

# Notes

## CHAPTER 1

1. U.S. Department of Commerce, International Trade Administration, *U.S. Foreign Trade Highlights*.

2. Figure 3.1 depicts the relationship between the level of asymmetrical export dependence and the degree of responsiveness to American pressure of several major U.S. trading partners. Level of asymmetrical export dependence is measured by comparing a given target country's exports to the United States as a percentage of its GNP to U.S. exports to that target state as a percentage of U.S. GNP. The responsiveness index is based on the average of each of the target's concession scores under Section 301, as provided by Bayard and Elliott, *Reciprocity and Retaliation*; and Elliott and Richardson, "Determinants and Effectiveness."

3. Bayard and Elliott's study on the effectiveness of Section 301 in opening overseas markets provides data illustrating the variations in the effectiveness of American pressure across countries. See Bayard and Elliot, *Reciprocity and Retaliation*, 355–67; see also figure 3.1.

4. Chan, "Mirror, Mirror on the Wall"; Maoz and Russett, "Normative and Structural Causes"; Russett, *Grasping the Democratic Peace*; Ray, *Democracy and International Conflict*; and ONeal and Russett, "Classical Liberals Were Right."

5. Among the studies that examined the relationship between regime type and trade policy are Milner and Rosendorff, "Domestic Politics and International Trade Negotiations"; Mansfield, Milner, and Rosendorff, "Why Democracies Cooperate More"; Reinhardt, "Aggressive Multilateralism"; Sherman, "Democracy and Trade Conflict"; and Busch, "Democracy, Consultation."

6. Fearon, "Domestic Political Audiences."

7. See, for example, Milner, *Interests, Institutions, and Information*; Milner and Rosendorff, "Domestic Politics and International Trade Negotiations"; and Mansfield, Milner, and Rosendorff, "Free to Trade?"

8. See, for example, Zartman, *Politics of Trade Negotiations*; Odell, "Latin American Trade Negotiations"; Odell, "Outcome of International Trade Conflicts."

9. I refer to cases involving the EU by its present name except when the case under consideration took place in an earlier period when the European Economic Community or the European Community was in place.

10. Bayard and Elliott, *Reciprocity and Retaliation*, 355–68; Elliott and Richardson, “Determinants and Effectiveness,” 221–25. Successful cases are defined in a way that includes both the conclusion of an agreement and the actual achievement of American negotiating objectives when the agreement was implemented.

11. Various studies have shown how the effectiveness of U.S. economic coercion varies in ways that do not correspond with the underlying power balances. In his study of the Brazilian informatics and EC enlargement cases, for example, Odell finds that the United States was more successful in winning concessions from Europe than from Brazil, although in theory Brazil should be less able to resist U.S. demands. Similarly, the study by Bayard and Elliott on the effectiveness of Super 301 investigations against Japan, Brazil, and India between 1989 and 1990 has shown that, while the Japanese gave in to most American demands, India completely refused to yield to U.S. pressure. The relative power positions of these two countries obviously cannot explain this outcome. Odell, “International Threats and Internal Politics”; Bayard and Elliot, *Reciprocity and Retaliation*, 101–70.

12. Bayard and Elliott, *Reciprocity and Retaliation*, 368.

13. Maoz and Russett, “Normative and Structural Causes”; Russett, *Grasping the Democratic Peace*; Ray, *Democracy and International Conflict*.

14. See, for example, Maoz and Russett, “Normative and Structural Causes”; Owen, “How Liberalism Produces Democratic Peace”; Weart, “Peace among Democratic and Oligarchic Republics.”

15. Russett, *Grasping the Democratic Peace*, 31.

16. *Ibid.*, 30–38; Doyle, “Liberalism and World Politics.”

17. Russett, *Grasping the Democratic Peace*, 38–40. Some other scholars have made similar structural arguments. See, for example, Lake, “Powerful Pacifists”; and Schweller, “Domestic Structure and Preventive War.”

18. Bueno de Mesquita and Lalman, *War and Reason*, chap. 5.

19. Fearon, “Domestic Political Audiences.” The argument is explained in more detail in chapter 2.

20. Schultz, “Domestic Opposition and Signaling.”

21. Fearon, “Bargaining, Enforcement, and International Cooperation,” 276.

22. *Ibid.*

23. Verdier, *Democracy and International Trade*, 293–94.

24. Dixon and Moon, “Political Similarity,” 10–11.

25. Mansfield, Milner, and Rosendorff, “Free to Trade”; Mansfield, Milner, and Rosendorff, “Why Democracies Cooperate More.”

26. Leeds, “Domestic Political Institutions.”

27. Dixon, “Democracy and the Management of Conflict”; Dixon,

“Democracy and the Peaceful Settlement”; Raymond, “Democracies, Disputes.”

28. Verdier, “Democratic Convergence and Free Trade.”

29. Reinhardt, “Aggressive Multilateralism.”

30. Sherman, “Targeting Democracies”; Sherman, “Democracy and Trade Conflict.”

31. Remmer, “Does Democracy Promote Interstate Cooperation?”; Bliss and Russett, “Democratic Trading Partners”; Morrow, Siverson, and Tabares, “The Political Determinants of International Trade”; Mansfield and Bronson, “Political Economy of Major-Power Trade Flows”; Busch, “Democracy, Consultation.”

32. Mansfield, Milner, and Rosendorff, “Free to Trade”; Mansfield, Milner, and Rosendorff, “Why Democracies Cooperate More”; Milner and Kubota, “Why the Rush to Free Trade?”

33. Conybeare, *Trade Wars*.

34. *Ibid.*, 5.

35. *Ibid.*, 1–6.

36. The structure of trade will be defined in more detail in chapter 2.

37. George and McKeown, “Case Studies and Theories,” 35. See also the discussion by King, Keohane, and Verba, *Designing Social Inquiry*, 225–28.

38. George and McKeown, “Case Studies and Theories,” 41.

39. King, Keohane, and Verba, *Designing Social Inquiry*, 137.

40. According to Bayard and Elliott, in *Reciprocity and Retaliation*, American negotiators were largely successful in achieving their negotiation objectives in the satellite case, partially successful in the supercomputer and wood products cases, and nominally successful in the semiconductor trade conflict.

41. Reinhardt, *Posturing Parliaments*.

42. See, for example, Wallerstein, *Modern World-System*; Cardoso and Falleto, *Dependency and Development*; Furtado, *Development and Underdevelopment*.

43. For comprehensive reviews of the large body of literature on trade and military conflict, see, for example, Reuveny, “Trade and Conflict Debate”; McMillan, “Interdependence and Conflict.”

## CHAPTER 2

1. Hirschman, *National Power and the Structure of Foreign Trade*; Baldwin, “Interdependence and Power.”

2. Gilpin, *Political Economy of International Relations*; Lake, *Power, Protection, and Free Trade*; Grieco, *Cooperation among Nations*; Krasner, *Structural Conflict*.

3. Keohane and Nye, *Power and Interdependence*.

4. Zartman, *Politics of Trade Negotiations*.

5. Habeeb, *Power and Tactics in International Negotiation*.
6. Wriggins, “Up for Auction.”
7. Odell, “Latin American Trade Negotiations”; Odell, “Outcome of International Trade Conflicts.”
8. Odell, “International Threats and Internal Politics,” 238–41.
9. Bayard and Elliott, *Reciprocity and Retaliation*; Duchesne, “International Bilateral Trade.”
10. Meunier, “Europe Divided but United.”
11. “Trade Peace: Deja Vu Again,” *Economist* 334, no. 7904 (March 4, 1995): 86.
12. Drezner, *Sanctions Paradox*.
13. An interview with USTR officials involved in U.S. negotiations with East Asian countries confirmed this view.
14. Prestowitz, *Trading Places*.
15. Odell, “Latin American Trade Negotiations”; Odell, “Outcomes of International Trade Conflicts”; Habeeb, *Power and Tactics in International Negotiation*, 21–22.
16. Schelling, *Strategy of Conflict*; Evans, Jacobson, and Putnam, *Double-Edged Diplomacy*.
17. Scholars such as Howard Raiffa, James Sebenius, and David Lax provide detailed case studies to show how these tactics can help to enhance threat credibility by expanding the perceived zone of possible agreement of the parties involved. See, for example, Sebenius, *Negotiating the Law of the Sea*; Lax and Sebenius, *Manager as Negotiator*; Raiffa, *The Art and Science of Negotiation*.
18. Schoppa, *Bargaining with Japan*, 27.
19. Yoffie, *Power and Protectionism*.
20. Habeeb, *Power and Tactics in International Negotiations*.
21. Bayard and Elliott, *Reciprocity and Retaliation*, 86.
22. *Ibid.*, 80.
23. *Ibid.*, 81.
24. Schelling, *Strategy of Conflict*; Schelling, *Arms and Influence*; Snyder and Diesing, *Conflict among Nations*.
25. See chapter 3 for a more detailed discussion of the relationship between bilateral economic interdependence and threat effectiveness.
26. Note that some traditional bargaining theories do have an implicit domestic component. For example, Thomas Schelling emphasizes many of the same domestic constraints stressed by two-level game theorists. The two-level game approach discussed later differs from traditional bargaining theories in its more explicit focus on the connection between domestic politics and international behavior.
27. Examples of works that focus on the international systemic sources of state behavior include the following: Waltz, *Theory of International Politics*;

Keohane, *After Hegemony*; Gowa, *Allies, Adversaries, and International Trade*; and Grieco, *Cooperation among Nations*.

28. Putnam, “Diplomacy and Domestic Politics”; Moravcsik, “Introduction.”

29. See the cases in Evans, Jacobson, and Putnam, *Double-Edged Diplomacy*, especially Odell, “International Threats and Internal Politics”; Krauss, “U.S.-Japan Negotiations.” See also Lehman and McCoy, “Dynamics of the Two-Level Bargaining Game”; Knopf, “Beyond Two-Level Games”; Mayer, “Managing Domestic Differences”; Schoppa, “Two-Level Games and Bargaining Outcomes.”

30. Bueno de Mesquita and Lalman, *War and Reason*.

31. Lohmann and O’Halloran, “Divided Government and U.S. Trade Policy”; O’Halloran, *Politics, Process, and American Trade Policy*.

32. Schoppa, *Bargaining with Japan*, 28–32.

33. Mertha, “Pirates, Politics, and Trade Policy.”

34. Goldstein, *Ideas, Interests, and American Trade Policy*.

35. DeSombre, *Domestic Sources of International Environmental Policy*.

36. Martin, *Democratic Commitments*.

37. Odell, “International Threats and Internal Politics,” 234.

38. Moravcsik, “Introduction,” 33.

39. Some authors have proposed more rigorous and formal treatment of the domestic game. See, for example, Iida, “Analytic Uncertainty and International Cooperation”; Iida, “When and How Do Domestic Constraints Matter?”; Tsebelis, *Nested Games*; Mo, “Logic of Two-Level Games”; Mo, “Domestic Institutions and International Bargaining”; Mayer, “Managing Domestic Differences”; Pahre, “Endogenous Domestic Institutions.”

40. Milner, *Interests, Institutions, and Information*, 37–43.

41. Note that Milner treats “divided government” as a continuous variable measuring the degree of disagreement between Congress and the president. Her conception differs from the most common definition of “divided government” in the trade policy literature, which refers to situations when different parties control the executive and legislature branches. Recent studies have debated the effect of divided government in the partisan sense on trade policy but have yet to reach definitive conclusions as to whether different party control of the two branches increases interbranch disagreements on trade issues. See Lohmann and O’Halloran, “Divided Government and U.S. Trade Policy”; Hammond and Prins, “Impact of Domestic Institutions on International Negotiations”; Karol, “Divided Government and U.S. Trade Policy”; and Pahre, “Divided Government and International Cooperation.” The rest of this study follows Milner’s treatment of the term and conceives of divided government as the degree of policy disagreement between the two government institutions.

42. Milner, *Interests, Institutions, and Information*, 234–40.

43. An exception to this general tendency is Eric Reinhardt's work on the determinants of trade dispute settlement under the GATT, which examines in detail how structural features of the political institutions (such as legislative organization, party structure, electoral rules, and elections) of both parties involved in the dispute can affect both the distribution efficiency and the possibility of cooperation of GATT negotiations. See Reinhardt, "Posturing Parliaments."

44. Conybeare, *Trade Wars*, 47–48.

45. *Ibid.*, 47.

46. The relevance of trade structure has been explored in other contexts. For example, studies of trading bloc formation have found that countries with similar economic structures make it easier for the two governments involved to satisfy their respective national lobbies, thus reducing the political costs associated with regionalism. See, for example, Hyclak, "Introduction"; and Melo, Panagariya, and Rodrik, "New Regionalism." For an empirical test of the argument, see Li and Jo, "Trading-Bloc Formation and Influence of Politics."

47. Krauss, "U.S.-Japan Negotiations," 278; Woodall, *Japan under Construction*.

48. Odell, "International Threats and Internal Politics," 241–43.

49. Krauss and Reich, "Ideology, Interests, and the American Executive," 861–65. Note that here the word "competitive" means something very different from the way it was used earlier in this chapter. Whereas earlier the word "competitive" refers to the degree to which two countries engage in the production and export of a similar range of commodities, here it means that a given U.S. industry enjoys a home market advantage, or a competitive edge over foreign producers.

50. Krauss and Reich, "Ideology, Interests, and the American Executive," 861–65.

51. Numerous studies of American foreign trade policy have shown that Congress is likely to be more protectionist than the president. Since congressmen seek reelection, they are primarily responsible to their own local constituents. Designing policies that benefit these constituents helps to increase their chances of reelection. The executive, in contrast, is charged with overseeing the general performance of the economy and is therefore less likely to be driven by special interests to provide protectionist policies that are inefficient. The importance of constituent demands in the formation of legislators' preferences explains why legislators are more protectionist than the executive. Mayhew, *Congress*; Lohmann and O'Halloran, "Divided Government and U.S. Trade Policy"; Baldwin, *Political Economy*.

52. Chapter 3 will provide evidence showing that the vast majority of democracies do have fairly competitive trade relations.

## CHAPTER 3

1. This study looks primarily at trade conflicts initiated by the United States under both the GATT/WTO framework and Section 301 of the Omnibus Trade and Competitiveness Act of 1988. I had to limit my analysis to U.S.–initiated disputes due to the lack of comprehensive data on trade structure. Further study could test the argument developed in the previous chapter against a larger sample of dyads that includes cases initiated by countries other than the United States.

2. Bayard and Elliott, *Reciprocity and Retaliation*, 29.

3. Stern, “U.S.-Japan Trade Policy and FDI Issues.”

4. *Ibid.*

5. Trade and Related Agreements Database (TARA), compiled by the Trade Compliance Center, U.S. Department of Commerce, <<http://www.mac.doc.gov/TCC/DATA/index.html>>.

6. *Ibid.*

7. Hoekman and Kostecki, *Political Economy*, 77–78.

8. Reinhardt, “Aggressive Multilateralism.”

9. See Bayard and Elliott, *Reciprocity and Retaliation*, 59–64, 355–69; Elliott and Richardson, “Determinants and Effectiveness,” 221–25.

10. We can also evaluate the two cases discussed later involving China not covered by Section 301 negotiations—MFN and textiles—according to the criteria specified by Bayard and Elliott. The MFN case can be considered a failure since U.S. policy of threatening to revoke China’s MFN status produced virtually no tangible changes in Chinese policies in the areas of trade, human rights, and weapons proliferation. The textile case can be classified as a partial success since even though a bilateral textile agreement was reached the Chinese side frequently evaded the quota restrictions by transshipping textile exports through third countries. If we add these two cases, China’s level of responsiveness to American pressure remains the same as that evaluated by Bayard and Elliott in *Reciprocity and Retaliation*.

11. For example, an interview with a former government official involved in negotiations with both China and Japan offers a rather different view of U.S. negotiation outcomes. According to the interviewee, the United States has been able to get the Chinese to alter their policies to a greater extent than the Japanese.

12. Bayard and Elliott, *Reciprocity and Retaliation*, 68.

13. Tyson, *Who’s Bashing Whom?* 106–13; Bergsten and Noland, *Reconcilable Differences?* 127–40.

14. Bayard and Elliott, *Reciprocity and Retaliation*, 118.

15. *Ibid.*

16. *Ibid.*, 445–48.

17. Schoppa, *Bargaining with Japan*, 267–70.

18. Export figures are obtained from the IMF, *Direction of Trade Statistics Yearbook*; and Department of Commerce, International Trade Administration, *U.S. Foreign Trade Highlights*, various years. GDP figures, which are in nominal dollars, are based on the World Bank's *World Tables*.

19. In Bayard and Elliott's statistical analysis, nineteen cases were excluded from the total of ninety-one investigations initiated between 1975 and June 1994. Fifteen of these cases were dropped because they did not involve any negotiations. For a list of these excluded cases, see Bayard and Elliott, *Reciprocity and Retaliation*, 59. I update the remaining four cases excluded from Bayard and Elliott's study with Elliott and Richardson's data from "Determinants and Effectiveness."

20. Of the fifteen observations included in Elliott and Richardson's updated database in "Determinants and Effectiveness," I exclude the so-called p-list of Section 301 petitions filed but not formally investigated by the USTR and a case involving Taiwanese footwear (case no. 301–38) for which no clear evaluation of U.S. negotiation success is available. The six cases I take from Elliott and Richardson's modified sample include EU meatpacking (301–83), Chinese market access (301–88), Taiwanese intellectual property protection (301–89), Brazilian intellectual property protection (301–91), Japanese auto parts (301–93), and Canadian country music cable television (301–98). The fifteen countries included in the estimation sample are Guatemala, Canada, the EU, Taiwan, Japan, the USSR, Argentina, South Korea, Brazil, India, Norway, Spain, Portugal, Thailand, and China.

21. Data for the size of the U.S. bilateral trade balance are drawn from the Department of Commerce, International Trade Administration, *U.S. Foreign Trade Highlights*; and IMF, *Direction of Trade Statistics Yearbook*.

22. Many studies consider the U.S. ability to harm the target country an important component of bargaining power and a significant determinant of Section 301 success rates. See, for example, McMillan, "Strategic Bargaining and Section 301," 207; Noland, "Chasing Phantoms," 381–82.

23. A GATT panel ruling of noncompliance can shore up U.S. credibility by enhancing the perceived legitimacy of American threat. According to Ryan, *Playing by the Rules*, trade officials in East Asia often regarded GATT as the key because "it may determine win or lose for the U.S. If U.S. has a strong GATT case, the case will go differently. The U.S. can use GATT as a very effective tool" (43).

24. Bayard and Elliott, *Reciprocity and Retaliation*, 85; Elliott and Richardson, "Determinants and Effectiveness," 228–29.

25. Of all the countries targeted under Section 301, only three—the EU (in various disputes between 1982 and 1991), Canada (1986, 1991, and 1993), and China (in the textile dispute in 1983)—have ever counterretaliated against the United States in past disputes. Bayard and Elliott, *Reciprocity and Retaliation*, coded all disputes with countries with a record of counterretaliation as 1.



However, since it seems reasonable that the United States would only be concerned about counterretaliation from a specific trading partner after it took place, I only coded those disputes that occurred after the counterretaliation episode as 1. It turns out that this modification to Bayard and Elliott's original coding method did not affect the interpretation of the relationship between COUNTER and SUCCESS.

26. It is also possible to measure trade competitiveness by looking at the number of overlaps between the top twenty sectors in which the United States produces goods and services and the top twenty products the United States imports from a particular country in a given year. This procedure is not followed here because of the incomplete coverage of the industrial production data and the difficulties of converting industrial production data into trade data.

27. Specifically, the country with the most competitive relationship with the United States in a given year is assigned a number of 10. The competitiveness index for other U.S. trading partners in that year is adjusted accordingly.

28. Bayard and Elliott, *Reciprocity and Retaliation*, 84.

29. In my data set, the number of cases varies both cross-sectionally (i.e., thirteen cases for Japan and four for India) and in the time dimension ( $x$  cases in 1975 and  $y$  cases in 1995), thus creating the problem of "uneven" panel data. I used STATA to estimate probit models for such cross-sectional time-series data sets where data for some of the time periods are missing. This method is robust to the problem of unbalanced data. For an overview of cross-sectional time-series (panel) data techniques and a discussion of why one does not need to have balanced cases to generate appropriate results, see Greene, *Econometric Analysis*, chap. 16; and Baltagi, *Econometric Analysis of Panel Data*. See STATA manual version 6.0 for the practical issues.

30. Snyder, "Security Dilemma in Alliance Politics"; Huth, *Extended Deterrence*; Fearon, "Signaling Foreign Policy Interests."

31. Bayard and Elliott, in *Reciprocity and Retaliation*, did find a positive and statistically significant relationship between TBAL and SUCCESS. This discrepancy in test results may be due to different sample composition.

32. For arguments about why democracies may be more or less likely to settle trade disputes cooperatively, see Dixon, "Democracy and the Management of Conflict"; Dixon, "Democracy and the Peaceful Settlement"; Raymond, "Democracies, Disputes"; Bliss and Russett, "Democratic Trading Partners"; Verdier, "Democratic Convergence and Free Trade"; Leeds, "Domestic Political Institutions"; Reinhardt, "Aggressive Multilateralism"; Mansfield, Milner, and Rosendorff, "Free to Trade"; and Sherman, "Democracy and Trade Conflict." The widely used Polity III data developed by Jaggers and Gurr, in *Polity III*, are used to measure the regime type (REGIME) of each of the target countries. By subtracting the target country's autocratic

index from its democratic index, I arrive at a continuous variable ranging from -10 for a highly autocratic state to +10 for a highly democratic one.

33. See Drezner, *Sanctions Paradox* and “Outside the Box.”

34. The coding of this variable follows the scheme developed by Hufbauer, Schott, and Elliott, in their study of the effectiveness of economic sanctions, *Economic Sanctions Reconsidered*. It is coded as 1 if the relationship between the United States and the target is antagonistic, 2 if the relationship is neutral, and 3 if the relationship is cordial.

35. In this test, REGIME, GDPCAPITA, and ALIGNMENT turned out to be individually insignificant. The significance of the trade competitiveness variable (COMPET) dropped to the .10 level with a one-tailed test as the standard error substantially increased with the addition of the two nonsignificant variables. A likelihood ratio test suggests that REGIME, GDPCAPITA, and ALIGNMENT do not significantly contribute to the overall fit of the model. In fact, the log likelihood of the restricted model is 33.35 and the log likelihood of the unrestricted model is 33.16. The log likelihood ratio is only .38, which is far from any conventional level of significance. Consequently, I accept the restricted model, given the sample size and the additional loss of degrees of freedom, without improved fit, associated with the unrestricted model. In addition, restricting the parsimonious model even further by omitting COMPET results in a significant loss of fit, indicating that COMPET does significantly contribute to the overall fit of the model. These test results are available by request.

36. Maoz and Abdolali, “Regime Type and International Conflict”; Dixon, “Democracy and the Peaceful Settlement”; Levy, “Domestic Politics and War”; Bremer, “Dangerous Dyads.”

37. Lardy, *China in the World Economy*, 83–84

38. Bayard and Elliott, *Reciprocity and Retaliation*, 460–61.

39. The twenty-five U.S. trading partners are Canada, Japan, Mexico, China, the EU, Taiwan, South Korea, Singapore, Malaysia, Brazil, Hong Kong, Venezuela, Thailand, the Philippines, Saudi Arabia, Switzerland, Australia, Indonesia, Israel, India, Argentina, Columbia, Dominican Republic, Russia, and Nigeria.

40. The literature on democracy and democratization includes fairly similar criteria. Huntington, in *The Third Wave*, for example, considers a democratic system to be one in which “the most powerful collective decision makers are selected through fair, honest, and periodic elections in which candidates freely compete for votes and in which virtually all the adult population is eligible to vote” (7). See also Dahl, *Polyarchy*. These criteria have also been used in various studies of the relationship between regime type and international security conflicts. See, for example, Russett, *Grasping the Democratic Peace*; Farber and Gowa, “Politics and Peace”; Mansfield and Snyder, “Democratization and the Danger of War.”

41. Jagers and Gurr, *Polity III*.

42. For example, the data have been used by Russett, *Grasping the Democratic Peace*; Mansfield and Snyder, “Democratization and the Danger of War”; Farber and Gowa, “Politics and Peace”; and Oneal and Russett, “Classical Liberals Were Right.”

43. Alternatively, the REGIME index can be treated as a dichotomous variable if we recode the original REGIME score greater than 10 as 1 and those smaller than 10 as 0. Statistical tests using the dichotomous variable yield essentially the same results. Since the EU is not rated in Jagers and Gurr’s data set from *Polity III*, the EU’s democracy score is derived by averaging all member countries’ democracy scores in a given year. Some scholars have argued that the EU suffers from a “democratic deficit” due to the lack of democratic control of the national and European parliaments over the decision-making process in the European Council and the EU Council of Ministers, as well as the secrecy and technocracy in the EU policy-making process. Such a “democratic deficit” should cause the level of democracy in the EU to be lower than the average of all EU member states. To take into account this possibility, I recoded EU’s democracy score from the average of its member states, 10, to 9 and then reran the models using the recoded democracy score for the EU. Test results show that this procedure changes neither the sign nor the significance of the results reported later using the average democracy score of EC members. Consequently, I only report results of statistical analyses using the average EC democracy level. For the “democratic deficit” argument, see Featherstone, “Jean Monnet and the ‘Democratic Deficit,’”; Scharpf, “Economic Integration”; and Schmidt, “European Integration and Democracy.”

44. Data for 1980–81 are based on IMF, *Direction of Trade Statistics Yearbook*.

45. Gowa and Mansfield, “Power Politics and International Trade”; Mansfield and Bronson, “Political Economy of Major-Power Trade Flows.” This assumption has encountered increasing criticism in recent years though. For opposing arguments and empirical evidence, see Morrow, Siverson, and Tabares, “Political Determinants of International Trade”; and Bliss and Russett, “Democratic Trading Partners.”

46. I considered controlling for country-specific effects by creating a dummy variable for each of the countries that have most frequently been singled out as the target of aggressive U.S. trade actions (such as Japan and Europe). The expectation is that there should be more trade wars with countries that have received the most attention of U.S. trade negotiators. But since the total number of cases involving each of these countries is fairly small compared to the sample size, I did not include country-specific dummy variables as controls. In future research, I plan to test my hypotheses against a larger sample including a greater number of countries over a longer time span to ascertain if certain countries are more likely to have trade wars with the United States.

## CHAPTER 4

1. For example, as part of the WTO agreement, China committed over a span of five years to reduce tariffs and eliminate quantitative restrictions on both industrial and agricultural products. It also agreed to open a broad range of services, including telecommunications, insurance, banking, securities, and professional services, to foreign service providers. These concessions, unprecedented in their scope, offered the prospect of greatly expanded market access to China for a wide array of U.S. industries and sectors.

2. Lampton, “Ending the MFN Battle,” 7.

3. Yuan, “Sanctions, Domestic Politics,” 110–12.

4. For a more detailed discussion of the origin of the congressional debate over China’s MFN status, see U.S. House Committee on Ways and Means, *Disapproval of Extension of Most-Favored-Nation Treatment*, 1–2.

5. Dumbaugh, “Making of China Policy,” 17–18.

6. For instance, the bill introduced by Senate Majority Leader George Mitchell in 1991 (S 1367) and another legislative proposal introduced in 1992 (HR 5318) threatened to cut off China’s MFN status unless it could be shown that the Chinese government had stopped arrests of prodemocracy activists, ceased the export of products made with prison labor, provided U.S. exporters nondiscriminatory access to the Chinese market, and ended unreasonable and discriminatory unfair trade practices against the United States.

7. For example, the American trade deficit with China swelled from \$6.2 billion in 1989 to \$18.2 billion in 1992. Trade barriers limiting opportunities for the sale of American goods and services remained formidable. Also, concerns grew that China was using convict labor to produce goods that subsequently were exported to the United States. On human rights, the Chinese had released a handful of political prisoners. But for human rights activists, these measures were purely symbolic. Moreover, the basic human rights situation had not improved substantially. At the same time, although China had agreed to abide by the guidelines and parameters of the Missile Technology Control Regime (MTCR), which bars the transfer of medium- and long-range missiles, there were a number of reports showing that Beijing continued to sell M-11 missiles to Pakistan. “U.S. Faces Dilemma in Setting China Policy,” *Washington Post*, March 9, 1993, A28.

8. “Press Conference of the President,” Office of the Press Secretary, White House, May 26, 1994.

9. Since the mid-1980s, the growth of China’s exports to the United States has taken place primarily in labor-intensive industries in which China has been able to take advantage of its abundant labor force and low wage level to build strong comparative advantages. The bulk of Chinese exports to the United States was in the following labor-intensive sectors: miscellaneous manufactured articles such as toys, games, footwear, clothing and apparel, baby carriages, watches, and instruments; manufactured materials including textile

manufactured materials, fabrics, machine tools, and paper products; and mineral fuels. In contrast, a large portion of U.S. exports to China has concentrated on technology-intensive products such as machinery and equipment, especially aircraft and parts, industrial machinery, civil engineering plant and equipment, automatic data-processing machines and machine tools. For example, between 1986 and 1990, China was able to increase its exports of toys, games, sporting goods, and baby carriages from roughly \$370 million to \$2.2 billion, footwear from \$76 million to \$1.5 billion, and more than double the value of its exports of suitcases, textiles, and apparel to the United States. Department of Commerce, International Trade Administration, *U.S. Foreign Trade Highlights*, various years; see also Rondinelli, “Resolving U.S.-China Trade Conflicts,” 66.

10. Sutter, *U.S. Policy toward China*, 56–57.
11. U.S. House. *United States-People’s Republic of China Trade Relations*.
12. U.S. Department of Commerce, International Trade Administration, *U.S. Foreign Trade Highlights*, 1991.
13. “Sentiment Grows in Congress to Reject MFN for China,” *Congressional Quarterly Weekly Report* 49, no. 17 (April 27, 1991): 1044.
14. Mann, *About Face*, 275–76.
15. “Will China Remain a Most-Favored Dictatorship?” *Business Week*, July 29, 1991, 38.
16. Mann, “U.S. Firms Lobby for China Trade Benefits.”
17. Gargan, “Gauging the Consequences of Spurning China.”
18. Mann, *About Face*.
19. U.S. House Committee on Ways and Means, *Disapproval of Extension of Most-Favored-Nation Treatment*, 208.
20. Keatley, “U.S. Firms Worry.”
21. “China Fever Strikes Again,” *Business Week*, March 29, 1993, 46.
22. *Ibid.*, 47.
23. *Ibid.*
24. “The Case for China’s MFN Status,” *China Business Review* 19, no. 4 (July–August 1992): 14–16.
25. Sutter, *U.S. Policy toward China*, 57–58.
26. *Ibid.*, 56.
27. Schoenberger, “Question of Conscience.”
28. Business Coalition for U.S.-China Trade, “Business Leaders Urge U.S.”
29. Kaslow, “President Urges Renewal.”
30. Locin, “Trade Chief Hints.”
31. Walter, “Firms Unshaken by U.S. Terms for China.”
32. Behr, “U.S. Businesses Waged Year-long Lobbying Effort.”
33. For a more detailed discussion of the weaknesses of the coalition opposing China’s MFN status, see Sutter, *U.S. Policy toward China*, 54–56.
34. Sutter, “American Policy toward Beijing,” 3.

35. Ibid.

36. See, for example, Bush's speech at Yale University on May 15, 1991. "Bush Seeks to Renew China Trade Status," *Washington Post*, May 16, 1991, A1.

37. For example, during the first six months of 1991, American officials on several occasions met with senior Chinese officials to discuss human rights. In April, to convey to the Chinese authorities U.S. dissatisfaction, President Bush met with the Dalai Lama in the White House. On April 26, several weeks before Congress would make the decision on MFN status, USTR Carla Hills cited China for inadequate protection of IPR and named it one of three "priority foreign countries" under the Special 301 provisions of the 1988 Trade Act. Also, a delegation led by assistant USTR Joseph Massey visited Beijing in June to discuss a wide range of trade problems with senior officials in Beijing. Hendry, "Limited Protection."

38. "The Case for China's MFN Status," *China Business Review* 19, no. 4 (July–August 1992): 14.

39. As the president stated clearly in his Yale address, "China can—easily can—affect the stability of the Asian Pacific region and therefore affect the entire world's peace and prosperity. The Chinese play a central role in working to resolve the conflict in Cambodia, to relax tensions on the Korean peninsula. China has a voice now in multinational organizations and its votes in the United Nations Security Council against Iraq's brutal aggression helped us forge the broad coalition that brought us victory in the gulf." "Bush Says China MFN Status Will Be Catalyst for Change," *Congressional Quarterly Weekly Report* 49, no. 22 (June 1, 1991): 1459.

40. By the end of 1992, Beijing had done little to lower its trade barriers to foreign businesses. It blocked inspection of factories that allegedly used prison labor to make export goods. Moreover, Chinese authorities had released only a limited number of Tiananmen prisoners. Chinese premier Li Peng directly told President Bush in a meeting in New York in January 1992 that human rights concerns were being used as an excuse by outsiders to meddle in China's internal affairs. Moffet, "Bush, Congress Clash on China."

41. Lampton, "America's China Policy," 599.

42. Tyler, "Beijing Says It Could Live Well."

43. Walsh, "Clinton Indicts Bush's World Leadership."

44. The executive order established seven human rights-conditioning factors: halting exports of goods produced by prison labor, allowing freedom of emigration, observing the Universal Declaration of Human Rights, protecting Tibet's distinctive culture, treating prisoners humanely, permitting international radio and television broadcasts in China, and releasing and accounting for prisoners held for the nonviolent expression of political and religious beliefs.

45. Lampton, "America's China Policy," 610.

46. Greenberger, "Restraint of Trade."

47. Lampton, "America's China Policy," 616.
48. Ibid.
49. Dunne, "Beijing and the Business of Human Rights."
50. Greenberger and Frisby, "Clinton's Renewal of Trade Status."
51. Ibid.; Greenberger, "Restraint of Trade."
52. Friedman, "Clinton Votes for Business."
53. Sutter, *U.S. Policy toward China*, 50.
54. Lampton, "America's China Policy," 613.
55. *Financial Times*, March 17, 1994, 7.
56. Jones, "Chinese Officials Say MFN Status Benefits"; Bansberg, "China Steps up Campaign."
57. Bansberg, "China Steps up Campaign."
58. *South China Morning Post*, April 15, 1994, 9.
59. Greenberger, "Restraint of Trade."
60. Jen, "Background to China's 'Four Nots' Policy"; Lu, "New 'Eight-Character Principle.'"
61. Tyler, "Beijing Says It Could Live Well." As Jiang Zemin commented on his meeting with Clinton in Seattle in 1993, the two sides "were of the same opinion that a long-term view should be taken of the development of Chinese-U.S. relations, looking toward the 21st century." In "Jiang on Sino-U.S. Relations," Xinhua News Service, September 1994.
62. Mann, *About Face*, 296.
63. Tefft, "China Sends Huge Trade Vanguard," 9.
64. Sun, "China Detains Dissident."
65. Warren Christopher, "China's MFN Status: Summary of the Report and Recommendations of Secretary of State Warren Christopher," released by the Department of State, May 26, 1994.
66. Comment by a Chinese foreign relations analyst in Beijing in May 1994. See Lampton, "America's China Policy," 613.
67. Yuan, "Sanctions, Domestic Politics," 110.
68. Bayard and Elliott, *Reciprocity and Retaliation*, 461.
69. Goldstein, "Brawling in the Ring."
70. *Washington Post*, October 10, 1992, A19.
71. "Nike, Adidas Fear Tariffs' Effect on Hong Kong; Top Shoemakers Warn U.S.," *South China Morning Post*, August 5, 1992, 1.
72. Wu, "U.S.-China Tensions Frighten Importers."
73. "Nike, Adidas Fear Tariffs' Effect on Hong Kong; Top Shoemakers Warn U.S.," *South China Morning Post*, August 5, 1992, 1.
74. Wu, "U.S.-China Tensions Frighten Importers."
75. "China, U.S. to Resume Trade Talks in Atmosphere Strained by Threats," *Journal of Commerce*, September 14, 1992, 3A.
76. "Nike, Adidas Fear Tariffs' Effect on Hong Kong; Top Shoemakers Warn U.S.," *South China Morning Post*, August 5, 1992, 1.
77. Letter from President Bush to Senator Baucus, July 19, 1991, 3–10.

78. Mann, “U.S. China Averts Clash over Trade,” A1.
79. Author’s interview with a former MOFERT official, October 12, 2001.
80. Odell, “International Threats and Internal Politics.”
81. *Ibid.*, 239.
82. Between 1983 and 1987, the top five commodities the United States imported from Brazil, in the order of the volume traded, were coffee, petroleum products, footwear, fruits and nuts, and plates and sheets. Department of Commerce, International Trade Administration, *U.S. Foreign Trade Highlights*, 1987.
83. Graham, “Washington Angered by Extension.”
84. Sparks, “Inter Trade.”
85. Odell and Dibble, *Brazilian Informatics and the United States*, 14.
86. Odell, “International Threats and Internal Politics,” 240.
87. “Brazil Acts to Defuse U.S. Software Row,” *Financial Times*, November 27, 1987, 9.
88. “Will Keep Computer Import Limits—Brazil,” *Los Angeles Times*, December 5, 1987, 2.
89. “Brazil to Reconsider Ban on U.S. Software,” *Journal of Commerce*, November 6, 1987, 5A.

## CHAPTER 5

1. For a detailed account of the relative development of the American and Japanese semiconductor industries and the difficulties that the ascendance of the Japanese semiconductor industry posed to American manufacturers, see Okimoto, Sugano, and Weinstein, *Competitive Edge*; Prestowitz, *Trading Places*; Borrus, *Competing for Control*; Borrus, Millstein, and Zysman, “Trade and Development in the Semiconductor Industry.”
2. O’Shea, “U.S.-Japan Semiconductor Problem,” 61.
3. *Ibid.*, 61–62.
4. For example, the SIA’s lobbying effort led to the passage of a 1984 law providing intellectual property protection to chip manufacturers in the United States and a 1985 agreement between the United States and Japan eliminating tariffs on semiconductor imports in the United States. See Yoffie, “How an Industry Builds Political Advantage”; and Nanto and McLoughlin, *Japanese and U.S. Industrial Associations*.
5. Ryan, *Playing by the Rules*, 99.
6. Quoted in Irwin, “Trade Politics and the Semiconductor Industry,” 39.
7. Ryan, *Playing by the Rules*, 97.
8. Wolff, “Petition of the Semiconductor Industry Association,” 1–4.
9. Tyson, *Who’s Bashing Whom?* 108.
10. Prestowitz, *Trading Places*, 57.
11. Irwin, “Trade Politics and the Semiconductor Industry,” 43–44.



12. Krauss, "U.S.-Japan Negotiations."
13. Kehoe, "U.S. Savours Electronics Showdown."
14. Yoffie, "How an Industry Builds Political Advantage," 86.
15. Krauss, "U.S.-Japan Negotiations," 269.
16. In her analysis of the ideational sources of trade policy, Judith Goldstein argues that ideas provide decision makers with strategies or road maps that serve to maximize their interests. While material interests provide a good basis for understanding the positions of various groups and coalitions, policy ideas, often embedded and encased in institutions, help to mold policy choices. Thus, the ascendance of the "strategic trade" argument provided a justification for addressing unfair trade within the context of a liberal trade regime. Goldstein, *Ideas, Interests, and American Trade Policy*, 176–80.
17. O'Shea, "U.S.-Japan Semiconductor Problem," 67.
18. *Ibid.*, 72.
19. As Prestowitz pointed out, "Because Japan is both friend and ally, and because the problem with Japan arose from a set of interrelated policies carried out over many years rather than from a specific trade action, there was great reluctance in Washington, particularly at the Department of State and the National Security Council, to brand Japan an unfair trader." Prestowitz, *Trading Places*, 160.
20. O'Shea, "U.S.-Japan Semiconductor Problem," 72.
21. This is essentially the strategic trade argument espoused by the trade agencies.
22. Irwin, "Trade Politics and the Semiconductor Industry," 41.
23. Ryan, *Playing by the Rules*, 103–4.
24. Prestowitz, *Trading Places*, 59–60.
25. *Ibid.*, 59.
26. Tanaka et al., "Reply of the Electronics Industries Association of Japan," cited in Ryan, *Playing by the Rules*, 104.
27. Krauss, "U.S.-Japan Negotiations," 267–68.
28. For example, at a meeting in Tokyo on May 28, Yeutter directly told Minister of International Trade and Industry Michio Watanabe of Japan that the United States would like a Japanese government pledge to establish an effective cost-price monitoring system to prevent dumping and to substantially increase the U.S. share of the Japanese market to a 20 percent target within five years. Then in late June, a deputy USTR announced that the United States would retaliate with economic sanctions if a settlement agreement could not soon be reached. The move was unusual in that it signaled that the United States would no longer be willing, as it had been in the entire post-war period, to tolerate unfair Japanese trade practices in order to maintain a friendly overall bilateral relationship. In doing so, the American side indicated to Japan the seriousness it attached to the matter as well as its resolve to find an equitable settlement.
29. With regard to dumping, Japan agreed to assign each of its chip pro-

ducers a foreign market value based on the firm's manufacturing costs to measure the extent of dumping. In addition, MITI agreed to monitor the costs and prices of semiconductor exports to both the United States and to third markets and to provide firm-specific manufacturing data to the Commerce Department to determine whether dumping had actually occurred. It also agreed to engage in consultations with the United States and to take appropriate action if American negotiators could present evidence that dumping was taking place. In return for Japan's pledge, the United States agreed to suspend the dumping investigations on EPROMS and DRAMS.

30. "Arrangement between the Government of Japan and the Government of the United States of America Concerning Trade in Semiconductor Products," September 2, 1986.

31. According to the side letter, "The Government of Japan recognizes the U.S. semiconductor industry's expectation that semiconductor sales in Japan of foreign capital-affiliated companies will grow to at least slightly above 20 percent of the Japanese market in five years" and that the Japanese government "considers that this can be realized and welcomes its realization." Letter to Ambassador Clayton Yeutter from Ambassador Matsunaga, quoted in Wolff, "Identification of Japan's Failure to Abide by the Semiconductor Agreement," 8.

32. Bergsten and Noland, *Reconcilable Differences?* 132; Tyson, *Who's Bashing Whom?* 109.

33. Krauss, "U.S.-Japan Negotiations," 187, 270.

34. Prestowitz, *Trading Places*, 64–65.

35. *Ibid.*, 67.

36. Farnsworth, "End Believed Near for U.S. Sanctions," A1.

37. *Far Eastern Economic Review*, September 25, 1986.

38. *Wall Street Journal*, February 27, 1987, 44.

39. *New York Times*, March 27, 1987, 1; *New York Times*, March 28, 1987, 1; *Wall Street Journal*, March 30, 1987, 1.

40. Yoffie and Coleman, "Semiconductor Industry Association," 1–2; Keopp, "Fighting the Trade Tilt," 50.

41. Tyson, *Who's Bashing Whom?* 106.

42. In the 1991 agreement, Japan committed itself to achieving the goal of a 20 percent market share by encouraging the development of long-term buyer-supplier relationships in return for Washington's promise to remove the remaining sanctions against Japanese producers for violating the provisions of the 1986 accord. Japanese producers further agreed to facilitate antidumping investigations by providing data on cost and price to the American side. The agreement also contained provisions that would facilitate American firms' efforts to deter aggressive pricing strategies by Japanese companies.

43. Specifically, Japan agreed to give advance public notification of public procurement, publish specific performance criteria on the bids, and establish

specific procedures for making complaints and protests. Tyson, *Who's Bashing Whom?* 77–78.

44. U.S. House Office of Technology Assessment, *Competing Economies*, 25–28.

45. One report estimated that by the late 1980s American firms' share of the Japanese public sector supercomputer market, including Japan's universities, was a meager 6 percent. Between 1987 and 1989, Japanese public institutions purchased fifty-one supercomputers, but only five were obtained from foreign suppliers. Japanese companies such as Fujitsu continued their dominance of the Japanese supercomputer market. Herbst, "A More Open Market for Supercomputers," 123.

46. According to Cray Research, while it accounted for approximately 63 percent of the world market, 84 percent of the American market, and 81 percent of the European market, its share of the Japanese market was only 15 percent. Tyson, *Who's Bashing Whom?* 78.

47. Schatz, "Who's Winning the Supercomputer Race?" 18.

48. U.S. House Committee on Government Operations, *Is the Administration Giving away the U.S. Supercomputer Industry?* 125.

49. Bergsten and Noland, *Reconcilable Differences?* 145; see also Tyson, *Who's Bashing Whom?* 77.

50. LaRussa, "AEA Lauds U.S. Move on Trade."

51. U.S. Senate Committee on Finance, *Super 301*, 1–3.

52. U.S. House Committee on Ways and Means, *USTR Identification of Priority Practices and Countries*.

53. Silk, "Japan Tops Sanction 'Hit List,'" 9A.

54. See Mastanduno, "Setting Market Access Priorities."

55. Bayard and Elliott, *Reciprocity and Retaliation*, 101–2.

56. See Pear, "Far-off Silver Lining."

57. *Ibid.*

58. According to the 1989 *National Trade Estimate Report*, "U.S. suppliers found themselves excluded from serious consideration in Japanese government procurements due to technical specifications favoring incumbent Japanese suppliers. Extraordinarily low Japanese government supercomputer budgets effectively require massive discounts of up to 80 percent off list price." U.S. Trade Representative, *National Trade Estimate Report*, 1989, 103.

59. *International Trade Reporter*, July 1989; U.S. House Office of Technology Assessment, *Competing Economies*, 276.

60. Specifically, the 1990 agreement mandated that performance requirements be based on real rather than peak-performance data; it required that the machine had to be delivered by the announced delivery date in order to prevent Japanese companies from bidding for a product that did not yet exist (i.e., "paper machines"); it responded to American complaints by setting more transparent and nondiscriminatory criteria for evaluating bids; and, finally, the agreement limited price discounting by outlawing bids that violated

Japan's antitrust regulations and established a Procurement Review Board to consider complaints of violations of the accord's provisions.

61. Bayard and Elliott, *Reciprocity and Retaliation*, 119.

62. *Ibid.*, 112.

63. See the evaluation of the 1990 supercomputer agreement by Bayard and Elliott, *Reciprocity and Retaliation*, 119–20; and Tyson, *Who's Bashing Whom?* 79.

64. U.S. Senate Committee on Commerce, *Japanese Space Industry—An American Challenge*, testimony of J. Michael Farren, Undersecretary for International Trade, U.S. Department of Commerce, before the Senate Commerce Subcommittee on Foreign Commerce and Tourism, October 4, 1989, 14.

65. Wray, "Japanese Space Enterprise," 469.

66. The plan by Japan's telecommunications giant NTT to buy Hughes's satellite technology in 1983 reportedly "sent shock waves through Washington," leading American decision makers to direct more attention to the trade effects of Japanese public procurement policies. See Prestowitz's discussion of the incident, in *Trading Places*, 122–24.

67. Importantly, Tokyo allowed private companies to purchase foreign satellites and to compete with NTT in the provision of satellite communication services. It also approved the establishment of two joint ventures.

68. See, for example, U.S. Senate Committee on Commerce, *Japanese Space Industry—An American Challenge*, testimony of J. Michael Farren.

69. Mastanduno, "Do Relative Gains Matter?" 98–99. See also Wray, "Japanese Space Enterprise," 470.

70. Mastanduno, "Do Relative Gains Matter?" 100.

71. U.S. Senate Committee on Commerce, *Japanese Space Industry—An American Challenge*, testimony of S. Lynn Williams and J. Michael Farren; see also Wray, "Japanese Space Enterprise," 470.

72. U.S. Senate Committee on Commerce, *Japanese Space Industry—An American Challenge*, testimony of J. Michael Farren, 14.

73. U.S. Senate Committee on Commerce, *Japanese Space Industry—An American Challenge*, testimony of S. Lynn Williams, 7.

74. The State Department and the Council of Economic Advisors voiced their concerns that designating Japan could harm the bilateral political relationship and incite a trade war with Japan. See Powell, Thomas, and Martin, "Japan Makes the Hit List."

75. Mastanduno, "Do Relative Gains Matter?" 97.

76. U.S. House Committee on Ways and Means, *USTR Identification of Priority Practices and Countries*, 33–37.

77. *Ibid.*, 41–56.

78. *Ibid.*, 59.

79. *Ibid.*, 100–101, 105–10.

80. Japan Economic Institute, *JEI Report*, no. 16B, April 20, 1990, 12.

81. Wray, “Japanese Space Enterprise,” 473.
82. *Ibid.*, 472.
83. U.S. communications satellite manufacturers held about 65 to 70 percent of the global market estimated at \$1.2 billion to \$1.4 billion annually in the early 1990s. See U.S. Department of Commerce, *U.S. Industry Output 1992*.
84. Hershey, “A Basic Pact with Japan,” D1.
85. Bayard and Elliott, *Reciprocity and Retaliation*, 134.
86. According to wood products manufacturers, this was reflected in the disparity between Japan’s share of world trade volume in logs, which ranged somewhere between 40 to 45 percent in the mid-1980s, and its share of world trade in processed wood products, which hovered at only 10 percent during the same period. ABARE, *Japanese Agricultural Policies*, 253.
87. U.S. Department of Commerce, *Japanese Solid Wood Products Market*, chap. 3.
88. U.S. House Committee on Finance, *Japanese Trade Barriers to Forest Products*, 14.
89. *Ibid.*, 135–37.
90. U.S. Department of Commerce, *Japanese Solid Wood Products Market*, 135–54.
91. *Ibid.*, 137–57.
92. *Journal of Commerce*, April 24, 1989, 5.
93. *Journal of Commerce*, December 1989, 1A.
94. National Forest Products Association, “Comments Concerning Japanese Restrictions Affecting Importation of Forest Products,” July 18, 1989, on file in the USTR reading room.
95. U.S. House Committee on Finance, *Japanese Trade Barriers to Forest Products*, 11–16.
96. *Ibid.*
97. U.S. House Committee on Ways and Means, *USTR Identification of Priority Practices and Countries*, 39–40.
98. *Ibid.*, 33–37.
99. U.S. Department of Commerce, *Japanese Solid Wood Products Market*, 142.
100. Bayard and Elliott, *Reciprocity and Retaliation*, 146–47.
101. U.S. Department of Commerce, *Japanese Solid Wood Products Market*, 143–44.
102. U.S. Senate Committee on Finance, *Super 301*, 29.
103. Yabunaka, *Taibei keizai kosho* (Economic negotiations with the United States), 136.
104. Interview with a Japanese official personally involved in the negotiations, September 9, 2001.
105. Cited in U.S. House Office of Technology Assessment, *Competing Economies*, 276.

106. Yabunaka, *Taipei keizai kosho* (Economic negotiations with the United States).

107. For further discussions of the strategic trade policy, see Krugman, *Strategic Policy*; Krugman, “Strategic Sectors and International Competition”; and Sandholtz et al., *Highest Stakes*.

## CHAPTER 6

1. Interviews with China experts confirm this interpretation.
2. Ibid.
3. Sands and Lehr, “IPR Watchdogs.”
4. Lachica, “Plan for Tariffs against China.”
5. Belsie, “China Trade through Lens.”
6. Ruzicka, “U.S.-China Tension Building over Piracy.”
7. Ibid.
8. Belsie, “China Trade through Lens.”
9. Ibid.
10. Ibid.
11. *Wall Street Journal*, February 1, 1995.
12. Ruzicka, “U.S.-China Tension Building over Piracy.”
13. *Washington Post*, May 16, 1996, A21.
14. *Los Angeles Times*, May 15, 1996, A1.
15. *Strait Times*, May 15, 1996, 13.
16. Stevenson, “Tread Carefully with China.”
17. Smith and Chen, “U.S. Business Concerned.”
18. Robert S. Greenberger and Jeff Cole, “China Sanctions Put U.S. Firms in a Bind,” *Wall Street Journal*, May 30, 1996.
19. Stevenson, “Tread Carefully with China.”
20. Ibid., 5 (sect. 1).
21. Jayakar, “United States-China Copyright Dispute,” 553–54.
22. Sanger and Erlanger, “United States Warns China.”
23. Jehl, “Warning to China on Trade.”
24. “Tariffs Won’t Hurt, China Warns,” *Toronto Star*, February 6, 1995, B2.
25. “China Defiant in Piracy Dispute with U.S.,” *Financial Times*, February 15, 1996, 4.
26. “China Warns U.S. to Return to Trade Talks,” *Toronto Star*, May 20, 1996, C6.
27. “China: U.S. Trade Deficit, Sino-U.S. Trade Wrangles, Are Washington’s Fault,” *Agence France Presse*, May 19, 1996.
28. According to Lardy, one year after the agreement came into existence, Chinese textile exports to the United States grew by nearly two-thirds. Lardy, *China in the World Economy*, 83.

29. Zhang, “Maoyi Baohu Zhuyi Dui Zhongmei Liangguo de Weihai,” 113.

30. *Ibid.*

31. According to the Commerce Department, Chinese exports increased by 40 percent in 1980, 73 percent in 1981, and 23 percent in 1982. By 1982 China had become the fourth largest textile exporter to the U.S. market, supplying 10.5 percent of overall U.S. textile imports. The remarkable growth of Chinese exports took place at a time when the U.S. textile industry was suffering from a shrinking domestic market and rising industry unemployment. Department of Commerce, International Trade Administration, *U.S. Foreign Trade Highlights*, 1985.

32. *Washington Post*, November 21, 1982, 6A.

33. For example, President John F. Kennedy, by promoting the establishment of the Short-Term and Long-Term Arrangements Regarding Textiles (the STA and the LTA), and President Richard Nixon, by fostering the development of the Multifiber Agreement, had set precedents of offering policy concessions in exchange for political support. Hufbauer and Rosen, *Trade Policy for Troubled Industries*; Friman, *Patchwork Protectionism*.

34. Destler, *American Trade Politics*.

35. Destler and Odell, *Anti-Protection*, 89–93.

36. “A Spring Offensive,” *Wall Street Journal*, March 29, 1983, 1.

37. *Washington Post*, July 13, 1983, 1F.

38. *Wall Street Journal*, September 7, 1983, 3.

39. *Journal of Commerce*, August 1, 1983, 5A.

40. Ryan, *Playing by the Rules*, 158–59.

41. *Ibid.*, 159–61.

42. Madison, “Textile Talks Will Put Stance to Real Test,” 883.

43. Under the executive order, the interagency Committee for the Implementation of Textile Agreements was authorized to engage in bilateral consultations with the Chinese government with regard to textiles and apparel products. CITA would be mandated to implement new restrictions if imports exceeded 20 percent of total U.S. production or if the annual growth rate of textile imports in specific product categories reached 30 percent. This new policy was not limited to China but covered imports from America’s major textile suppliers as well. Ryan, *Playing by the Rules*, 163.

44. Lardy, *China in the World Economy*, 85.

45. “U.S. Cuts Imports of Chinese Textile By \$1 Billion,” *St. Petersburg Times*, January 7, 1994, 13A; “Ending the Textile Rift,” *China Business Review* 21, no. 3 (May–June 1994): 9.

46. *Washington Post*, January 7, 1994, A8; John Davies, “U.S. Importers Fear Big Loss,” 5A.

47. “U.S.-China Trade War Looms over Textiles,” *Gazette*, January 8, 1994, C3.

48. *Ibid.*

49. Friedman, “U.S. Pares Imports of China’s Fabrics.”
50. Ibid.
51. Dunne, “Washington Speaks with One Voice,” *Financial Times*, January 8, 1994, 3.
52. Green, “U.S. Textile Makers, Importers Clash.”
53. Green, “Trade Office Braces for Lobbying Blitz.”
54. Bangsberg, “China Warns of Retaliation,” 3A.
55. English “Text” of Interview on U.S. Textile Issue. FBIS-CHI-96–195, October 6, 1996.

## CHAPTER 7

1. For a more detailed account of these disputes, see, for example, Yannopoulos, *Customs Unions and Trade Conflicts*; and Paalberg, *Fixing Farm Trade*.
2. Bayard and Elliott, *Reciprocity and Retaliation*, 428–30.
3. Odell and Matzinger-Tchakerian, “European Community Enlargement,” 136.
4. Gardner, “Political Economy of U.S. Export Subsidies,” 295.
5. Farm groups contended that, since the enlargement treaty required the *elimination* of Spanish and Portuguese tariffs on manufactured goods imported from other E.C. countries, American industries would be placed at a distinctive disadvantage vis-à-vis their European competitors. Letter from U.S. Feed Grains Council to U.S. Department of Agriculture, June 20, 1986, cited in Odell and Matzinger-Tchakerian, “European Community Enlargement,” 137.
6. Odell, “International Threats and Internal Politics,” 241.
7. Odell and Matzinger-Tchakerian, “European Community Enlargement.”
8. Letters to USTR, December 2, 1986, quoted in Odell, “International Threats and Internal Politics,” 242.
9. See Odell, “International Threats and Internal Politics,” 242.
10. Heavy subsidies allowed the EC to increase its share of the world export market for wheat and flour from 9.5 percent during the 1970s to 15.7 percent in 1984–85. EC agricultural subsidies in 1984 alone amounted to \$5.2 billion. Strokes, “Trade Disputes Are Straining the Ties,” 1985.
11. “Close U.S.-E.C. Links Sometimes Result in Trade Strains,” *Europe* 271 (November 1987): 46.
12. Statement by Rep. Doug Berueter (R-NE), member of the House Foreign Affairs Subcommittee on International Economic Policy and Trade, 1986.
13. Yeutter, “Preserving the Atlantic Peace,” 23.
14. Address by Commerce Secretary Malcolm Baldrige before the Ameri-



can Chamber of Commerce, “U.S.-E.C. Trade Dispute,” *Department of State Bulletin* 86 (June 1986): 43.

15. Johnston, “U.S., Europe Achieve Truce.”
16. Odell and Matzinger-Tchakerian, “European Community Enlargement,” 144–45.
17. EC agricultural exports accounted for about one-fifth of world agriculture trade in 1985. IMF, *Direction of Trade Statistics Yearbook*, 1986.
18. Odell and Matzinger-Tchakerian, “European Community Enlargement,” 145.
19. *Ibid.*, 149.
20. Odell, “International Threats and Internal Politics,” 243.
21. *Ibid.*
22. *Ibid.*, 246.
23. Cashore, *Flights of the Phoenix*, 10–11.
24. U.S. Department of Commerce, International Trade Administration, *Preliminary Negative Countervailing Duty Determination*, 1.
25. Kalt, *Political Economy of Protectionism*, 1–2.
26. U.S. sales of shakes and shingles were \$80 million a year, with Canada being a major supplier to the United States.
27. Specifically, U.S. importers were required to post bonds of up to 15 percent on shipments of softwood lumber from Canada.
28. Kalt, *The Political Economy of Protectionism*, 3.
29. *Ibid.*, 340.
30. *Ibid.*
31. Kalt, “Precedent and Legal Argument in U.S. Trade Policy,” 270–71.
32. Constantino and Percy, “Political Economy of Canada-U.S. Trade,” 56.
33. See Percy and Yoder, *Softwood Lumber Dispute*, 23.
34. Bailey, “The Productivity Growth Slowdown by Industry,” 437.
35. Coalition for Fair Lumber Imports, *Petition for the Imposition of Countervailing Duties*.
36. Kalt, *Political Economy of Protectionism*, 8–9.
37. Coalition for Fair Lumber Imports, *Petition for the Imposition of Countervailing Duties*.
38. Cashore, *Flights of the Phoenix*, 11.
39. *Ibid.*
40. Geoffrey Carliner’s comments in Krueger, *Political Economy of American Trade Policy*, 289–90.
41. *Ibid.*
42. Fox, “Politics of Canada-U.S. Trade,” 27.
43. Percy and Yoder, *Softwood Lumber Dispute*, 1.
44. Lewington, “Senators Warn Canada,” B12.
45. Fox, “Politics of Canada-U.S. Trade,” 27.
46. Bonker in the House and Baucus in the Senate sponsored the Wood

Products Trade Act of 1985, requesting that the president negotiate voluntary export restraints with Canada and impose a 10 percent ad valorem duty on softwood lumber imports from Canada in the absence of voluntary restraints. See Doran and Naftali, *U.S.-Canadian Softwood Lumber*, 9.

47. Vernon, Spar, and Tobin, *From Triangles and Revolving Doors*, 30; Cashore, *Flights of the Phoenix*, 12.

48. Cashore, *Flights of the Phoenix*, 12.

49. Hayter, “International Trade Relations”; Tougas, “Softwood Lumber from Canada,” 156–57.

50. Letter from ten senators to Clayton Yeutter, October 1, 1985. Reproduced in Tobin, “U.S.-Canada Free Trade Negotiations.”

51. Quoted in Vernon, Spar, and Tobin, *From Triangles and Revolving Doors*, 33.

52. Tougas, “Softwood Lumber from Canada,” 144.

53. Doran and Naftali, *U.S.-Canadian Softwood Lumber*, 10.

54. Lewington, “U.S. Administration Courts Key Senators.”

55. Kalt, *Political Economy of Protectionism*, 340.

56. Apsey and Thomas, *Lessons of the Softwood Lumber Dispute*.

57. Hepburn, “U.S. Imposes 15% Tariff,” A1.

58. Cashore, *Flights of the Phoenix*, 16.

59. Keohane, *After Hegemony*.

60. Goldstein, “International Law and Domestic Institutions,” 541–64.

61. Cashore, *Flights of the Phoenix*, 25–26.

## CHAPTER 8

1. Marc Busch, for example, provides one interpretation of why states are willing to fight for their national champions in some high-technology industries but not in others. See Busch, *Trade Warriors*.

2. Soh, “To Earn Respect, China Must Respect Global Rules.”

3. Odell, “International Threats and Internal Politics,” 248–52.

4. *Le Monde*, July 6/July 7, 1986, 13.

5. Odell, “International Threats and Internal Politics,” 247.

6. *Ibid.*

7. See, for example, Keohane, *After Hegemony*.

8. Between January 1995 and August 1999, the United States initiated a total of 25 Section 301 cases. This amounts to an average of 5.4 cases per year, compared to 4.75 cases per year in the period between 1975 and 1994.

9. Lardy, “Permanent Normal Trade Relations for China.”

10. McCurry, “U.S., China Agree on WTO.”

11. Reinhardt, “Aggressive Multilateralism”; Busch, “Democracy, Consultation.”

12. Rosendorff and Milner, “Optimal Design of International Trade Institutions.”

13. See, for example, Rosecrance, *Rise of the Trading State*; Stein, “Governments, Economic Interdependence”; Cain, “Capitalism, War, and Internationalism.”

14. Polachek, “Conflict and Trade”; Gasiorowski and Polachek, “Conflict and Interdependence”; Hirschman, *National Power and the Structure of Foreign Trade*.

15. See, for example, Waltz, “Myth of National Interdependence,” 214.

16. Gowa, *Allies, Adversaries, and International Trade*; Mastanduno, “Do Relative Gains Matter?”; Tyson, *Who’s Bashing Whom?*

17. Gilpin, “Structural Constraints on Economic Leverage”; Borrus and Zysman, “Industrial Competitiveness”; Baldwin, *Economic Statecraft*.

18. See, for example, Reuveny, “Disaggregated Bilateral Trade and Conflict”; McMillan, “Interdependence and Conflict.”

19. Recent studies have investigated the effect of financial and monetary integration on peace. See, for example, Gartzke, Li, and Boehmer, “Investing in the Peace.”

20. Refer to chapter 1 for the debate over the relationship between regime type and democracies’ involvement in trade disputes.

21. Fearon, “Bargaining, Enforcement, and International Cooperation.”

22. Kwan, “Turning Trade Frictions into a Win-Win Game.”

23. Putnam, “Diplomacy and Domestic Politics,” 451.

24. Sun, *Art of War* (Sunzi Bing Fa), chap. 3.