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TRADE NEGOTIATION BETWEEN THE UNITED STATES AND TAIWAN

Interest Structures in Two-Level Games

Chien-pin Li

The United States in the 1980s became more aggressive in calling for market liberalization through bilateral or regional negotiations with its trading partners. In contrast to traditional protectionism, which shielded domestic industries from foreign competition by way of import restriction, the new approach emphasized export expansion. Along with trade liberalization, Section 301 of the Trade Act (1974) was strengthened in 1984 and 1988, giving the president wider authority and discretion in dealing with “unjustifiable” or “discriminatory” foreign trade practices.

Against this background, the Reagan administration initiated a series of trade talks with the United States’s principal trading partners on market-opening measures. The ramifications of these trade talks, however, extend beyond the simple idea of regulating imports or exports. Trade negotiations often impact the interests of powerful economic sectors on both sides, and directly or indirectly affect a government’s broader objectives such as employment, economic growth, and welfare distribution. They stimulate interest groups that are much more muted on other international negotiations, and the competition of those opposing interests and policy goals, either within the economies or between them, creates an intricate dilemma for the negotiators, who try to maintain balance amid the diverse forces. Frequently, the negotiation process involves extensive tradeoffs of various political-economic interests in the nexus of domestic and foreign contexts—a subject of significant theoretical import in economics and politics.

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This article attempts to shed light on the dynamics and processes underlying trade negotiations by examining a typical case: the trade talks between the United States and Taiwan. Since the mid-1970s, trade between the two countries has expanded, and especially since the early 1980s with the balance consistently in favor of Taiwan. With its immense foreign reserves—second only to Japan's in the late 1980s—and its huge trade surplus with the U.S., Taiwan became one of the natural targets for the new American policy. Under the Reagan administration, a series of negotiations were conducted aiming to redress the trade imbalance through bilateral arrangements.

In analyzing the complexity of the interest competition in the negotiations, the pluralist perspective is used as the article's theoretical model. Conventional wisdom of the pluralist perspective argues that a government's policies and positions in foreign economic affairs basically reflect the distribution of power or preferences among domestic groups. The holding or rejecting of specific foreign economic policy positions is a function of domestic pressure politics, and is played out between the official representatives and the various social or bureaucratic groups related to the issues in dispute.

This perspective has been further expanded by Robert Putnam, who developed a two-level game metaphor to examine the interactions of domestic politics and international pressures in bilateral negotiations.¹ According to Putnam, a set of intertwined domestic and international negotiations exist in which it is impossible to reach agreement in an international negotiation without some kind of overlapped "win-sets"—that is, the sets of all possible international arrangements that are acceptable to the domestic constituents of both sides. For Putnam, the size of the "win-set" depends primarily on domestic institutions and structures, although in some cases these factors may be subject to manipulation by the negotiators. Two of the factors are most pertinent to this study: the distribution of constituent preferences and the participation of organized interests.

The distribution of preferences might vary with issues, whose potential to split a society can be quite different. For instance, issues such as the promotion of a country's exports, which expands its economy and wealth but has no adverse effects on other domestic sectors, are less likely to raise domestic controversies. On these "homogeneous" issues, domestic constituents share similar preferences and enjoy a high degree of consensus. In such cases, to maximize the chance of domestic ratification of the negotiated agreements, negotiators tend to follow a hard-bargain, "the more, the better" approach, which in fact reduces the size of the win-set. Conversely, when constituent preferences are more heterogeneous—when international agreements might

1. Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Game," *International Organization*, no. 42 (Summer 1988), pp. 427–60.

have uneven domestic effects—negotiators may find that some of their own people become the “silent allies” of their opponents. In these cases, the presence of transnational coalitions will moderate the negotiators’ positions and expand their win-sets; consequently, it becomes easier to reach an international agreement.

The participation of organized interests in the negotiation process will also affect the size of the win-set. When the costs/benefits of negotiations are relatively concentrated on a few sectors or when issues are highly politicized, the interests concerned will mobilize to defend their well-being. Their active participation in the process then minimizes the autonomy of the negotiators, limits the negotiators’ maneuvering space, and reduces the size of the win-set. Hence, negotiations that are highly politicized on both sides tend to end in stalemate.

In a way, this two-level metaphor represents an effort to predict negotiating strategies and behaviors from different situations of “intra-organizational bargaining.”² Presumably, negotiations are most difficult in cases of high interest homogeneity and mobilization, for they generate the least win-sets. The situation then improves when domestic interests become diverse and/or unorganized. The following analysis applies Putnam’s theoretical perspective to trade negotiations between the U.S. and Taiwan, showing the interrelationship between domestic interest structures and the negotiation processes.

U.S.-Taiwan Trade Negotiations

Table 1 lists the U.S.-Taiwan trade negotiations in the 1980s, which dealt with a wide variety of subjects and problems. Based on the two concepts discussed by Putnam, interest homogeneity and interest mobilization, these trade issues can be grouped into three categories.³ The first includes issues that, for both the U.S. and Taiwan, score high on the homogeneity and mobilization scales. Here, the distribution of domestic preferences is generally homogeneous, with no significant internal splits over bargaining positions. Also, interest groups are quite active in these negotiations. All the talks on intellectual property rights (IPR) and agricultural issues (i.e., fruits, turkey, duck, rice, cigarettes, wine, and driftnet fishing) fall into this category.

The second group contains the issues marked by heterogeneous interests and quiet lobbying. For both the U.S. and Taiwan, there are internal dis-

2. Richard E. Walton and Robert B. McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill, 1965), p. 281.

3. Negotiations on free trade area and the trade dispute settlement mechanism are excluded from this study. These issues were initiated by Taiwan but since they might imply de facto recognition of Taiwan’s political status, they are considered political rather than trade issues. Although these issues were repeatedly put on the agenda, both sides pursued them only half-heartedly and obtained no meaningful results.

TABLE 1 *Major Trade Talks Between the U.S. and Taiwan, 1981–1989*

<i>Issue</i>	<i>Date*</i>	<i>Agreement Signed</i>
Trade talk	1981	Trade agreement
Fishing	1982	Fishing agreement
	1987–89	Fishing agreement
Textile	1982	Textile agreement
	1983–88	
Rice	1983–84	Rice agreement
	1985–89	
Wine, beer, cigarettes	1984–86	
	1984–86	Wine, beer, and
	1988–89	cigarettes agreement
Intellectual property right	1984–89	Copyright protection agreement
Leasing	1985	
Free trade area	1985–88	
Investment	1985–86	
Insurance	1985–89	
Motion pictures	1985–86	
Machine tools	1986	Machine tools VRA
	1987–89	
Steel	1986	
	1987–88	
Trade dispute settlement mechanism	1986–87	
Turkey	1986;1988	Turkey agreement
Transportation	1986–87	
Banking	1986; 1988–89	
Fruits	1988	

* Date opens when talk begins, and ends when an agreement is reached or no further talk is recorded. Talks following an agreement are dated on the next line.

agreements, but they are not accompanied by active lobbying and, for reasons discussed below, interest groups generally take a low profile in the process. Generally speaking, negotiations on service industries (banking, insurance, investment, leasing, transportation) fit quite well with these features. Issues in the third category are related to Taiwan's exports (or American imports), including textiles, steel, and machine tools, that can be summed up as "manu-

facture issues.” On these, the degree of interest homogeneity is high for Taiwan but low for the U.S.; on the other hand, the participation rates of the interest groups show that organized interests are active in the U.S. but quiet in Taiwan.

Comparing the patterns of negotiating behaviors/strategies in these three types of issues will allow us to understand their variations due to underlying differences in preference distribution and interest mobilization.

Agricultural-IPR Issues

Generally speaking, Taiwan usually took a “legalistic” negotiating approach on agricultural issues to command the high moral ground. In the face of strong American market-opening pressures, its negotiators directly challenged the legitimacy of these demands by citing American protectionist practices. They argued that the indecision of the Uruguay Round and the various protectionist practices in the U.S., Japan, and the European Community, all indicated the dubious and fragmentary nature of agricultural trade regimes—that is, that the nonexistence of universal rules and the existence of American protectionism spoke against the legitimacy of American market-opening demands.⁴ This attitude was also evident in the public remarks of some ranking economic officials. For instance, in a legislative interpellation session in April 1988, Vice-Economic Minister Chien-Shien Wang said that Taiwan would by no means make concessions to the U.S. on agricultural products. He further warned that the government would not extend its rice agreement with the U.S., not because of its economic impact on Taiwan’s rice exports, but because of its “unfair” nature.⁵

On driftnet fishing, Taiwan took a similar legalistic approach, declining for reasons of national sovereignty to grant Americans the right to visit its vessels to verify fishing violations. On the matter of copyright protection (IPR), Taiwan used the provisions of the 1952 Universal Copyright Convention (UCC) to question the appropriateness of the American proposal, which had allegedly integrated the UCC with the 1886 Bern Convention on a selective basis to maximize protection. Also, the U.S. demand to protect copyrights retroactively was first turned down by Taiwan on the ground that retroactivity contradicted the general legal principle.

American negotiators, on the other hand, usually sidestepped these legality/fairness arguments, approaching the issues from an economic cost/benefit perspective. They maintained that American turkey and fruit exports to Tai-

4. Information is compiled from *Wo Kuo Twei Wai Mao I Tsu Shang Tan Pan Chi Yao* (Summary of foreign trade consultations and negotiations) (Taipei: Ministry of Economics, various years).

5. *United Daily News* (Taipei), April 22, 1988.

wan would not be major problems for Taiwanese farmers since their market shares were minimal. They also reviewed fundamental problems of Taiwanese agriculture, especially involving fruit and dairy farming, concluding that American products would not hurt the farmers as much as Taiwan's climate, soil, inefficient marketing-distribution structure, and overproduction.⁶ In addition, they asked, if the rice agreement had not impaired Taiwan's rice exports, why wouldn't the Taiwan government simply renew it? Even the complicated legal discussion on IPR was coated with economic incentives. American negotiators argued that given Taiwan's recent strength in foreign investment and technological innovation, Taiwanese companies would actually benefit from strong legal protection for patents, trademarks, and copyrights.

There are plenty of examples of this kind of legalistic vs. economic exchange in negotiation records but it seemed that these arguments were used by both sides simply to defend and justify their predetermined positions. Negotiations on the agricultural-IPR issues were the most controversial and confrontational; true dialogue did not seem to exist, and few compromises were made following the exchanges. The negotiating processes were marked by rigidity and inflexibility, and the uncompromising attitudes of the negotiators often led to deadlocks. In Putnam's terms, these are the negotiations in which there are no overlapping win-sets.

The stalemates and the inability to reach agreement are indicated by the frequency of American threats and coercion, with trade disputes turned into economic showdowns. In virtually all of the agri-IPR negotiations, the Americans resorted to threats to invoke Section 301 or similar retaliations to press for concessions from Taiwan. Such intensity was not seen in the other two issue groups. In retrospect, the uncompromising behavior of both sides correlated with their domestic interest politics. Politicized issues, mobilized interest groups, and the homogeneous preference distributions significantly diminished the negotiators' discretionary space, hence reducing their win-sets.

Taiwan's agricultural sector, comprising 17% of the labor force, had been coopted by the ruling Kuomintang (KMT) Party since the early 1970s, but in the 1980s the farmers, who had traditionally been passive and acquiescent, began to protest the influx of foreign agricultural products. In May 1988 a series of protests culminated in a massive and somewhat violent demonstration against imported turkey and fruits. The farmers' dissatisfaction with current agricultural policies, bolstered by the opposition party's organizational

6. These arguments were seen in a statement issued by the American Institute on Taiwan (AIT), the de facto American embassy, March 16, 1988.

and logistical support, nibbled at the KMT's traditional political advantage in rural areas and raised concerns within the party.

The farmers' problems were well publicized by the media, invoking a good deal of sympathy from the general public. Opening the market to American farm products was frequently portrayed as yielding to imperialist pressures. For example, during the talks on American cigarette imports, Taiwan's media described the negotiations as the second Opium War. It also perceived allowing inspection of Taiwan's fishing vessels as an intrusion on national sovereignty, and said that Taiwan could become a U.S. cultural colony under the proposed copyright law revisions. Against this backdrop, agri-IPR negotiations were not viewed as purely economic issues, as American delegates might have portrayed them. Once politicized, trade issues are transformed by emotion and nationalism into matters of prestige and dignity, and concessions can easily be interpreted as a national humiliation brought about by an incompetent government. Thus, Taiwan negotiators lost their autonomy and were severely constrained by domestic societal factors, making it difficult to take a more conciliatory approach.⁷

The American negotiators also faced strong farm lobbies. National organizations such as the Rice Millers Association, the National Turkey Federation, and the Tobacco Institute, as well as regional organizations from states such as Florida, California, and Washington were very active in the agricultural talks. They repeatedly testified at public hearings on Taiwan's rice exports and on cigarette, wine, fruit, and turkey imports, and openly advocated American retaliation if their demands were not met. Similarly, publishing, pharmaceutical, and movie companies were active in the IPR negotiations. These organizations mobilized congressional support to pressure Taiwan to open its markets, and hired legal consultants who monitored Taiwan's policies and kept American officials informed. Agents from these organized interests maintained close contact with government officials throughout the negotiations, on several occasions even exercising a veto power by rejecting working drafts and forcing both sides to reopen negotiations. Their assertiveness and determination limited the kind of concessions that the American negotiators were able to make.

The intransigence on both sides was further reinforced by homogeneous interest structures. For the United States, the promotion of agricultural exports and protection of American intellectual property rights incur no domestic costs, for no social groups will be hurt by the pursuit of these policies. In Taiwan, the government's positions on agri-IPR issues were not directly chal-

7. Yao-tung Chao, chairman of the Council for Economic Planning and Development, took note of the situation and asked the public to separate emotionalism from the real issues (*China Post* (Taipei), August 26, 1986).

lenged by any domestic groups either, partly due to Taiwan's politicized nationalism and partly because of inactivity by the large number of unmobilized consumers, the real beneficiaries of the open market. As a result, high-interest homogeneity justified and reinforced the lobbying efforts of agricultural groups in both countries.

Taken together, the U.S.-Taiwan agri-IPR negotiations resemble "distributive bargaining" in which negotiators, viewing the bargaining structure as a zero-sum game, are reluctant to make concessions.⁸ The intransigence is manifested in such competitive bargaining behavior as warning, bluffing, and threatening. The behavior in these negotiations can indeed be attributed to the characteristics of the issues—high interest homogeneity and strong societal penetration—which create an environment highly adverse to reaching agreement. As no compromise or concession was obtained in the process, agri-IPR negotiations often reached a stalemate.

However, as pressure from the dissatisfied farm sector continued to mount, American negotiators were forced to use coercive tactics to break the bargaining deadlock. Interestingly, each time the Section 301 threat was used, it effectively changed the dynamics of the process by transforming Taiwan's domestic interest structure from homogeneity to heterogeneity. The cigarette and wine talks in 1986 illustrate this point. After several unsuccessful negotiations, the U.S. declared that if Taiwan continued to shut out American cigarettes and wine from its market, then Taiwan's footwear, textiles, or computer exports would be targets for 301 retaliation. Not surprisingly, the announcement stirred apprehension, even panic in Taiwan's export sectors which, unwilling to be sacrificed for the cigarette and wine industries, launched their own lobby to persuade the government to accept the American demands.⁹ Thus, the effect of the 301 threat was to transform an international dispute into a domestic one, with Taiwan's export sector competing with its agricultural sector and putting the Taiwan authorities in the awkward position of having to choose between them.

Although the hardliners still preferred no concession, the effective counterlobby from the export sectors—the economic lifeline of Taiwan's export-oriented economy—eventually gained the upper hand. Taiwan finally gave in and signed the cigarette and wine act. As noted earlier, the U.S. repeated the 301 threat in ensuing agricultural talks whenever negotiations led nowhere, and each time Taiwan modified its positions and made last-minute concessions. The powerful effect of the threat can be explained from the perspective of the newly created heterogeneous interest structure.

8. Walton and McKersie, *A Behavioral Theory*, p. 11.

9. *United Daily News*, October 18, 1986.

Service Issues

The rigidity and inflexibility observed on agricultural issues occur less often in negotiations over banking, insurance, and transportation in which Taiwan seems to have adopted a middle-of-the-road strategy with a delicate balance between acquiescence and defiance. Unlike the outright confrontation in the agri-IPR talks, Taiwan's negotiators on service issues have accepted some American propositions and made adjustments accordingly; however, they do delay decisions on questions of great controversy or importance.

These incremental concessions can be seen in a series of market-opening measures taken by Taiwan in service sectors since 1985. Under American pressure, Taiwan granted foreign banks short-term credit to meet minimum reserve requirements (March 1985), allowed foreign banks to join the centralized debit card processing facility (August 1986), extended the limit on time deposits from six months to three years (October 1986), permitted foreign banks to open a second branch in Kaohsiung (October 1986), and allowed them to sell foreign gold coins (April 1988). However, it still maintained tight controls over more sensitive areas such as the type of investments and loans that foreign banks can make and their ability to influence Taiwan's currency market.

In the case of insurance, Taiwan agreed in April 1987 to grant licenses to qualified U.S. insurance companies but restricted the number of licenses issued each year to four and the kinds of business in which these companies can engage (two for life and two for nonlife insurance). In addition, American insurers were not allowed to invest in the local stock or real estate markets on the ground that the influx of their capital might destabilize the small local markets. In transportation, Taiwan allowed U.S. carriers to operate as their own container terminal operators, shipping agencies, and sea cargo forwarders but retained its ban on foreign ownership of trucking operations, which was considered by Taiwan as a national security issue that might affect its ability to mobilize troops and resources during wartime. Taken together, incrementalism characterized Taiwan's bargaining behavior in these issue negotiations.

A similar middle-of-the-road approach was adopted by the American negotiators. The United States, though preferring a clearer, more comprehensive timetable of liberalization, often settled for Taiwan's incremental concessions. Each time, American negotiators went home with Taiwan's promises of change in some minor areas, but they would come back and continue to negotiate the yet unresolved parts, which usually meant winning other concessions. For the U.S., steady improvement, even if slow, meant progress and a precedent that could be cited to persuade other states elsewhere.

The pursuit of incremental changes by both sides can be explained by the lack of interest mobilization in the service sectors. On these issues, the societal inputs and constraints on both sides played a far less important role than in the agri-IPR negotiations. In Taiwan no nationalistic emotion had been inflamed, and not many private interest groups mobilized to speak for their well being. In other words, there was not much participation from the civil society in the service negotiations.

Industries such as banking, insurance, and securities have been heavily regulated and closely watched by the Taiwan government for their potential destabilizing effects on financial markets. There were no private banks in Taiwan during the time of this study; all were owned and managed by the public sector with executives appointed by the provincial or central government. This control over the source of capital ensured government leadership in the financial sector. Although the securities and insurance industries are not as tightly controlled, private companies are balanced by those owned by the government. State dominance is also observed in transportation and communication. On transportation issues, the affected targets—the Kaohsiung and Keelung Harbor Bureaus—are government agencies subordinate to the administrative control of the Ministry of Communications. The government also has monopolistic control of port, railroad, and telecommunication systems.

Given its comprehensive and complete control of these sectors, the government does not leave much room for interest groups to organize or maneuver. The conventional view of Taiwan's "strong state-weak society" fits quite well in this issue category. The strong state and weak private groups, however, do not add up to a homogeneous interest structure. Within the government itself, disagreements abound. In fact, most of the internal policy debates and discussions were marked by bureaucratic competition.

Taiwan's financial-monetary authority has a reputation for policy inertia, and is inclined to reject all American demands for change. On the other hand, the Ministry of Economics is more sympathetic to free trade ideas that can streamline and modernize Taiwan's economic structures, and the Ministry of Foreign Affairs generally emphasizes the importance of maintaining a friendly Taiwan-U.S. relationship. Consequently, incrementalism, which accommodates some of the American demands but buys more time and breathing space for Taiwan, was the product of internal bureaucratic compromise in this kind of heterogeneous interest structure. In the absence of social penetration, this easily becomes official policy.

On the other hand, the societal pressure exerted on American negotiators was not as strong as that in the agri-IPR issues. The banks, insurance corporations, or other multinationals that want to open Taiwan's service market did not embark on such intensive aggressive lobbying. Banking and insurance

multinationals, supported by national organizations such as American Bankers Association and American Insurance Association, did express their discontent with Taiwan's discriminatory measures but they tended to keep a low profile. When making complaints, they would contact Taiwan's authority directly through local channels such as the American Chamber of Commerce in Taipei or American Institute in Taiwan rather than looking for high level pressure from the U.S. administration or Congress. This approach might be partially explained by the features of their business. Unlike selling products, service industries must keep a physical presence, follow local regulations, and transact regular business with the host society, making the maintenance of a long-term cooperative relationship a better strategy. The more patient and moderate postures of the business groups exonerated the American negotiators from too much societal pressure and allowed them to have more control in the talks.

Moreover, interest distributions in service issues are not entirely homogeneous in the United States. Although opening Taiwan's service market is a desirable goal, American negotiators do not want to press the issues too hard. They acknowledge that a sudden massive restructuring of Taiwan's service industries, especially for those in the financial sector, might disrupt the island's whole financial system, possibly destabilizing the political balance. Thus, their concern in maintaining Taiwan as a stable force in East Asia complicates their interest calculations and helps moderate their positions and demands.¹⁰

To summarize, the much more accommodating and responsive behavior on both sides in the service negotiations can be explained by their domestic interest patterns. In the absence of penetration by interest groups in the negotiating process, negotiators enjoy greater freedom to adjust or modify their positions in searching for acceptable compromises in a somewhat heterogeneous bureaucratic structure. This explains why the 301 retaliation threat was used only once by the U.S. amid so many intricate problems.

Manufacture Issues

During the time-span of this study, the U.S. asked Taiwan to add steel, machine tool, and the long-standing textile issues to the agenda and to negotiate voluntary restraint agreements (VRAs). In contrast to what it did in the agri-IPR issues, Taiwan did not seriously question the U.S. about the legality or legitimacy of the agenda. Instead, it accepted the quota/VRAs frameworks as given, while concentrating on the technical aspects of these issues.

Taiwan's major concerns in manufacture negotiations were such specific items as how to estimate market share of the base year, how to reduce the

10. Interview with an official of the U.S. Treasury Department, Washington, D.C., June 1990.

types of products regulated by quota, and how to enhance the flexibility of transferring unused quotas between different categories or different years. Categories, quotas, growth rates, carry-over and carry-forward ratios constituted the core of the negotiations. All kinds of numbers in hundreds of different products made the manufacture negotiations replete with statistical information. Taiwan's negotiators were competent to master these technicalities, and staff would stay late during negotiating sessions to crunch numbers and look for data that best served their arguments and interests. In cases of disagreement over export-import accounts, they were able to pick up American statistical mistakes and present accurate convincing evidence on data and accounts. In these issues, their efforts paid off by having American customs return wrongly detained "overshipment" quotas.

This technicality-oriented strategy is made possible by the features of the interest structures in Taiwan. For all the manufacture issues, Taiwan's interest distributions are relatively homogeneous. The promotion of exports is important to its export-oriented economy and undermines no one's interest. This homogeneity reinforces the traditional cooperation and coordination between the government and the export sectors. Industry representatives frequently joined Taiwan's delegations in trade talks and provided relevant information; they were especially useful in examining statistical records, which gave a special edge to Taiwan's negotiators in mastering the technicalities.

However, it is the state not the organized interests that controls and dominates this kind of government-industry linkage. For Taiwan's government, the power to distribute quotas and issue export licenses in textiles and machine tools adds to its strength in dealing with industries. In the case of steel, Taiwan's biggest producer, the China Steel Co., is owned by the government. Hence, Taiwan's manufacturing sectors are quite dependent on the government, which generally controls the direction of manufacture negotiations. It is the government, not the industries, that makes the final decision about whose interests to protect or what kind of concessions to make. While the government will do its best to aid Taiwan's industries, when concessions are necessary and inevitable, the industries will accept the government's judgment.

In contrast to Taiwan's technical approach in these negotiations, the U.S. seemed more interested in the formality and symbolism of the issues. Taiwan's willingness to accept U.S. protectionist goals is a visible policy to American domestic manufacturers and other trading partners, satisfying the political needs of the U.S. administration. In exchange, American negotiators are willing to compromise on less visible aspects such as more flexible categorization and application of quotas. For example, the U.S. agreed not to bind Taiwan with a formal agreement on steel as long as the latter promised

TABLE 2 *Issue Characteristics and Bargaining Strategies of the U.S. and Taiwan*

		<i>Agri-IPR Issues</i>	<i>Service Issues</i>	<i>Manufacture Issues</i>
Interest				
homogeneity	Taiwan:	high then low	low	high
	U.S.:	high	low	low
Societal				
penetration	Taiwan:	high	low	low
	U.S.:	high	low	high
Strategies	Taiwan:	legalistic	incremental	technical
	U.S.:	economic	incremental	formality

to exert reasonable self-restraint. Taiwan also reaped real benefits on textile issues by making some symbolic concessions. For instance, in 1987 the U.S. agreed to extend the bilateral textile agreement and double Taiwan's growth rate in exchange for Taiwan's reduction of tariffs on textiles. Given Taiwan's competitiveness in this area, the tariff reduction was more symbolic than real.

The two contrasting approaches (technicality vis-à-vis formality) are essentially complementary and enable both sides to make give-and-take exchanges. But why would the U.S. exchange some substantive benefits for symbolic reasons? The answer can be found in its interest patterns: strong societal penetration in a heterogeneous interest structure. The import-wracked industries such as textiles and steel have long been actively looking for trade protection. Coordinated by national organizations such as the American Textile Manufacturers Institute or the American Iron and Steel Institute, the industries have frequently made dumping charges, sought import relief, and pushed for protectionist legislation. They often appeal to nationalistic feelings by pointing to the economic damage and social dislocation created by foreign competition.

Their efforts, however, have encountered intensive counterlobbying from other trade-dependent groups. Consumer groups, importers, and retailers are strongly opposed to protectionist measures that might directly or indirectly harm them. Sometimes, these trade-dependent groups even forge transnational coalitions with foreign industries to undercut protectionist efforts and emphasize the economic benefits of the market mechanism and free trade. These heterogeneous interests and cross-cutting pressures from proprotection and antiprotection groups put the U.S. government in a unique position as

mediator between the conflicting interests. The strong but contradicting societal inputs limit the choices that the administration can make, forcing it to maintain a balance between the conflicting goals of economic nationalism and free trade.

The formality-oriented bargaining approach reflects the American negotiators' strategy to solve this dilemma. The U.S. would concede the nationalistic argument by pushing for broader frames of protectionism (the quota and VRA systems) but simultaneously retain some free trade ideas by making substantive concessions to its trading partners, and indirectly to some domestic groups, on technical grounds. It was the only way in which negotiators could reconcile the domestic heterogeneous interests.

Taken together (see Table 2), bargaining behaviors/strategies disclose distinctive patterns in the three types of trade negotiations. The styles—ranging from outright confrontation in the agri-IPR issues to the practical incrementalism of the service talks—can be explained by the different combinations of interest distribution (homogeneity vs. heterogeneity) and mobilization (active vs. inactive). The conditions of the agri-IPR issues—high interest homogeneity and mobilization—minimize the negotiators' maneuvering space and encourage aggressive and competitive bargaining. On the other hand, situations in service and manufacture areas are more congenial to mutual coordination and compromise.

The findings in this case study suggest that the interplay of competing political-economic forces in domestic and foreign settings in trade negotiations may show different patterns on different issues, depending on their interest alignment. Further exploration of the linkage between issues and bargaining behavior merits attention as international trade negotiations can only be understood in the context of the different configurations of domestic pressure politics.