

advantages over the multilateral trade system structure for addressing environmental concerns. In general it is clear that the NAFTA does not make a compelling case for action on social welfare matters by regional integration arrangements. The effectiveness of labour and environmental organisations within the NAFTA framework is seriously open to question since unions and socialist environmental groups whose mandate is to protect jobs and vested interests are predominantly in control.

### US POLICY, NAFTA AND THE IPE.<sup>456</sup>

Though statist in its structure the USA is less developed along statist lines with regard to social engineering, welfare distribution and state control over the economy. Governments control markedly less of the US economy than in other Western nations. There is however a broad trend in granting more government control over society and the market. While less engineered than the EU the United States partakes of the same social and philosophical statist concepts and controls as any other regime in the modern world. Given its size and power it can however be far more protective of its national autonomy than smaller players in the IPE and history reflects this US preoccupation with its own self-interest. The current administration is no different than other statist entities, in securing domestic support by imposing tariffs on goods outside of the NAFTA accord (softwood lumber, some agricultural products), steel and increasing subsidies to farmers to now cover 60 % of the production value of farming produce (still below the 90 % level for the EU).<sup>457</sup>

This divergence in political, economic and societal constructs between the USA and the rest of the OECD is a main aspect of the IPE that lends credence to hegemonic interpretations of the IPE and a liberal neo realist interpretation of American self-interest. Such neo realist liberal self interest materializes in American unilateralism in the War of Terror; American combativeness in disputing WTO conventions; its subsidization of steel, lumber, oil, agriculture, aerospace, and defence industries; and its military capability to act with or without UN sanction. Such self-interest, which has been the

underlying principle of US foreign policy since it's founding, will not soon disappear. This also means that the liberalised economics, which underpins globalization, will not necessarily be supported in toto by US policy makers.

Though constrained by international organisations and agreements, the USA still maintains hegemonic persuasion and is fully capable of unilateral disregard for international covenants. American unilateralism has been a common policy choice in recent history. Starting with the Reagan government in the mid 80s, the US began to assume a more parochial and nationalistic foreign economic policy that entailed a change from a multilateral trade policy to a multitrack policy. The US has used multitrack and a variety of approaches (unilateral, regional, and multilateral) to obtain national economic and political goals. This approach was given impulse due to the decline of American industrial power in the 1980s, the rise of Japan, the integration of Europe, and mounting trade deficits.

During the 1980s this more nationalistic stance was premised upon supply side economics and resulted in a large tax cut in 1981, but no corresponding expenditure reduction. This produced a massive world economic stimulus, but led directly to budget and trade deficits, pushing up interest rates, increasing capital inflows, and appreciating the US currency. Exports dropped, and imports rose sharply. The annual trade deficit soon reached \$170 billion by the mid 80s paid by money borrowed from Japanese financial institutions. Japan became overnight the world's largest creditor nation. As the dollar further appreciated American exporters lost world market share and 'deindustrialisation' became a common cry. Between 1980-1985 the dollar doubled in value and American industry was in turmoil.

Reagan was forced to drive down the value of the US currency especially in relation to the Yen. The Plaza Accord reached in September of 1985 forced the Japanese to revalue the Yen upwards forcing a painful transition in Japanese society. Japan's Ministry of Finance began to pursue a loose monetary policy and increased the money supply to counter the economic ills of re-valuation and the result was the 'bubble' that exploded in the early 1990s. Japan has yet