
1976	1.81	295	2.45	2.38	—	—	—	107.76
1977	1.75	241	2.08	2.15	—	—	—	102.14
1978	1.92	196	1.68	1.88	—	—	—	94.56
1979	2.12	240	1.60	1.73	—	—	—	95.95
1980	2.33	209	1.79	1.97	—	—	—	96.62
1981	2.03	219	1.82	2.26	695	—	—	105.46
1982	1.75	242	2.05	2.42	746	—	—	117.44
1983	1.52	234	2.20	2.75	799	39.61	—	124.34
1984	1.34	248	2.56	3.10	826	39.51	—	136.15
1985	1.30	203	2.10	2.51	893	39.91	—	121.40
1986	1.47	162	1.66	1.99	868	36.00	—	106.10
1987	1.64	128	1.33	1.63	798	28.96	—	89.68
1988	1.78	124	1.48	1.76	688	28.20	—	88.44
1989	1.64	144	1.57	1.74	678	26.14	—	93.11
1990	1.78	134	1.28	1.50	719	27.16	—	85.10
1991	1.77	128	1.39	1.56	762	25.76	—	85.51
1992	1.76	124	1.42	1.58	792	25.45	—	90.19
1993	1.50	110	1.46	1.71	813	25.45	—	91.66
1994	1.53	100	1.33	1.57	795	26.38	—	87.43
1995	1.58	102	1.16	1.44	771	27.32	—	85.25
1996	1.56	114	1.33	1.55	842	27.52	—	88.44
1997	1.64	130	1.44	1.78	1497	32.50	—	97.26
1998	1.66	117	1.36	1.67	1213	32.34	—	95.41
1999	1.62	103	1.58	1.93	1137	31.63	1.01	96.21
2000	1.52	112	1.69	2.18	1217	33.12	0.90	104.65
2001	1.44	128	1.66	2.19	1292	34.68	0.89	109.51
2002	1.50	122	1.44	—	1207	34.80	1.02	101.48
2003	1.63	108	1.26	—	1192	34.06	1.23	86.21
2004	1.83	104	1.15	—	1050	32.17	1.34	80.10
2005	1.82	118	1.31	—	1022	33.29	1.19	85.65
2006	1.84	117	1.21	—	925	32.51	1.32	80.89
2007	2.01	118	1.20	—	929	32.85	1.37	77.87
2008[a]	1.97	108	1.10	—	942	32.36	1.47	73.06

[a] 2008 numbers are for January, 2008.

All data come from the Federal Reserve Archival System for Economic Research of the Federal Reserve Bank of St. Louis. The data were obtained on a monthly basis and an average for each year was calculated. In years of incomplete reporting, the average was only over the months reported. This is the case with all currencies in 2007, and also for the first years of the South Korean won and the Taiwanese dollar. "The major currencies index is provided by a weighted average of the foreign exchange value of the U.S. dollar against a subset of the broad index currencies that circulate widely outside the country of issue" and includes the euro, Canadian dollar, Japanese yen, the U.K. pound, Swiss franc, Austrian schilling, and Swedish kroner.[56] It is indexed to March 1973 = 100.[57]

II. TRADE-FINANCE IMBALANCE CRISES

Most experts on the global finance-trading network agree that the massive U.S. trade and current account deficits of 1993 to 2008 were excessive and unsustainable. But they divide on diagnoses (sources of such deficits and imbalance problems) and remedies (policies that could ease or resolve these problems).[58]

A. Imbalance Dangers and Outlooks

On one wing free market enthusiasts urged a soft landing.[59] Somehow a gradual realignment of currencies (with greater appreciation

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56. Fed. Reserve Statistical Release, Summary Measures of the Foreign Exchange Value of the Dollar, http://www.federalreserve.gov/releases/h10/Summary/ (last visited Nov. 10, 2008).

57. *See infra* Table 2.

58. Faith in free global markets (globalization) has been widespread among U.S., EU, and other OECD experts for the last 20-25 years. *See* Lovett, *Bargaining Challenges*, *supra* note *, at 953. But experts from NICs and LDCs have been less trustful of global markets, and more concerned with maintaining considerable tariffs, restrictions, safeguards, and preferences. *Id.* Food and energy security measures also seem more important again with oil and food price surges in 2007-2008, so that worries have grown in these sectors. Confidence in the U.S. dollar, economic, and business leadership has been strong for most of the post-World War II era (except for the late 1960s, 1970s, and early 1980s). But recent financial strain, subprime mortgages, derivative securities, bubbles, and crisis fears in 2007-2008 put great stress on the U.S. dollar, and forced uneven currency realignments. Unusually large U.S. trade and current account deficits no longer seem sustainable (*see infra* Tables 1 and 2) in these circumstances.

59. EICHENGREEN, *supra* note 10, at 143. Free market enthusiasts include many MNCs, which prefer to operate with great freedom to import and export, and to invest capital, plants, and activities globally to their best advantage. Among OECD "club" members (the more open, free market-oriented nations), mutual advantage and reasonable reciprocity prevails. But most NICs and LDCs are significantly protected and nonreciprocity governs. Unfortunately, as large U.S. trading deficits became entrenched (and EU deficits may increase as the euro becomes more overvalued), U.S. dollar assets became vulnerable to a sell-off. Sadly, as things turned out, U.S. investment banks innovated with subprime mortgages and various other asset-backed, derivative

of the Chinese, Indian, and other strong NIC currencies) might facilitate an easing of trade imbalances. But the United States and European Union hope to absorb heavy net capital inflows for a long time from the developing countries. These funds would be recycled back to NICs and LDCs by financial firms in the United States and European Union, which claim to enjoy a comparative advantage in skillful investing and integrity. Most NICs and LDCs lack sufficient security to attract and retain liquid capital from their own investors, foreign investors, and MNCs. On the other wing are China, India, ASEAN members, Russia, and most NICs and LDCs, which refuse to risk major appreciations of their currencies, to cut their export surpluses, or to eliminate extensive restrictions, tariffs, and subsidies that protect their hard-won recent industrial growth. Furthermore, most NICs and many LDCs want to nurture and protect their budding banking, insurance, and other service firms. The developing world fears becoming more financially dependent upon the wealthy countries and their MNCs. Is this an unbridgeable impasse? Certainly the Doha Round gives little promise of major reductions in U.S. (and potential EU) trade and current account deficits. Many worry that this impasse really guarantees a hard landing, with more extreme misalignments of currencies, unresolved imbalances, and political tensions. "Hot money" flows, banking failures, panics, and financial crises would continue, and could get worse.[60] Speculative excess and large losses are alarming.

Moderates of many flavors take intermediate positions. Many believe that hopes of an easy, soft landing are unrealistic. That said, however, moderates divide into various splinters as to particular remedies. How much in the way of offsets, balance-of-payments relief measures, and/or import surtaxes would be appropriate for big trade-deficit countries like the United States? How much currency realignment is needed? Would the GATT-WTO framework need another overhaul—not the current Doha "non-deal impasse," but a serious reworking of tariffs, safeguarding, and remedies that had been part of GATT 1947, GATT 1994, and the WTO? Clearly though, from most moderate perspectives, the massive U.S. trade and current account

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securities (sliced and diced into risk graduations), which often became toxic with insecurity and illiquidity. An important new wave of U.S. and EU financialization products have now become questionable and of doubtful financial value. This dangerous overhang could take years to resolve. Meanwhile, the United States will have greater difficulty in generating sufficient new exports to offset big current account and trade deficits. *See generally* CHARLES R. MORRIS, THE TRILLION DOLLAR MELTDOWN: EASY MONEY, HIGH ROLLERS, AND THE GREAT CREDIT CRASH (2008); PHILLIPS, *supra* note 2.

60. *See* Goodman, *supra* note 55; Wolf, *supra* note 38.

deficits, with a big build up of U.S. debt obligations to the rest of the world, were unsustainable.

But, lacking consensus on how to phase out these imbalances, the adjustment path could be bumpy and seriously disruptive.[61] Relationships among the United States and OECD allies could be quite strained. Tensions and conflicts between the OECD, and many NICs and LDCs could be aggravated. Global progress, trade, and finance could unravel. Religious antagonisms, ethnic differences, and cultural rivalries could be intensified. Already the widespread good feelings associated with the collapse of communism in 1989-1991 are largely dissipated. In the early to mid-1990s most conflicts were fairly localized, often involving civil wars and/or tribal cleavages. But with al Qaeda's war against the West, a terrorist offensive since September 11, 2001, and U.S.-led coalition intervention in Iraq, broader global conflicts threaten. These security tensions complicate trade-finance negotiations.[62]

B. Priorities Beyond Doha

What are the key constraints beyond Doha for the global trade, finance, and security regime?[63]

First, realize that most countries do not want to give up very much (i.e., they need to preserve what gains and prosperity have come their way). Mutual gains are more readily negotiable in bilateral trade agreements (or at least for smaller regions). Global deals are increasingly more difficult. The Doha logjam reflects a widely held view

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61. Fouad Ajami, *Why We Went to Iraq*, WALL ST. J., June 4, 2008, at A21; David Brooks, Op-Ed., *The Bush Paradox*, N.Y. TIMES, June 24, 2008, at A23; Helene Cooper, *Iraq Math: From One, Make Three*, N.Y. TIMES, July 29, 2007, at WK12; Mohamed El-Erian, *Why This Crisis Is Still Far from Finished*, FIN. TIMES, Apr. 24, 2008, at Comment 3; Edmund S. Phelps, Op-Ed., *Our Uncertain Economy*, WALL ST. J., Mar. 14, 2008, *available at* http://online.wsj.com/article/SB120545520458735247.html?mod-opinion_main_commentaries.

62. THUROW, *supra* note 8, at 232, 235-36 (noting the volatile effects of religious fundamentalism).

63. *See* Andrew Bounds, *EU Fight Looms over Move To Ease Modified Crop Curbs*, FIN. TIMES, June 25, 2008, at World News 9; Anthony Faiola, *In U.S., Trade Hits Stiff Head Wind*, WASH. POST, Feb. 15, 2008, at D01; Rod Hunter, *The Democrats and Trade*, WALL ST. J., Mar. 6, 2008, at A14; James Kanter, *WTO Calls July Meeting To Push Trade Agreement*, INT'L HERALD TRIB., June 26, 2008, at Finance 16; Howard Lafranchi, *U.S. Free Trade Accords Face Rocky Road*, CHRISTIAN SCI. MONITOR, Feb. 7, 2008, at USA 2; Pascal Lamy, *The Doha Marathon*, WALL ST. J., Nov. 3, 2006, at A10; John Legge, *Ordinary People Pay Big Price for Free Trade*, THE AGE (Melbourne, Austl.), June 27, 2008, at Business 8; John Lichfield, *Sarkozy Stirs Revolt Against Mandelson*, INDEPENDENT (London), June 28, 2008, at World 32; John W. Miller & Alistair MacDonald, *World News: Doha Trade Talks Revive on Some Progress*, WALL ST. J., June 26, 2008, at A9; Samuelson, *supra* note 39; Jamie Smyth, *Major Powers To Meet in Bid To Salvage World Trade Deal*, IRISH TIMES, June 26, 2008, at Finance 21.

among most NICs and LDCs that they would suffer significantly from going the full distance to complete openness.

Total free trade for them entails too much risk of economic disruption, job losses, or unreliable investment flows. In addition, many developing nations worry that they have already given up too much to MNCs and to rich countries for high-priced pharmaceuticals, and to foreign banking and service interests. Opening the protected agricultural markets of the European Union, Japan, and the United States did look promising for some developing nations. But most advanced nations (the United States, European Union, and Japan) had already opened most of their manufacturing markets. Complete agricultural openness now is very hard politically for the European Union, and even Japan and the United States. Country-by-country bilateral deals are easier and more predictable in terms of trade gains and losses (even where agricultural concessions are part of the deal).

Second, U.S. trade and current account deficit problems are hard to resolve in another grand multilateral bargain like the Uruguay Round. The accumulated, asymmetrical, and unequal U.S. openness and trading deficits are now deeply entrenched structural problems. Most other countries, forced to avoid trade and current account deficits by balance-of-payments disciplines, make sure in their GATT-WTO concessions that their exports of goods and services match (or somewhat exceed) their imports. Japan still enforces substantial trade surpluses, and the European Union has been able to enforce overall trade balance despite considerable further opening.

Only the United States could get away with increasing trade and current account deficits since the 1970s. Why? The U.S. dollar has served since 1942 as the world's primary global currency and reserve asset.[64] This gave the United States leeway to print more currency, T-bills, and other securities that covered growing balance-of-payments (trade and current account) deficits. Lately, however, many foreign asset holders (with big portfolios of dollars and dollar debt instruments) are losing

64. *See* BLUSTEIN, *supra* note 36, at 45, 47; CONDLIFFE, *supra* note 1, at 439-40, 445, 539, 542, 588; EICHENGREEN, *supra* note 10, at 10-11, 133; FRIEDEN, *supra* note 10, at 269, 344; KUTTNER, *supra* note 10, at 8; LOWENFELD, *supra* note 10, at 12-13; LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 45; WILLIAM A. LOVETT, SUBCOMM. ON ECON. STABILIZATION, 98TH CONG., REPORT ON COMPETITIVE INDUSTRIAL POLICIES AND THE WORLD BAZAAR 17-18, 40, 55, 58, 68 (Comm. Print 1984); LOVETT ET AL., U.S. TRADE POLICY, *supra* note *, at 6, 138, 200 n.4; OBSTFELD & TAYLOR, *supra* note 10, at 26; PHILLIPS, *supra* note 2, at 202-03; Goodman, *supra* note 55; Lovett, *Bargaining Challenges*, *supra* note *, at 942, 964, 980; Lovett, *Current World Trade Agenda*, *supra* note *, at 2014; Lovett, *Grand Bargain or Grand Illusions?*, *supra* note *, at 303, 312; Lovett, *Rethinking U.S. Policy*, *supra* note *, at 147; Lovett, *Train Wreck in Progress?*, *supra* note *, at 420-21, 424; Wolf, *supra* note 38.

confidence in the reliability of the dollar as a store of value. Pressure is building up for these asset holders to unload some of their dollars, and dollar indebtedness, before the U.S. dollar sinks much further. On the other hand, unloading dollar assets could go too far and lead to overshooting. Many observers believe the euro has already appreciated too much against the dollar (80%) and against the Chinese currency (25%) and may be vulnerable to a downslide again soon. Most experts, however, feel that major Asian currencies (China, India, and Japan) are now undervalued. Thus, the global economy needs more realistic exchange rate realignment.

C. Lessons from Trade History

Freer trade policies as a means to broader prosperity was first outlined by Adam Smith, in *The Wealth of Nations*, in 1776.[65] He argued that improved productivity and wealth would come from specialization gains.[66] Free trade within large empires and big states, therefore, was preferable to narrow mercantilism and parochial policies that insulated people from healthy competition. However, Smith laid down important exemptions from complete free trade: (1) national defense and security (weapons and technology); (2) merchant marine and maritime industry; (3) infrastructure (harbors, canals, roads, communications); (4) mitigation tariffs to limit displacement of industries and trades; and (5) retaliation tariffs to enforce reciprocity.[67] Smith urged reciprocal freer trade among industrial nations, but not unilateral openness. Smith's thinking allowed an opportunity for infant industry, catch-up, and industrialization tariffs. The British Empire, the United States, the German Empire, the French Empire, the Russian Empire, and later the Japanese Empire all used such tariffs (at various stages) to promote broad industrialization in their large marketing areas.

Gradually, however, the British used more asymmetrical openness in the 1820s-1840s. The United Kingdom enjoyed a major lead in industrialization, technology, shipping, naval power, and finance in the nineteenth century. The United Kingdom could afford to open itself with minimal tariffs on imports because English merchants still did most of the importing. Furthermore, in their colonies and dominions, British interests largely controlled the investment and trading activity. But tariffs strongly protected the United States, Germany, France, Japan, and even,

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65. *See* ADAM SMITH, THE WEALTH OF NATIONS 423-24, 429-35 (Edwin Cannan ed., Random House 1937) (1776).
66. *Id.*
67. *Id.*

to some extent, Russia and Italy. And as the United States and Germany surpassed the United Kingdom, second thoughts accumulated. In 1899 the Imperial Preference movement was launched to reestablish protective tariffs for the whole British Empire. Much of British manufacturing sought empire preferences. The Safeguarding of Industries Act of 1921 allowed some retaliatory and mitigation duties, but it was used rather timidly. Finally, in 1932, the United Kingdom and the dominions agreed to reestablish substantial Imperial Preference tariffs. They were largely successful, and British industries recovered substantially in the 1930s from the slump and stagnation of the 1920s and early Depression years.[68]

After World War II, the United States became the predominant industrial-economic power, replacing the United Kingdom's role in most of the nineteenth century. U.S. leadership in the Bretton Woods institutions (IMF, World Bank, and GATT) and the Cold War military alliances (North Atlantic Treaty Organization, Southeast Asia Treaty Organization, Japan-South Korea-Taiwan, and the Organization of American States), helped contain communist threats. The Marshall Plan and early European Economic Community (EEC) integration efforts provided foundations for a successful European Union and the OECD bloc today. Both U.S. Republicans and Democrats largely supported U.S. foreign policy leadership (for many years at least) and urged the desirability of a free world global economy in the Cold War.[69]

Ironically, however, the United States soon repeated the British blunder of nonreciprocal and unequal openness. The heyday of Britain's unilateral freer trade policy was 1846-1931, but U.K. financial and import interests at least kept their colonies largely tied to British companies and investors.[70] This preserved some safe export markets within the British Empire, which mitigated some industrial and job losses.

Strikingly, Anglo-American ideologies—especially Cobdenism (the belief that freer trade, democracy, and world peace go together)—tended to reinforce faith in asymmetrical openness.[71] Thus, the United Kingdom lagged in understanding their own economic vulnerability to protected industrial rivalries from the United States, Germany, Japan, and others (from 1899 to 1931). Later, the United States also lagged in appreciating

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68. ECKES, *supra* note 1, at 178-80. *See generally* MICHAEL KITSON & SOLOMOS SOLOMON, PROTECTIONISM AND ECONOMIC REVIVAL: THE BRITISH INTERWAR ECONOMY (1990).

69. *See* HIRST & THOMPSON, *supra* note 1, at 52-54; ANDREW KOHUT & BRUCE STOKES, AMERICA AGAINST THE WORLD 137, 142 (2006).

70. *See* LOWENFELD, *supra* note 10, at 155.

71. ECKES, *supra* note 1, at 286.

its own vulnerability to neo-mercantilist industrial trade policies from Japan, China, India, ASEAN, and even the European Union. In the United Kingdom's case, a broad slump in the 1920s and the Great Depression ultimately forced a fresh look at their predicament. Thus, Imperial Preference industrial trade policies were finally agreed to by the British Commonwealth in 1931-1932.[72] In the case of the United States, trade-finance "internationalism" between 1945 and 2000, and the dollar's dominance as reserve currency, delayed U.S. understanding of its own industrial decline. As long as Wall Street, MNCs, financial institutions, and service industries seemed to prosper, the gradual outsourcing and relocation of U.S. manufacturing to other countries was not that alarming. Even in 2005-2008, when greatly-surging U.S. trade and current account deficits became alarming to many foreign investors, many Americans and experts could not believe that the U.S. economy, jobs, and prosperity were seriously threatened.[73]

III. Alternative Adjustment Policies

A. *The Array of Options*

Three main adjustment policies can be used to correct the recent trade imbalance problems of the United States and the global economy:[74]

(1) *Exchange-rate realignment* is a market-oriented approach used among most OECD bloc countries since the 1970s. Among largely open economies (like the United States, European Union, and to a lesser extent South Korea, Taiwan, Singapore, Australia, New Zealand, Canada, Switzerland, Norway, and Mexico), floating exchange rates work

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72. *See* sources cited *supra* notes 68, 70-71.

73. C. Fred Bergsten, *The Democrats' Dangerous Trade Games*, WALL ST. J., May 20, 2008, at A23; Clive Crook, *Why Middle America Needs Free Trade*, FIN. TIMES, June 28, 2007, at Comment 13; Faiola, *supra* note 63; Hunter, *supra* note 63; Kanter, *supra* note 63; Lafranchi, *supra* note 63; Lamy, *supra* note 63; Legge, *supra* note 63; Miller & McDonald, *supra* note 63; Samuelson, *supra* note 39; Jane Sasseen, *Economists Rethink Free Trade*, BUS. WEEK, Feb. 11, 2008, at 32; Smyth, *supra* note 63; *Taking on the Free Trade Bogeyman*, FIN. TIMES, May 20, 2008, at Leader 10.

74. *See* FRIEDEN, *supra* note 10, at 476; PETER B. KENEN, THE INTERNATIONAL FINANCIAL ARCHITECTURE 80-81 (2001); LOWENFELD, *supra* note 10, at 530-33; LOVETT ET AL., U.S. TRADE POLICY, *supra* note *, at 138. OBSTFELD & TAYLOR, *supra* note 10, at 44; Goodman, *supra* note 55. From a pragmatic viewpoint, because many NICs and LDCs are determined to use trade restrictions, subsidies, and tariffs, the United States would be unwise to employ exchange rates alone as an adjustment policy. *See* Lovett, *Current World Trade Agenda*, *supra* note *, at 2005-06. Against some of these countries (like China, India, Russia, Argentina, etc.), the United States must use offsets and rejuvenation measures. Among OECD "club" members, who employ more openness for trade and capital flows, exchange rates might work better as an adjustment mechanism. Obviously, the United States needs more emphasis on offsets and rejuvenation to implement overall trade balance and reciprocity policies.

reasonably well; but against strongly neo-mercantilist countries like China, India, Russia, ASEAN members, Brazil, Argentina, and Japan, who peg their exchange rates to promote exports and limit disruptive imports, free floating cannot operate properly to eliminate imbalances. This disconnect is at the heart of the structural trade-finance or asymmetry problem in the global economy.[75]

(2) *Offsets to foreign subsidies, tariffs, and restrictions* equalize terms of trade and access to markets.[76] Offsets to foreign neo-mercantilism had been a central feature of trade policy reserved to GATT 1947 Member States.[77] Countervailing duties against foreign subsidies, dumping, and other unfair trade practices were allowed under the GATT 1947 with hardly any limitations.[78] Safeguard restrictions to sustain domestic industries against import disruptions were allowed under GATT 1947,[79] although compensation should be offered to countries that lost recent exports. But GATT 1994 and the WTO agreement substantially limited U.S. use of these trade law remedies.[80] Finally, under GATT 1994 most developing countries could still restrict imports under the residual tariffs, quotas, or other limitations reserved under recent multilateral GATT deals. Most developing countries had not fully eliminated tariffs or potential use of tariffs under the successive GATT trade agreements.

75. Many NICs and LDCs use exchange controls, import restrictions, and discounted and/or undervalued currencies to promote exports and trade surpluses. The rationale is partly defensive, i.e., to prevent deficits, inflation, excess borrowing, and vulnerability to capital flight and instability. IMF disciplines and conditionality have helped to encourage these trade balance and surplus strategies. But, the United States failed to limit increasingly excessive U.S. trade and current account deficits. *See* LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 222. As long as the U.S. dollar would be trusted to serve as the primary reserve currency, the neo-mercantilist export promotion strategies of NICs and LDCs could be tolerated by the United States. EICHENGREEN, *supra* note 10, at 133. But massive U.S. trade and current account deficits surged from 2003 through the present. *See* Lovett, *Current World Trade Agenda*, *supra* note *, at 2006.

76. Offset remedies were stronger and more effective in preventing excessive or disruptive imports under GATT 1947 than under GATT 1994 and the WTO Agreement of 1994. Lovett, *Current World Trade Agenda*, *supra* note *, at 2012 n.25. MNCs in the United States and most EU countries gained more freedom to import from lower wage and export-promoting countries, and it became harder to offset unwanted or excessive imports in the United States and some EU countries. *Id.* at 2005 n.11, 2006. Ironically, GATT 1994 and the WTO regime make it harder for the United States to correct massive and now unsustainable trade and current account deficits through offset remedies. *See id.* at 2006. Thus GATT 1994 and the WTO help to entrench excessive and unsustainable trading deficits, and these accumulating U.S. deficits are undermining the U.S. dollar as the predominant world reserve currency. *See* LOVETT ET AL., U.S. TRADE POLICY, *supra* note *, at 161.

77. General Agreement on Tariffs and Trade art. VI, Oct. 30, 1947, 55 U.N.T.S. 194 [hereinafter GATT].

78. *Id.*

79. *Id.*

80. LOVETT ET AL., U.S. TRADE POLICY, *supra* note *, at 161.

Thus, a growing and serious problem has been that the United States, United Kingdom, and other industrial nations *never forced the developing nations into comparable or reciprocal openness* as part of recent GATT Rounds (Tokyo, Uruguay, or more recently, the proposed Doha Round deals). Many distressed industries, displaced workers, and disrupted communities want strong offset remedies or relief measures to deal with dislocations caused by moving industries and jobs to low-wage countries by MNCs. This is not a simple problem.[81]

Other reasonable offset measures include: *import surcharges for balance-of-payments relief* and adjustment under GATT 1947 and GATT 1994 (in the 10-15% range);[82] *VAT–waiver correctives* (in the 10-15% range);[83] the recently proposed "*A, B, C, D system" for graduated access to U.S. markets* (and perhaps other OECD countries—with tariffs in the 6, 12, or 15% range);[84] *return to general revenue tariffs* (in the 8, 10, or

81. The Doha Round of additional trade-opening efforts occurs (2001-present) in a context of entrenched nonreciprocity, unequal access, and asymmetrical openness. About 80% of the WTO Member States are NICs and LDCs, which benefit from substantial trade preferences to developing countries. Not surprisingly, the Doha Round was sloganized as "the Development Round," and sold as a means to even further benefit those NICs and LDCs that, as yet, had not enjoyed sufficient growth. *See* Lovett, *Bargaining Challenges*, *supra* note *, at 953.

82. Import surcharges were used successfully by the Nixon Administration in 1971-1973 to force realignment of currencies and receive balance-of-payments relief. *Nixon: Determined To Make a Difference*, TIME, Jan. 3, 1972 (Magazine), *available at* http://www.time.com/time/magazine/article/0,9171,879010,00.html. This is the only significant GATT-WTO offset weapon that became stronger under GATT 1994 and the WTO Agreement. But import surcharges are more of a short-term, transitional leverage measure. Now for just this purpose import surcharges may be necessary to force needed overhaul measures.

Warren Buffet's suggestion of import certificates or licenses is interesting, with auction market trading for such certificates to ration them by market disciplines. Peter Coy, *Softening Buffett's Import Proposal*, BUS. WEEK, Aug. 11, 2008, at 55. Oil and other essential imports could be given preferences, but import license schemes have often broken down in administrative details and corruptions. GATT-WTO compliance issues could be tricky. Long-run addiction to import licensing has not worked well in complex market economies.

83. Most advanced countries and NICs employ value-added taxes (VATs) to a significant degree, and they exempt exports while taxing imports. MIHIR A. DESAI & JAMES R. HINES, JR., VALUE-ADDED TAXES AND INTERNATIONAL TRADE: THE EVIDENCE 3 (2002), *available at* http://www.people.hbs.edu/mdesai/vats.pdf. VATs are highly productive general revenue sources. *Id.* The United States, which does not use VATs, stands among relatively few advanced countries that do not mesh well with the majority of higher income states. *Id.* The United States should harmonize its tax system and adopt the VAT as well, along with typical exemptions for exports and appropriate collection of VAT on imports. The United States really subsidizes imports and discourages U.S. exports. *See* LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 118-19.

84. Lovett, *Grand Bargain or Grand Illusions?*, *supra* note *, at 313 n.5. However, implementing the "A, B, C, D system" would require a heavier GATT-WTO overhaul. *See infra* Part III.B.3 (discussing the "A, B, C, D system"). Once established, though, the "A, B, C, D system" has better long-term flexibility and adaptability. *See also* Lovett, *Bargaining Challenges*, *supra* note *, at 986-90.

12% range);[85] and *border-security import fees* (in the 1, 2, or 3% range) to support ample security measures for seaports, air terminals, and other border security needs on a user-cost basis.[86] Some of these policies may be needed as appropriate offsets to foreign neo-mercantilism.

(3) *Industrial-development or renewal policies* can be employed by most developing nations (encouraged by GATT 1947, GATT 1994, and the WTO Agreement) or by advanced industrial nations that see a need for substantial recovery of weakened industries, technological upgrading, and revived economic prosperity. Renewed tax subsidies, tariff protection, and regulatory encouragements are part of the economic-engineering-industrial tool kit for sound development and rejuvenation policies.[87] Over the longer run, it will be essential for many advanced nations to rebuild or rejuvenate parts of their industrial technology networks to catch back up with recent pacesetters. Engineering, technology, and promotion are continuing needs for great nations and cultures. Comparative advantage is never static. Comparative advantage among trading nations should be dynamic. Universal access to the common crafts and evolving technologies of humankind should always be progressive and sustained by sound educational, tax, and technology-transfer policies.

B. Selecting Sensible Mixes

Exchange-rate realignment can and should be a major part of the adjustment process to correct excessive U.S. trade and current account deficits. But most NICs (including China, India, and Brazil) now feel that they must keep their currencies pegged low to sustain exports, trade surpluses, and a healthy current account.[88] As long as the U.S. dollar was

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85. General revenue tariffs in this range would provide good revenue without much distortion.

86. Border-security issues for illegal drugs, immigrants, and terrorist attacks have become more serious in many countries, including the United States and EU nations. Greatly improved port, cargo, and air terminal security, border surveillance, coastal patrol, and land frontier controls are essential. Import fees for these purposes are the most logical user-cost charges to cover these social burdens and risk mitigations.

87. *See* LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 126-28; KUTTNER, *supra* note 10, at 20-22.

88. *See* EICHENGREEN, *supra* note 10, at 3; FRIEDEN, *supra* note 10, at 428-30; LOVETT ET AL., U.S. TRADE POLICY, *supra* note *, at 10; OBSTFELD & TAYLOR, *supra* note 10, at 168-69; PHILLIPS, *supra* note 2, at 19; James T. Areddy, *Chinese Investors Get To Bet on U.S. Stocks*, WALL ST. J., Jan. 30, 2008, at C6; Andrew Batson, *Global Economy: China's Big Trade Surplus To Loom Large at Summits*, WALL ST. J., Nov. 13, 2007, at A16; Keith Bradsher, *Dollars to Spare in China's Trove*, N.Y. TIMES, Mar. 6, 2007, at C1; *China's Trade Rose by 23.2% Last Year*, WALL ST. J., Jan. 11, 2006, at A2; El-Erian, *supra* note 61; Mohamed El-Erian, *How Best To Manage the Global Imbalance Problem*, FIN. TIMES, June 16, 2008, at Comment 13; William Hawkins,

the dominant reserve currency, these nations did not mind accumulating ever-larger dollar reserves. But dollar reserves must now be diversified. Strong pressures are accumulating to reduce U.S. deficits (by increasing U.S. exports and reducing U.S. imports).[89] Finally, the world's tolerance for unrestricted and massive U.S. trade and current account deficits has hit limits.[90]

The tricky challenge is to select the best mix of offsets to foreign industrial policies, tariffs, subsidies, and restrictions. There should be appropriate rejuvenation efforts when too much industrial ground and technology has been lost from relocating U.S. and EU plants and industries elsewhere. This author has been focusing, teaching, and writing on these issues for more than 25 years. From broad experience regarding the Kennedy, Johnson, Nixon, Ford, Carter, Reagan, Bush, Clinton, and Bush Administrations the following would be the best mix for the next 20-30 years:

(1) *Border-security import fees* (in the 1, 2, or 3% range). The U.S. public is now alarmed and ready to take serious action. Reasonable border fees for national security, health, and welfare are consistent with GATT (articles XX and XXI).[91]

(2) *VAT-waiver correctives* (in the 10-15% range). This would go well with improved U.S.-EU-Japan-NIC tax harmonization measures, and help shift taxes more toward consumption rather than savings. Most export-oriented countries (and the European Union) now rely heavily on VAT consumption taxes. The United States should adopt the VAT, too.[92] This harmonization measure is also consistent with GATT-WTO policies.

(3) *Establish the graduated "A, B, C, D system"* of reciprocal tariff levies for the 4 main classes of countries.[93] (1) "A" class nations would be OECD Member States with largely open markets and mutual respect for international capital flows, intellectual property, and convertibility. Against these countries, U.S. tariffs would be minimal and no more than 6%, depending upon what other nations charge for their

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Talking to Ourselves on China, WASH. TIMES, Nov. 23, 2007, at A20; Samuelson, *supra* note 39; Wolf, *supra* note 38.

89. *See* LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 222.

90. *See* PHILLIPS, *supra* note 2, at 19; *see also* Craig Karmin & Joanna Slater, *Dollar's Dive Deepens as Oil Soars*, WALL ST. J., Feb. 29, 2008, at A1; Anthony Rowley, Op-Ed, *A Novel Idea To Rule the World that Doesn't Wash*, BUS. TIMES SINGAPORE, June 26, 2008, at Views & Opinions; Martin Wolf, *America's Economy Risks the Mother of all Meltdowns*, FIN. TIMES, Feb. 20, 2008, at Comment 9.

91. *See* discussion *supra* note 86.

92. *See* LOVETT, WORLD TRADE RIVALRY, *supra* note *, at 118-19.

93. *See* Lovett, *Grand Bargain or Grand Illusions?*, *supra* note *, at 313.

imports. (2) "B" class nations would be developing nations with somewhat restricted access, using tariffs in the 15-25% range. Against these nations, U.S. tariffs would be 8-12%, depending upon what that nation charges for its imports. (3) "C" class countries would be developing nations with more restricted access and higher tariffs in the 35-50% range. Against these nations, U.S. tariffs would be 18-25%, depending upon what that nation charged for imports. (4) For "D" class countries with minimal access and/or very high tariffs and little respect for international investment or intellectual property, U.S. tariffs would be 50% or more, and there would be only minimal access to U.S. technology, capital, and markets. The beauty of this "A, B, C, D system" framework of graduated access to U.S. markets (and other OECD markets) is that other countries will get to choose the level or degree of access to U.S. markets, capital, and technology they prefer. U.S. trade and investment access would be largely reciprocal. Free riding on the most open countries (like the United States) would be strongly discouraged and largely eliminated.

This package of border-security fees, exchange-rate realignment, VAT-waiver correctives, and the graduated "A, B, C, D system" of reciprocal tariff levies would be sufficient to eliminate large U.S. trade and current account deficits. Overall U.S. trade balance could be restored in a 5-year period without being seriously disruptive or damaging to the United States, European Union, other OECD nations, China, India, Russia, Japan, other NICs, and most LDCs. Somewhat higher tariffs in NICs and LDCs than in the United States or other OECD nations would be broadly acceptable.[94] The drastic post-Uruguay Round (GATT 1994) discrepancies between minimal OECD tariffs and large or substantial NIC/LDC tariffs should be eliminated. However, significant GATT overhaul is needed to enforce "A, B, C, D system" reform. Major asymmetries must be eliminated.

An alternative approach might be general revenue tariffs (in the 8, 10, or 12% range).[95] Some discrepancy (say 8% for OECD nations and

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94. The nations of the world must move toward narrowing the tariffs-and-import-restrictions gap between the United States and other advanced nations as against most NICs and LDCs. The current gap widened too much as a result of the Uruguay Round. Massive U.S. trade and current account deficits followed. *See* Lovett, *Bargaining Challenges*, *supra* note *, at 962. The European Union did not allow as much asymmetry in practice. *See id.* at 969. But a sustained period of an overvalued euro could lead to structurally excessive imports for the EU countries as a whole, too; likewise for Canada, Australia, and New Zealand, if their currencies become overvalued.

95. A general regime of 8-10% revenue tariffs for all countries could work well. It would provide strong revenues on a fair and reciprocal basis. Industries would be assured of reasonable and comparable treatment. But like speed bumps in highway construction, a general regime of

10-12% for NICs and LDCs) could be retained. But a regime of general revenue tariffs with narrow differentials would be more difficult to achieve by multilateral negotiation or by a rapid pattern of bilateral and regional deals. Moreover, some NICs and LDCs really want higher levels of protection (e.g., class "C" and "D" countries). Thus, a narrower range of general revenue tariffs (8-12%) is too inflexible, restrictive, and politically unworkable at this stage of world economic and political development. Also, border-security fees and exchange-rate realignment would still be needed for many nations in any event.

Still another approach would be to greatly revive GATT article VI remedies (countervailing duties for subsidies and dumping) and GATT article XIX safeguard relief.[96] Both article XIX safeguard and article VI proceedings could, if pressed strongly enough and utilized widely by the United States, European Union, Japan, and other OECD nations, get relief for some of the most recent *and further* displacements and job losses (but older industrial and job losses could not be recovered). Also, it will be harder to get this kind of restructuring from the GATT-WTO regime in its present form. Unfortunately, revived trade law relief would not nurture the restoration of already-damaged U.S. and OECD industries, trades, and jobs. However, the mix of border-security fees, exchange rate realignment, VAT-waiver correctives, and "A, B, C, D system" reciprocal tariffs provide a much stronger and permanent remedy for the current regime of unsustainable and asymmetrical openness that was entrenched by the Uruguay Round, GATT 1994, and the WTO.

Finally, import surcharges in the 10-15% range can be imposed by countries (like the United States recently) that suffer from excessive balance-of-payments deficits.[97] GATT 1947 article XII and the GATT 1994 agreement on Balance-of-Payments Measures clearly authorize this remedy.[98] There are two problems with this remedy. First, the surcharge

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revenue tariffs would encourage somewhat more stability and less moving of industries and jobs for tariff and tax reasons. More secure long-term employer-employee relations would be facilitated.

96. See LOVETT, ET AL., U.S. TRADE POLICY, *supra* note *, at 109-14, for a summary table of U.S. trade remedies in the 1980s-early 1990s. Some adjustment assistance may be helpful, too, but Congress has not been very generous in this direction since the early 1960s. *Id.* at 109-17.

97. The best way to utilize import surcharges for balance-of-payments relief is for transitional leverage to overhaul and eliminate excessive and unsustainable asymmetry in tariffs, subsidies, and restrictions. A level playing field with more reciprocity is what the world trade and financial regime needs now.

98. GATT art. XII; Understanding on the Balance-of-Payments Provisions on the General Agreement on Tariffs and Trade, Apr. 15, 1994, Marrakesh Agreement Establishing the World

is supposed to be nondiscriminatory as between trade partners, but the underlying source of U.S. trade deficits since the 1980s has been asymmetrical openness.[99] Some key nations (Japan and later China, for instance) are far more neo-mercantilist than most other U.S. trade partners. Therefore, it would be more fair and accurate to impose *selective* import surcharges. But GATT article I members pledge to use unconditional Most Favoured Nation status, which allows free riding without effective response.[100] Second, those countries using article XII Balance-of-Payments Relief are supposed to consult closely with IMF officials and not use import surcharges beyond a reasonable time.[101] These problems might limit U.S. employment of import surcharges for balance-of-payments relief in the present circumstances. In any event, the United States needs to employ sustained rejuvenation and retaliation tariffs against trade partners with disproportionate surpluses that enforce much tougher overall restrictions on U.S. exports into their markets.

Thus, the most effective overhaul of GATT 1994 and WTO Agreement would be the mix of border-security fees, VAT-wavier correctives, exchange-rate realignment, and the "A, B, C, D system" of reciprocal tariffs (with a partial, but not overwhelming, discrepancy between OECD tariffs and NIC/LDC tariffs).[102] This overhaul and restructuring effort could be launched as a 10th GATT-WTO Round effort. Its theme could be realistic rebalancing of tariffs for the twenty-first century. The 9th GATT-WTO (Doha) Round of multilateral trade

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Trade Organization, Annex 1, Legal Instruments—Results of the Uruguay Round, 33 I.L.M. 1125 (1994) [hereinafter BPU].

99. Most of the aggravated asymmetry and excessive U.S. trade and current account deficits came from the mishandled negotiation and implementation of the Uruguay Round (1985-1994). The key blunders were: (1) the U.S. standstill promise not to use U.S. trade law remedies; (2) one country-one vote in the WTO decision making regime; (3) excessive disparities between U.S. tariffs and NIC/LDC tariffs leading to major relocation of U.S. industries and jobs abroad; (4) needless U.S. dependence on heavy foreign loans and capital inflows; and (5) accession of China to the WTO in 1999 on excessively generous terms as an LDC so that China received full access to U.S. markets while retaining the right to very extensive restrictions, tariffs, and lack of access for the United States and other free trade nations. This all reflected a lack of effective reciprocity.

100. GATT art. I.

101. *Id.* art. XII; BPU, *supra* note 98.

102. But U.S. import surcharges for balance-of-payments relief would be helpful as transitional leverage to force an overhaul of the current GATT 1994 and WTO regime, so that significant U.S. current account deficits could be largely eliminated in a few years. Currency realignments are needed, with a substantial increase in Asian and oil-surplus export countries' currency values. The U.S. dollar would probably decline somewhat further in value, especially against prospering Asian nations' currencies and commodity-surplus exporters' currencies. Wider use by the United States of bilateral free trade agreements would be helpful, too, because these agreements tend to be much more reciprocal and result in fair outcomes for U.S. interests.

negotiations has already failed and is no longer viable. Doha's theme, selective and further trade opening to favor NICs and LDCs (broadly the developing countries), is no longer what the world really needs. Now the world needs to save and rebalance the global system.[103] The United States (and its currency) is no longer strong enough to carry the whole world on its shoulders. If we persist in the Doha Round effort and try to impose even more imports on the United States and to further weaken U.S. exports, the central role of the U.S. economy and its currency will be even more drastically undermined. The bigger the slump of the U.S. dollar and its employment, morale, and industrial prosperity, the greater a U.S. backlash into general protectionism and antagonism against other countries will be. A thicket of angry countermeasures and recriminations will follow for the United States, European Union, United Kingdom, China, India, ASEAN, and other NICs and LDCs around the globe. This could really unravel the global economy.

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103. Some U.S. financial interests will be upset by further weakening of the U.S. dollar in exchange values. But some further realignment cannot be avoided, as long as U.S. trade and current account deficits loom so large. *See* David Dickson, *Dollar's Decline a Plus for International Debt*, WASH. TIMES, July 27, 2008, at M05; Lawrence C. Strauss, *Gloom and Doom? Nah*, BARRON'S, June 30, 2008, at 46.

Table 3[104]

U.S. Defense, GNP and National Debt Service

<table>
<tr><th></th><th>Population (Millions)</th><th>Gross National Product</th><th colspan="2">Defense (Army)</th><th>Defense (Navy)</th><th>Defense as Percent of GNP</th><th>Interest on Federal Debts</th></tr>
<tr><td>1792</td><td>4.0</td><td>$125m(e)</td><td colspan="2">$1.1m</td><td>—</td><td>.9</td><td>$3.2m</td></tr>
<tr><td>1799</td><td>5.1</td><td>180m(e)</td><td colspan="2">2.5m</td><td>2.8m</td><td>3.0</td><td>3.2</td></tr>
<tr><td>1803</td><td>5.7</td><td>230m(e)</td><td colspan="2">.8m</td><td>1.2m</td><td>.9</td><td>2.0m</td></tr>
<tr><td>1811</td><td>7.3</td><td>300m(e)</td><td colspan="2">2.0m</td><td>2.0m</td><td>1.3</td><td>1.6m</td></tr>
<tr><td>1814</td><td>8.3</td><td>365m(e)</td><td colspan="2">20.3m</td><td>7.3m</td><td>7.6</td><td>2.5m</td></tr>
<tr><td>1823</td><td>10.8</td><td>480m(e)</td><td colspan="2">3.1m</td><td>2.5m</td><td>1.2</td><td>4.9m</td></tr>
<tr><td>1830</td><td>12.9</td><td>675m(e)</td><td colspan="2">4.8m</td><td>3.2m</td><td>1.2</td><td>1.9m</td></tr>
<tr><td>1836</td><td>15.0</td><td>1.35b(e)</td><td colspan="2">12.2m</td><td>5.8m</td><td>1.3</td><td>—</td></tr>
<tr><td>1841</td><td>17.3</td><td>1.6b(e)</td><td colspan="2">8.8m</td><td>6.0m</td><td>.9</td><td>.3m</td></tr>
<tr><td>1847</td><td>20.2</td><td>2.3b(e)</td><td colspan="2">38m</td><td>8.0m</td><td>.6</td><td>1.1m</td></tr>
<tr><td>1853</td><td>25</td><td>3.5b(e)</td><td colspan="2">10m</td><td>11m</td><td>.6</td><td>3.7m</td></tr>
<tr><td>1860</td><td>32</td><td>5.0b(e)</td><td colspan="2">6.4m</td><td>11.5m</td><td>.5</td><td>3.2m</td></tr>
<tr><td>1865</td><td>34</td><td>5.0b(e)</td><td colspan="2">1.0m</td><td>123m</td><td>24.0</td><td>73m</td></tr>
<tr><td>1872</td><td>41</td><td>6.7b(e)</td><td colspan="2">35m</td><td>25m</td><td>.9</td><td>103m</td></tr>
<tr><td>1881</td><td>52</td><td>9.2b</td><td colspan="2">40m</td><td>16m</td><td>.6</td><td>82m</td></tr>
<tr><td>1890</td><td>63</td><td>13.1b</td><td colspan="2">44m</td><td>22m</td><td>.5</td><td>36m</td></tr>
<tr><td>1898</td><td>73</td><td>17.3b</td><td colspan="2">92m</td><td>59m</td><td>.9</td><td>38m</td></tr>
<tr><td>1906</td><td>85</td><td>25b</td><td colspan="2">137m</td><td>110m</td><td>1.0</td><td>24m</td></tr>
<tr><td>1914</td><td>97</td><td>40b</td><td colspan="2">208m</td><td>140m</td><td>.8</td><td>23m</td></tr>
<tr><td>1919</td><td>104</td><td>79b</td><td colspan="2">9.0b</td><td>2.0b</td><td>14.0</td><td>619m</td></tr>
<tr><td>1924</td><td>112</td><td>88b</td><td colspan="2">357m</td><td>332m</td><td>.8</td><td>940m</td></tr>
<tr><td>1930</td><td>123</td><td>91b</td><td colspan="2">464m</td><td>374m</td><td>.9</td><td>659m</td></tr>
<tr><td>1934</td><td>125</td><td>65b</td><td colspan="2">408m</td><td>296m</td><td>1.1</td><td>756m</td></tr>
<tr><td>1939</td><td>130</td><td>91b</td><td colspan="2">695m</td><td>672m</td><td>1.5</td><td>940m</td></tr>
<tr><td>1945</td><td>140</td><td>214b</td><td colspan="2">50.5b</td><td>30b</td><td>37.5</td><td>3.6b</td></tr>
<tr><td colspan="3"></td><td>Air</td><td>Army</td><td>Navy</td><td></td><td></td></tr>
<tr><td>1949</td><td>150</td><td>258b</td><td>1.7b</td><td>8b</td><td>4.4b</td><td>5.4</td><td>6.8b</td></tr>
<tr><td>1956</td><td>165</td><td>419b</td><td>17b</td><td>9b</td><td>10b</td><td>8.6</td><td>9.0b</td></tr>
<tr><td colspan="8">Defense</td></tr>
<tr><td>1961</td><td>180</td><td>520b</td><td colspan="3">46b</td><td>8.8</td><td>9.0b</td></tr>
<tr><td>1965</td><td>191</td><td>685b</td><td colspan="3">47b</td><td>7.0</td><td>11.3b</td></tr>
<tr><td>1970</td><td>203</td><td>977b</td><td colspan="3">78b</td><td>8.0</td><td>19.3b</td></tr>
<tr><td>1974</td><td>213</td><td>1,434b</td><td colspan="3">78b</td><td>5.4</td><td>29.3b</td></tr>
<tr><td>1978</td><td>220</td><td>2,164b</td><td colspan="3">105b</td><td>4.8</td><td>41.9b</td></tr>
<tr><td>1985</td><td>240</td><td>4,014b</td><td colspan="3">253b</td><td>6.5</td><td>116b</td></tr>
<tr><td>1993</td><td>256</td><td>6,577b</td><td colspan="3">291b</td><td>4.5</td><td>199b</td></tr>
<tr><td>2000</td><td>280</td><td>10,000b</td><td colspan="3">282b</td><td>2.8</td><td>233b</td></tr>
<tr><td>2004</td><td>295</td><td>11,600b</td><td colspan="3">485b</td><td>4.2</td><td>160b</td></tr>
<tr><td>2007</td><td>303</td><td>13,300b</td><td colspan="3">553b</td><td>4.2</td><td>237b</td></tr>
<tr><td>2008</td><td>305</td><td>13,900b</td><td colspan="3">607b</td><td>4.2</td><td>300b</td></tr>
</table>

104. Sources: U.S. DEP'T OF COMMERCE, U.S. BUREAU OF THE CENSUS, HISTORICAL STATISTICS OF THE U.S., COLONIAL TIMES TO 1970, BICENTENNIAL EDITION pts. 1-2 (1995), *available at* http://www2.census.gov/prod2/statcomp/documents/CT1970p1-01.pdf; COUNCIL OF ECON. ADVISORS, ECONOMIC REPORT OF THE PRESIDENT 1975-2008 (2008).

The global economy cannot go on much longer with a crippled linchpin of an overloaded U.S. economy and dollar.[105] The United States suffers from overextended military commitments, excess budget deficits, increasing health care and social security burdens, high oil prices, global climate change, unsustainable trade and current account deficits, eroded confidence, and a lack of international leadership and collaboration. There is a growing vulnerability to major crisis and stagflation. Both President George W. Bush and Congress have low ratings in the polls. The 2008 election campaign suggests a lack of broad public confidence in most, if not all, of the leading Democratic and Republican presidential candidates.

IV. PROBLEMS OF POLITICS

The array of options in selecting sensible mixes provides a strong argument for overhaul of the international trade-finance system. U.S. trade and current account deficits must be largely eliminated.[106] Considerable U.S. industrial rejuvenation is essential now for this purpose. But the world trading system must become more reciprocal and *less drastically* protective of NICs and LDCs.[107] Can most NICs and

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105. In the post-Uruguay Round-WTO euphoria the United States took on an "Atlas like" role. As sole superpower the United States believed its leadership would carry the world on its shoulders and make the world "be like us." *See* Lovett, *Grand Bargain or Grand Illusion?*, *supra* note *, at 313 n.5. U.S. finance and investment bankers would preside over the global marketplace. But a failure to enforce reasonable reciprocity led to a weaker deindustrialized United States, with excessive financialization, increased and unsustainable budget, trade, and current account deficits. *See generally* PHILLIPS, *supra* note 2. The United States became the world's biggest debtor, and risky U.S. lending policies brought trillion dollar losses (or worse) to U.S. banking institutions. *See generally* ROBERT A. BLECKER, TAMING GLOBAL FINANCE 2 (1996); PATRICK J. BUCHANAN, A REPUBLIC, NOT AN EMPIRE: RECLAIMING AMERICA'S DESTINY 347, 359, 389 (1999); WILLIAM EASTERLY, THE ELUSIVE QUEST FOR GROWTH 226 (2001); HIRST & THOMPSON, *supra* note 1, at 70-72; KOHUT & STOKES, *supra* note 69, at 121; CHARLES A. KUPCHAN, THE END OF THE AMERICAN ERA 55, 58-60 (2002); AKIO MIKUNI & R. TAGGART MURPHY, JAPAN'S POLICY TRAP 47 (2002); MORRIS, *supra* note 59, at 88-89, 104; PHILLIPS, *supra* note 2, at 98, 121; GEORGE SOROS, THE BUBBLE OF AMERICAN SUPREMACY 30, 53, 71-72, 79, 173, 186 (2004); GEORGE SOROS, THE NEW PARADIGM FOR FINANCIAL MARKETS: THE CREDIT CRISIS OF 2008 AND WHAT IT MEANS 93, 96-100, 122-23 (2008); Lovett, *Grand Bargain or Grand Illusions?*, *supra* note *, at 304.

106. *See* Lovett, *Bargaining Challenges*, *supra* note *, at 972; Lovett, *Current World Trade Agenda*, *supra* note *, at 2002, 2020, 2036, 2038, 2041.

107. Within reasonable limits, most developing countries should use tariffs and other industry-promoting measures to launch development and broaden industrial growth. But advanced industrial countries should not abandon their industrial bases, erode their technology, and weakly submit to decline. The challenge, either as individual countries or as market groups (the European Union, NAFTA, etc.), is to respond appropriately with some general revenue tariffs, offset measures tailored to exporting nations, and rejuvenation policies. *See supra* notes 81-87.

LDCs give up a cushion of *moderate* protective tariffs in the 15-35% range? Probably not. It is futile to imagine that all tariffs, subsidies, and restrictions can be swept away. That dream is a nightmare, because total openness would increase disruptive trade and capital flows, further aggravating the problems of GNP instability, insecurities of business, incomes, and private capital.[108] Political support for the world trading framework would erode even further if we press too far towards completely free trade.

Accordingly, the United States and other advanced industrial nations (the OECD bloc) must move in the direction of more reciprocity and retaliatory tariffs. The "A, B, C, D system" provides a multitrack environment for sustainable trade, without undue deficit and imbalance problems.[109] "A" class high-wage countries are comfortable with a global free-trading area. Full capital mobility applies to most OECD countries now (the United States, European Union Member States, Canada, Australia, New Zealand, and others). But "B" and "C" class developing countries will retain moderate- to high-protective tariffs. Under the "A, B, C, D system," they will face U.S. and other OECD retaliatory tariffs of roughly half the levels now imposed by "B" and "C" class nations (like China, India, Brazil, Argentina, etc.). Of course, retaliatory tariffs will encourage some developing countries to open up much more fully and become "A" class countries and thus join the OECD club.

Border-security fees should be imposed more generally in a world threatened by widespread terrorism and proliferating weapons of mass destruction. Again, they are fully justifiable under GATT articles XXI and XX for national security, safety, health and environmental and general welfare.[110] The United States, already vulnerable to terrorist threats, can and should go forward and lead the way toward reasonable border-security fees.

Tax-harmonization measures encourage more uniform treatment of investments, savings, and VAT waivers (and correctives).[111] Healthier incentives for savings and investment follow from value-added taxes in

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108. Most NICs and LDCs (including the new and powerful G20, with Brazil, India, China, and others) have made their unwillingness to open up *abundantly clear* in the Doha Round. Because complete openness and total free trade is not an option, the advanced and developing nations must fashion a more realistic *modus vivendi*. Current imbalance problems have been highlighted by PHILLIPS, *supra* note 2, at 54, 192-93.

109. *See* Lovett, *Bargaining Challenges*, *supra* note *, at 987-88; Lovett, *Grand Bargain or Grand Illusions?*, *supra* note *, at 313.

110. *See* GATT arts. XX-XXI.

111. *See* JACOB A. FRENKEL, ASSAF RAZIN & EFRAIM SADKA, INTERNATIONAL TAXATION IN AN INTEGRATED WORLD 141-63 (1991).

many countries. The European Union and most other industrial nations, along with many NICs, already employ VATs. Substantial harmonization already occurs. The United States, in its own interests and to encourage exports and more economic growth, should join the majority of nations now using VATs (and appropriate VAT waivers and correctives).

The biggest challenge for the United States and its significant trade partners is to implement the "A, B, C, D system." For the longer run, it is evident that the NICs and LDCs should not be so heavily protected, subsidized, or restricted. Current tariff asymmetries are obviously unsustainable, especially for the United States, with its massive trade and current account deficits and the sagging U.S. dollar. But as the U.S. dollar declines markedly in value and the euro surges in value, the euro is overshooting. Not as much wholesale outsourcing or relocation of industries abroad has gone on in the European Union as yet. But the trend is clear. Already EU negotiators are complaining of excess imports and undervalued Asian currencies, and French President Sarkozy warned recently of a potential global crisis if these trade-imbalance problems are not resolved soon.[112]

A recent *Fortune* poll shows more concern about U.S. trade policy, and support for a new, reciprocity-oriented policy.[113] This poll was taken from a carefully constructed representative sample of U.S. adults, January 14-16, 2008: 65% believed U.S. economic conditions were getting worse; 68% believed foreign countries benefited more from trade than the United States, while only 23% believed the United States benefited more from trade; 78% believed international trade made things worse for U.S. workers; 79% believed that the U.S. Government has not done enough to help workers losing jobs; 68% were very concerned about outsourcing of jobs (another 24% were somewhat concerned); and

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112. Many Europeans have had anxieties about globalization and job losses, which helps explain why EU countries are alarmed about the surging euro (even though cheaper travel to the United States, Asia, and elsewhere is pleasant). Unease about tightening up EU governance is widespread. *See* Editorial, *An Irish Education*, WALL ST. J., June 14, 2008, at A10; Marc Champion & Charles Forelle, *Europe in Turmoil After Irish Vote*, WALL ST. J., June 14, 2008, at A1; *Irrelevance, Europe's Logical Choice*, FIN. TIMES, May 20, 2008, at Comment 11; John Thornhill, *How Sarkozy Could Win America and Lose Europe*, FIN. TIMES, Sept. 29, 2007, at Comment & Analysis 7; Charles Wyplosz, *What Dream Will Europe Dream Now?*, FIN. TIMES, June 19, 2008, at Comment 11.

113. *See also* Erik Eckholm, *Blue-Collar Jobs Disappear, Taking Families' Way of Life Along*, N.Y. TIMES, Jan. 16, 2008, at A14; Duncan Hunter, Op-Ed, *We Can Make It*, N.Y. TIMES, Mar. 2, 2008, at WK13; Sallie James, *Democrats Create Pessimism About Trade Prospects*, DETROIT NEWS, Jan. 16, 2008, at Politics; Robert E. Lighthizer, Op-Ed, *Grand Old Protectionists*, N.Y. TIMES, Mar. 6, 2008, at A31; Steven R. Weisman, *Partisan Tangle over Trade Pact with Columbia*, N.Y. TIMES, Apr. 10, 2008, at A1.

78% were very concerned about becoming dependent on foreign countries that may become hostile to the United States.[114]

For 25 years, this author has been teaching international trade and finance, and for 30 years financial institutions and banking. Over those years, I have taught students from 75 countries, and lectured or taught abroad in 25 countries (mostly Europe and Asia). The best way to explain the U.S.-trade partner imbalance problems is a careful tracing of global economy developments: from the 1800s through World War I, the interwar period, World War II, the Cold War, and the post-Cold War era. This longer view encourages detached, objective understanding. The global trade imbalances/deficits problem is a very serious conundrum.[115] It needs to be resolved on a mutual basis. But a broad international consensus effort is unlikely to yield detailed international agreements, either in the IMF, the WTO, or the Bank for International Settlements (BIS). Most urgent actions will require responsible national policies. Mutual discussion and accommodation on a mainly bilateral and regional basis are needed. Multipolar relations and some rivalries cannot be avoided. Yet realism, civility, and some good humor will be helpful in these extended negotiations.[116] Anger, domineering, insensitivity, and harshness only entrench conflicts. Achieving a better trading balance and a more resilient global economy will require a sustained overhaul of the existing international trade and finance networks. But the lessons of interwar conflicts and failures and major post-World War II improvements (the Bretton Woods framework, IMF reforms, recovery of

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114. Press Release, *Economy Is Number One on Minds of Americans*, FORTUNE, Jan. 18, 2008, http://www.timeinc.net/fortune/information/presscenter/fortune/press_releases/200810118_economysurvey.html.

115. Eliminating the excessive and unsustainable U.S. trade and current account deficits is one of the dozen or so major challenges, or conundrums, in U.S. economic policy for the early twenty-first century. But the good news is that most other countries have been forced over the last 25-30 years to accept balance-of-payments discipline. World markets, currency depreciation, capital flight, and the IMF have done the job. Unfortunately, U.S. manufacturing and industrial capacity have suffered some neglect. Sadly, the United States had a mixed blessing—the U.S. dollar was the predominant world reserve currency between 1942 and approximately 2005. Now the dollar has declined substantially, U.S. finances are weaker, and world markets are belatedly enforcing balance-of-payments discipline on the United States. *See generally* LOVETT, WORLD TRADE RIVALRY, *supra* note *.

116. Sadly, the U.S. intervention in Iraq (2002-present) by the Administration of George W. Bush was controversial, mishandled, and became very unpopular in many parts of world. *See* sources cited *supra* note 61. Some longstanding allies complained of U.S. unilateralism and arrogance. But gradually, as American opinion became more critical, and a new President would take office in January 2009, thinking has shifted toward the coming multipolar challenges—global finance, trade, environment, health care, infrastructure, productivity, and technology. And the United States became less domineering—a good thing.

international banking and investment, successive GATT rounds, global debt overloads, and restructuring) suggest that global trade-finance imbalances can be resolved with good will and reasonable friendliness.

Finally, we should appreciate that the global trade-finance conundrum does not occur in isolation from other U.S. and global crises.[117] Civil wars among many nations (and particularly within the broad crescent of Islamic States) are dangerous and costly conflicts, with weapons of mass destruction proliferation and terrorist threats. Excessive budget deficits afflict the United States and many other states. Increasing health care burdens, longevity, pension, and social security strains are common. High oil prices, resource constraints, and inflation limit progress. Environmental overcrowding and climate change menace many areas, and the global trading-finance imbalances are not easy to resolve.

In this connection, a very interesting feature of realistic, responsible action on the trade-finance front is partial restoration of some tariff revenues for the United States and other OECD bloc countries. Border-security fees in the United States could generate $20-40 billion annually, much of which will be needed for these purposes. A VAT with appropriate waiver correctives might generate another $100-150 billion annually for the United States. A moderate rise in U.S. tariffs from the "A, B, C, D system" could generate $100-200 billion yearly for the United States alone. Other OECD bloc countries could generate comparable revenues from their "A, B, C, D system" reciprocal tariffs. These $200-250 billion of additional U.S. import revenues each year provide some crucial help for other major U.S. crises—excess budget deficits, military overstretch, global climate change, health care reform, and the pension and social security crunch. It is ironic, but facing up realistically to global trade imbalances and restoring some moderate, reciprocal tariffs, will help solve these other crises.

Internationalism and a globalized world economy are beneficial and productive in the twenty-first century—within reasonable limits. But U.S. dominance and heavy-handed leadership as the sole superpower is no longer operative. That opportunity did apply to the early years

117. Many of the grave and difficult challenges facing the United States and world community involve a need to spend significant new money and capital outlays. Ironically, a significant part of the solution for U.S. trade and current account deficits will be to raise more federal revenues—in border-security fees, import surcharges, tariff and subsidy offsets, and possibly revenue tariffs. With recession, increased unemployment, surging energy and food costs, reduced living standards for some, and revenue shortfalls at all levels of government, the United States needs more import and tariff revenues. Thus, necessary U.S. balance-of-payments discipline will help generate replacement revenue from the global trading system.

immediately following the collapse of communism, approximately from 1991 to 2001, but U.S. leadership, economic ascendancy, technology, oil supplies, and dynamism have eroded. This special role has been replaced by a more complicated, multipolar world.[118] U.S. politicians elected in 2008 face daunting tasks, but their first priority must be greater realism in global trade and finance.

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118. The dramatic Doha collapse in late July 2008, had a strong, cold-shower effect on the thinking of many trade experts and officials. For some of the best commentary, see the following: Andrew Batson, *Doha's Collapse: The Fallout: China Casts Its Lot with Developing Nations*, WALL ST. J., July 31, 2008, at A10; Rowan Callick, *Doha Talks Collapsed Because of China's Political Concern for Its Farmers*, THE AUSTRALIAN, Aug. 4, 2008, at Finance 36; *Can America Still Lead?*, CHRISTIAN SCI. MONITOR, Aug. 4, 2008, at Editorial 8; Stephen Castle & Keith Bradsher, *China Key to Deadlock over Trade*, N.Y. TIMES, July 31, 2008, at C1; Stephen Castle & Mark Landler, *After 7 Years, Talks Collapse on World Trade*, N.Y. TIMES, July 30, 2008, at A1; Tim Colebatch, *Trade Off; Doha*, THE AGE (Melbourne, Austl.), July 31, 2008, at 13; Peter Coy, *Free Trade: After the Impasse*, BUS. WK., Aug. 11, 2008, at 29; *The End of Free Trade?*, WALL ST. J., July 31, 2008, at A14; Michael A. Fletcher & Jon Cohen, *Hovering Above Poverty, Grasping for Middle Class*, WASH. POST, Aug. 3, 2008, at A1; Johann Hari, *Do You Want Free Trade—Or Fair Trade that Helps the Poor?*, INDEPENDENT (London), Aug. 1, 2008, at World 42; *Has Free-Trade Era Died with Doha?*, INVESTOR'S BUS. DAILY, July 31, 2008, at A10; Daniel Ikenson, *Don't Weep for Doha, World Trade Will Carry On*, AUSTRALIAN, Aug. 1, 2008, at 12; Douglas A. Irwin & Amity Shlaes, *Democrats Once Did Free Trade*, WALL ST. J., Aug. 2, 2008, at A11; Rama Lakshmi, *Hard Line at WTO Earns Indian Praise*, WASH. POST, Aug. 1, 2008, at A12; John W. Miller, *Global Trade Talks Fail as New Giants Flex Muscle*, WALL ST. J., July 30, 2008, at A1; Steven Pearlstein, *Wave Goodbye to the Invisible Hand*, WASH. POST, Aug. 1, 2008, at D1; David E. Sanger, *Beyond the Trade Pact Collapse*, N.Y. TIMES, Aug. 3, 2008, at WK4; Stevens, *supra* note 36; Lawrence Summers, *The Global Consensus on Trade Is Unravelling*, FIN. TIMES, Aug. 25, 2008, at Comment 9; *Trade Talks: The Doha Round . . . and Round . . . and Round*, ECONOMIST, Aug. 2, 2008, at 71; Denise Tsang, *Minister Decries 'Tragic' Failure of WTO Talks*, S. CHINA MORNING POST, July 31, 2008, at Business 1; Jonathan Wheatley, *Brazil To Dispute U.S. Subsidies*, FIN. TIMES, Aug. 4, 2008, at World News 2; Jonathan Wheatley, *Collapse of Doha Forces Acceptance of Second Best*, FIN. TIMES, Aug. 4, 2008, at 6; *The World Should Look to Europe as Capitalisms Clash*, FIN. TIMES, Aug. 1, 2008, at Comment 9; *World Trade: So Near and Yet So Far*, ECONOMIST, Aug. 2, 2008, at 14; *WTO Talks Collapse over Bad Deal*, JAKARTA POST, Aug. 4, 2008, at 6.