

Moreover, the costs of tariffs, in terms of the burden it imposes on users of protected products, has been the subject of considerable research,¹⁸ the more so when economists realized that effective tariff rates were often higher than nominal rates, and developed the theory of effective protection.¹⁹ It became generally understood that the effect of tariff rates on industrial structure, on concentration ratios, on efficiency and on the effectiveness of competition, as well as the burden of the tariff on users, could be more clearly perceived in terms of effective, rather than nominal levels.

All this being so, it would be logical to follow a similar pattern of inquiry with regard to the newer trade policy. What is the effect on the economy, in terms of efficiency, in terms of competition, in terms of industrial concentration, of the present contingency measures or administered protection system? These questions have already been fairly carefully examined — with regard to some particular anti-dumping actions and in regard to the quantitative restrictions in effect for steel, autos, textiles and textile products. In this study we shall attempt to carry the discussion somewhat further afield, and particularly, to develop some proposals for at least partially resolving the deepening contradiction between trade policy and competition policy. We can best begin the process by briefly noting, in the next chapter, what has been already said by other observers of trade policy.

The Evolution of Trade Policy

A final comment, by way of introduction, remains necessary. This study should be considered in the context of what has been the general evolution or direction of trade policy. There is more than one view as to what the evolution has been. One view, one would guess it to be the majority view, is that under the leadership of the United States the industrialized nations have been slowly but systematically reducing barriers to trade; the successive GATT negotiations resulting in agreed reductions in tariffs, and the increase in world trade, are called in evidence that this is the case. On this view, it is urged that the remedies for "unfair" trade, and the "safeguard" or "escape clause" mechanisms must be refined, because it is only if these are well designed and working effectively that it will be politically possible to negotiate further reductions in tariffs. Thus the cause of "free trade", or "freer" trade, has been harnessed to the attack on "unfair" methods of competition in importation. This view has, it seems, been the prevailing view in the U.S. Congress, as evidenced in the various hearings over the period say, from 1967 (after the Kennedy Round) to 1984 (the passage of the most recent trade legislation). It has also been the prevailing view amongst academic economists writing on trade policy in the U.S.²⁰ There has been a tendency to focus on the quantitative assessment of tariff reductions, and to ignore or minimize the impact of other trade-regulating devices. In particular, there has been a tendency amongst economic writers to overlook the importance of precedent in regard to the operation of the anti-dumping provisions (particularly in regard to detailed determinations as to margins of dumping) and the operation of countervailing duty (particularly in regard to findings as to what are countervailable subsidies and how they should be measured). It seems to be implied that because such measures are not easily quantifiable, they can be safely ignored.

majority view
than
only
refinements
are
necessary

very good
this view
and
critiques
U.S. + other
economists