But through the 1980s, several things changed. First, trade ministers, ingenious bureaucrats and domestic regulators, who no longer had the tariff at their disposal, devised increasingly disguised non-tariff barriers in their stead. Powerful industries in powerful countries demanded new ways to prevent competing products from crossing the border. And once again, the international community faced the prospect that economic leverage, rather than the rule of law, would govern trade relations.

Second, something fundamental changed in the international trading system. Technological innovations, such as semiconductors, fibre optics and satellite communications, increasingly fuelled the globalization of business by facilitating the globalization of production – one in which firms are increasingly free to assemble inputs from around the world and to service an equally global marketplace. This in turn has accelerated the globalization of investment, as firms learned that the best way to achieve a comparative advantage in production, in sourcing and in technology was to establish a direct presence in foreign markets. Trade became much more about the movement of components, services and technology within global firms operating in global markets.

Where once foreign investment was seen as a way of substituting for trade – a way of jumping over national barriers – it is now seen by many firms as a necessary precondition for trade, to the point where trade and investment have become virtually indistinguishable. In fact, production by foreign affiliates has now overtaken exports as the primary means for delivery of goods and services to foreign markets.

And third, as the recent automotive dispute between the United States and Japan illustrated, differences in national approaches to trade policy making have become apparent. The differences during the Uruguay Round in the United States, Japan and Europe have been described as the diffusion of power and private sector activism in the United States, the bureaucratic balancing of member-state interests in the European Union and the bureaucratic balancing among several government departments in Japan. Differences in how governments approach regulating competition, the environment, or technical standards, although not necessarily intended to impede trade, may be discriminatory in their effect or provide an unfair advantage not apparent before the retreat of the tariff. These differences all contribute to "system friction."

These developments over the past decade or so drew together countries of the world in a concerted effort to update the rules, and thereby to check the unilateral exercise of power. The seven-year trade negotiation marathon known as the Uruguay Round of the GATT proved arduous. Issues previously viewed as relating solely to the domestic sphere had been raised to the international level. No longer were countries only concerned about measures imposed at