It must be said, however, that through successive rounds of GATT tariff reduction negotiations since 1947, these rules have proven to be remarkably successful. Although some tariff peaks remain, particularly in the agricultural sector, industrial tariffs in most sectors are now low. And as a result, trade has grown at a rate nearly double that of the growth in production.

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 has become 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, Europe and Japan 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