A remarkable feature of the Tokyo Round is that negotiations went almost nowhere for the first four years or so. There is no real explanation for this from the internal logic of trade policy. A well-prepared intellectual basis for the round was in hand. The first meeting of the Trade Negotiations Committee (TNC) had taken place in late 1973. The U.S. negotiating authority, albeit delayed, provided adequate authority for a major outcome. This was in hand by early 1975, by which time the delegations were also well established in Geneva. Yet serious negotiations were not engaged until early 1977. As Michael Hart observes, "the outward appearance was that the negotiations were marking time".[32]

One explanation is that there was too much else going on in the world—the Yom Kippur War and the ensuing first oil crisis, Watergate and the impeachment of President Nixon, and the U.S. presidential elections in 1976. However, the world is a busy place at any time. Consideration of the economic context provides a more compelling reason for the four-year hiatus.[33]

In the aftermath of the collapse of the Smithsonian system, the European countries elected to maintain the Smithsonian fluctuation bands among each other while the United States and Japan elected to float.[34] For the floaters, the balance of

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[32] See Michael Hart's description of the early phase of negotiations. See Michael M. Hart, *50 Years of Canadian Tradecraft,* op, cit. at pp. 131-136.

[33] In this regard, it will be noted that the troubled politics of the day did not distract work on the major international economic policy issues of the day: the recycling of petrodollars, the emergence of the Eurodollar market, and the ongoing work to develop a new international financial structure that would culminate in the Second Amendment to the Articles of Agreement of the IMF, which in effect legalized floating. This weakens the case for a lack of attention being the reason that the negotiations marked time for so long.

[34] The European decision reflects the fact that they had large trade shares of GDP and were constrained by the functioning of the EEC, including the CAP. The United States and Japan, by contrast, were both large economies with fairly small trade shares of GDP. For them, floating made more sense.