

What accounts, then, for the failed GATT meetings following the completion of the Tokyo Round, including at the Ministerial level (e.g., in 1982)? In addressing this question, it is useful to again return to contextual factors.

Another Hiatus from Pressures on the Trading System

While the Tokyo Round may have left unfinished business for trade experts to address, the yen (and mark) revaluations of the late 1970s, coupled with the second oil price hike, again caused the external accounts to swing: Japan and Germany fell into deficits while the United States moved into surpluses.

With no real fish to fry on the external side, and with serious domestic issues facing it, the first Reagan Administration, which took office at the beginning of 1981, turned to matters at home. With Paul Volcker at the helm of the Federal Reserve, all stops were pulled out in halting and reversing the acceleration in inflation that had marked the 1970s. Meanwhile, the supply-side revolution was launched to reinvigorate the U.S. economy.

It was in this context that the 1982 GATT Ministerial meeting failed to achieve the launch of a new round of trade negotiations that trade policy practitioners had been working towards.

Things however were soon to change in this regard as the domestically focused U.S. policies began to result in large external imbalances. The restrictive monetary stance of the Fed under Volcker caused the U.S. dollar to appreciate. At the same time, the combination of tax cuts and fiscal stimulus resulted in the emergence of large fiscal deficits. These factors contributed to a steep deterioration of the current account. From a surplus in 1981, the current account balance slid to deficits of US\$12 billion in 1982, US\$44 billion in 1983, and US\$99 billion in 1984.

By the second half of the first Reagan Administration, external pressures were being felt politically as exporters and import-competing industries began to complain. Japan came under pressure to strengthen the yen. However, it was not until the second Reagan Administration with James Baker, described