to recover from this collapse. Yet for the Americans the Plaza Accord achieved many of its goals. By 1987 the dollar had depreciated significantly reducing the overall US trade deficit.

Concomitantly the US tried to open up the Japanese market to American firms threatening to increase trade barriers against Japanese exports unless Japan agreed to open several closed sectors of its economy to American business. Included were telecommunications, microelectronics, medical equipment, and forestry products and most importantly semi conductor chips. In fact the entire core of computer related industrial development was included. By the mid 1980s the Japanese had displaced the Americans as the world's most important source of semi conductor fabrication. American firms accused the Japanese of anti-dumping and a protected home market. A semi-conductor agreement was signed in 1986. Contravening the GATT this agreement divided the world market in a discriminatory fashion and raised prices hurting consumers. The EC petitioned GATT, which declared the agreement invalid. However the USA ignored the GATT ruling.

In discussions with the Japanese the US forced the Japanese to agree to let American semi conductor manufacturers have a 20 % market share in Japan. By 1987 the USA determined that this level had not been met and levied fines of $300 million on various Japanese products. In 1991 the agreement was renegotiated and the 20 % target retained. Most economists denounced this approach to managed trade citing the impossibility of accurate market share measurement and the dislocations caused to prices by manipulating supply and demand. Some US economists (such as Laura Tyson) defended the pact as the key launching pad for the future success of Silicon Valley. This thesis is highly suspect given the various influences that conspired to shape the Valley. In any event in 1988 state managed trade was further enhanced via the Super 301 act, which was to be used against any country found to be an unfair competitor. In 1989 the SII (Structural Impediments Initiative) was introduced to identify and solve problems in countries that had a large positive trade balance with the USA. In practice the SII was used to pry open Japanese markets to US manufacturers. The Japanese took a dim view of these

measures maintaining that the large trade imbalance was due to a low US savings rate and poor macroeconomic policy.

In spite of these measures by the late 1980s the US was in a recession. National savings was still extremely low, domestic investment was stagnant and supply side economics had not lifted the US economy and the national debt was at unprecedented heights. The US owed $4 trillion to foreign creditors. Meanwhile the Japanese savings rate was at 20 % of GNP [it has since declined to about 3%]. Reagan's successor Bush reached a tax increase/spending reduction agreement with Congress and began the gradual elimination of the deficit. Both measures were controversial and allowed Clinton to win victory in the next election. Clinton continued to try to pry open Japanese markets with the US-Japan Framework for a New Economic Partnership of 1993. The Clintonites demanded that the Japanese pursue a more expansionary economic policy as well as targeted market shares for specific US goods. As with previous accords these hard to measure goals, led to trade tensions and conflicts. This was especially true in automobiles, which comprised the largest area of the trade deficit. The Americans had only 1 % of the Japanese auto market, (vs. 22 % for the Japanese in the USA), and wanted a guaranteed minimum market share. The Japanese did not relent and the resulting compromise did very little to change the absolute market shares.

These moves were complemented by the GATT/WTO Uruguay round of talks. The Uruguay round was ambitious in lowering tariff barriers and in formulating new rules for export substitution, dispute-resolution and textile trade. Despite opposition from the Europeans the US initiated the Uruguay round. The EC was defensive about agriculture and absorbed in its economic unification. However, fearful of American protectionism the EC and Less Developed Countries engaged the process in the hopes of fostering multi-lateralism. The Uruguay round came into effect January 1 1995 and significantly lowered tariff rates to an average level of just below 10% for most value added goods. It continued a 50-year trend of tariff removal and has been credited with stimulating globalization and increased trade intensity.