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# **Resisting the protectionist temptation: industry and the making of trade policy in France and the United States during the 1970s**

Helen Milner

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In the 1970s, a period of great economic turbulence shook the international economy. Two oil “shocks,” the abrupt termination of the Bretton Woods monetary system, severe inflationary pressures, several recessions, and rapidly shifting patterns of international comparative advantage turned this decade away from the previous twenty years of fairly stable growth, employment, and monetary and trade flows. This economic turmoil threatened the stability and openness of the international trading system. It presented the advanced industrial states with a difficult set of economic problems—ones which, in the past, had often resulted in widespread protectionism.

Advanced industrial democracies adjusted to these conditions in ways that were likely to have a major impact on the international economy. At the time, many observers predicted that these countries would adopt full-scale protectionism, thereby destroying the integrated, liberal world economy erected in the postwar period.<sup>1</sup> In the 1970s, however, the international system remained relatively liberal. Since no aggregate measures of protection, defined broadly, exist, it is difficult to evaluate whether overall protection grew or declined in the 1970s. Certainly some protectionist measures were greatly reduced. For example, tariffs in the advanced industrial democracies reached their lowest level ever when the GATT (General Agreement on Tariffs and Trade) Kennedy Round tariff cuts and the Tokyo Round negotiations began. Progress was made as well with the achievement of new

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1. Examples are H. Malmgren, “The Coming Trade Wars?” *Foreign Policy* 1 (Winter 1970), pp. 115–43; C.F. Bergsten, “The Crisis in U.S. Trade Policy,” *Foreign Affairs* 49 (July 1971), pp. 619–35; J. Kronholz, “Trade and Currency Wars Deepen the Depression,” *Wall Street Journal*, 23 Oct. 1979, p. 1; C. Kindleberger, *The World in Depression, 1929–1939* (Berkeley: University of California Press, 1973).

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cooperative agreements regulating the use of certain policy instruments such as subsidies and government procurement. In addition, although non-tariff barriers still protected U.S. industries, they were less prevalent and restrictive than thirty years before.<sup>2</sup> But as these trade barriers were dismantled, new barriers were erected with the orderly marketing arrangements and voluntary export restraints.<sup>3</sup> These new restrictions reversed some of the decade's liberalization, but others were eventually withdrawn. Despite serious economic difficulties, the advanced industrial states appear overall to have maintained fairly open economies.

In this article, I shall examine why major industrial sectors of these economies stayed open despite the economic and political troubles of the 1970s. A variety of explanations for this have already been proposed. Some have cited the existence of the GATT trade regime as a central factor holding back protectionist forces.<sup>4</sup> Proponents of this view argue that the rules and norms of the GATT system made protection more costly and less legitimate, thus diminishing states' willingness to use it. Others have focused on the structure of the international system.<sup>5</sup> For them, the distribution of power among states, whether still hegemonic or multipolar, prevented recourse to protectionism. Finally, some have maintained that the character of the domestic policymaking system, specifically in the United States, prevented the translation of protectionist pressures into policies.<sup>6</sup> In this view, the lessened role

2. Judith Goldstein, "The Political Economy of Trade: Institutions of Protection," *APSR*, 80 (March 1986), p. 162.

3. Nontariff barriers (NTBs) were estimated to affect industrial sectors comprising 40–45% of industrial trade by the early 1980s for many advanced industrial countries. See W. Cline, "Exports of Manufactures from Developing Countries," unpublished paper, Brookings Institution, February 1982, Tables 2 and 3; see also R. Hine, *The Political Economy of European Trade* (Brighton, U.K.: Wheatsheaf, 1985), p. 224.

4. J. Ruggie, "International Regimes, Transactions, and Change," *International Organization* 36 (Spring 1982), pp. 379–416; C. Lipson, "The Transformation of Trade," *International Organization* 36 (Spring 1982), pp. 417–56; S. Lenway, *The Politics of U.S. International Trade* (Boston: Pitman, 1985); R. Keohane, *After Hegemony* (Princeton, N.J.: Princeton University Press, 1984), chap. 9.

5. Hegemonic stability theory in its original form (see Kindleberger, *World in Depression*, especially chap. 14) cannot account for the limited protectionist response of the 1970s and 1980s; see S. Krasner, "State Power and the Structure of International Trade," *World Politics* 28 (1976), pp. 317–47. Others do a somewhat better job; see R. Keohane, "The Theory of Hegemonic Stability and Changes in International Economic Regimes," in O. Holsti, R. Siverson, and A. George, eds., *Changes in the International System* (Boulder, Colo.: Westview, 1980); D. Lake, "International Economic Structures and American Foreign Economic Policy," *World Politics* (July 1983), pp. 517–43; D. Lake, "Beneath the Commerce of Nations," *International Studies Quarterly* 28 (June 1984), pp. 143–70; B. Russett, "The Mysterious Case of Vanishing Hegemony," *International Organization* 39 (Spring 1985).

6. R. Pastor, *Congress and the Politics of U.S. Foreign Economic Policy* (Berkeley: University of California Press, 1980); R. Porter, *Presidential Decision-Making: The Economic Policy Board* (Cambridge: Cambridge University Press, 1980); G. Winham, "Robert Strauss, MTN, and the Control of Faction," *Journal of World Trade Law* 14 (September–October 1980), pp. 377–97. For an argument focusing on ideas and institutions, see Goldstein, "Political Economy of Trade."

of Congress and the insulation of the process from interest groups held back protectionist pressures.

These studies share two common features. First, many of them examine only one country, the United States. This focus seems too narrow since all the advanced industrial democracies, to some extent, resisted protectionism in the 1970s. Why did these countries not respond to their difficulties by widely protecting their economies? To answer this question, this article examines a global phenomenon that affected all these countries internally. Second, these studies assume that the important domestic social actors in the process are solely forces *for* protection. They fail to consider that some domestic actors may be important sources of anti-protectionist (and pro-liberal) trade pressures. This article shows how certain domestic forces helped maintain a liberal trade system in the 1970s.

Certain aspects of the increased international interdependence of the post-war period altered domestic trade politics by creating new trade preferences among important actors. By exposing industries to new foreign competition, increased interdependence has certainly generated heightened pressures for protection by some industries, but few observed the anti-protectionist interests created by these new international linkages. In particular, rising interdependence has greatly extended international economic ties for firms through exports, imports of production inputs, multinational production, and intra-firm trade. Firms with these types of international linkages are expected to have little interest in protectionism even in times of severe economic distress. Consequently this article focuses on an international-level change that affected the domestic preferences of firms and may have helped to maintain a relatively open economy during the 1970s and early 1980s.

This change in preferences should have occurred in all of the advanced industrial countries that experienced new levels of these international economic linkages. Thus, one test of this thesis compares the process in two countries—in this case, France and the United States. My argument predicts that rising international economic interdependence in the form of exports, multinationality, and global intra-firm trade should have affected firms' preferences similarly in the two countries, regardless of other domestic differences. This similarity would be remarkable given how frequently France and the United States have been characterized as opposites in their domestic political structures.<sup>7</sup> The unlikelihood of finding similarities was the main reason for this particular comparison.

To understand why advanced industrial countries maintained relatively open economies in the 1970s, I shall explore two aspects of the trade policy process. First, I shall examine the formation of firms' trade preferences, and second, the structure of the trade policymaking process. These two aspects

7. P. Katzenstein, ed., *Between Power and Plenty* (Madison: University of Wisconsin Press, 1978); J. Zysman, *Governments, Markets, and Growth* (Ithaca, N.Y.: Cornell University Press, 1983)

are critical to my central argument for several reasons. The proposed thesis suggests that firms' trade preferences should be strongly shaped by their position in the international economy and less by other, more domestic factors. This argument has two implications. First, contrary to some strong assertions about the autonomy of the state, firms' trade preferences should be relatively independent of state influence. This argument contradicts the view of "the democratic state as an autonomous entity capable of shaping societal preferences in accord with its own."<sup>8</sup> Second, it implies that firms with similar positions in the two countries should have similar preferences. It proposes that the way firms determine their preferences should be strongly similar *across* countries. A correlation between similarly placed firms and their trade preferences in France and the United States would help establish these points.

But a further step will show whether these preferences affect outcomes. We must examine how these preferences are involved in the policy process. If policymaking structures in these two countries allow firms' preferences to affect the policy process, then the nature of these preferences and how they are formed will be of central importance in understanding policy outcomes. A comparison of the policy process in the two countries will show if, and how, industry influences these structures.

My argument is not that firms' preferences alone account for outcomes or that the policy processes in these two countries are identical; but rather that firms' preferences are one of the most important influences on trade policy in both countries. Both firms' trade policy preferences and the policymaking process will thus tell us why, given the turmoil of the 1970s, the advanced industrial countries maintained relatively open economies.

The first section of this article develops the argument linking aspects of increased international interdependence with changes in firms' trade policy preferences. I shall discuss how the growing international ties of French and U.S. firms reduced their interests in protection. Industries from the two countries will test this assertion. The second section examines characteristics of the trade policymaking process in the two countries, focusing on how this process allows industry preferences to affect policy. Much of the literature on economic policymaking implies that France and the United States should be differentially sensitive to industry demands. As a "weak state," the United States has been depicted as very susceptible to interest group pressures, while France as a "strong state" has been portrayed as highly resistant to industry pressure with its "state-led" policy system. In this view, the preferences of French industry have little bearing upon policy since the process is seen as insulated from societal influence. Instead, I suggest how the French policy structure also allows firms' preferences into

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8. E. Nordlinger, *On the Autonomy of the Democratic State* (Cambridge, Mass.: Harvard University Press, 1981), p. 100.

the process, and I argue that it has a much less "strong" state than many claim.

## 1. International interdependence and industry interests

The integration of the French and U.S. economies into the global one accelerated greatly during the postwar period. In terms of exports, imports, multinational production, and intra-firm trade, both these economies became more dependent on the international economy, although in different ways. In its trade, France has always been more dependent on the international economy than the United States; however, this dependence increased dramatically in the postwar period. French industrial export dependence rose from 12 percent in 1958 to about 20 percent in 1968 and up to 33 percent by 1981. Import penetration grew from 15 percent in 1958 to around 20 percent by 1968 and to almost 30 percent by 1981.<sup>9</sup> Consequently the economy's openness to trade grew rapidly after 1958, much more than it had in the previous five decades.<sup>10</sup>

American trade dependence was more restricted than France's. But even it grew in the postwar period. U.S. export dependence rose from about 5 percent in the late 1950s to almost 20 percent by the late 1970s. Its import dependence climbed from 5 percent in 1960 to over 20 percent in 1980.<sup>11</sup> While lagging behind France in trade dependence, the United States' multinational ties have been more extensively developed. The internationalization of American firms began before World War I, resumed in the interwar period, and accelerated greatly after 1945. Thus, by the late 1970s, direct U.S. industrial foreign investment accounted for over 20 percent of its total industrial assets.<sup>12</sup> In addition, the global operations of these firms have become increasingly complex, often creating a web of international trade flows within the firm. In particular, re-export from foreign production sites to the U.S. market by U.S. multinationals has grown immensely. The amount was miniscule in the 1940s, but by 1981, over 15 percent of all U.S. manufactured imports were assembled abroad by U.S. firms.<sup>13</sup> U.S. direct

9. Export dependence measures industrial exports as a percentage of total domestic industrial production. Import dependence measures industrial imports as a percentage of total domestic consumption. CEREM, *Crise, Concurrence Internationale, et Stratégies Multinationales* (Paris: CEREM, 1981), p. 27, Table 3; DREE, *Une Décennie du Commerce Extérieur Français* (Paris: Documentation Française, November 1983), p. xiv.

10. A. Lipietz, "The Globalization of the General Crisis of Fordism," SNID Occasional Paper #84-203, 1984, Table 1. French export dependence peaks in 1899, then declines until after World War II, and then begins increasing again.

11. Export dependence measures industrial exports as a percentage of total domestic industrial production. Import dependence measures industrial imports as a percentage of total domestic consumption. Report of the President's Commission on Industrial Competitiveness, *Global Competition*, vol. 1 (Washington, D.C.: GPO, 1985), p. 36.

12. U.S. Department of Commerce, *1977 Enterprise Statistics* (Washington, D.C.: GPO, 1981).

13. J. Grunwald and K. Flamm, *Global Factory* (Washington, D.C.: Brookings, 1985), p. 7;

foreign investment and its related intra-firm trade were well developed by the 1980s, even though its trade dependence, while growing, remained less than that of most other advanced industrial countries.

France's multinational production and trade were, in contrast, much less established. French industry was late in developing multinational ties. Most date this development from the mid-1960s, although the greatest growth occurred only after 1974.<sup>14</sup> Indeed, by 1974, foreign French production accounted for only 10 percent of total industrial production.<sup>15</sup> Moreover, France has been slower in creating globally integrated firms. Trade flows within French multinationals were less developed than they were among their U.S. counterparts. In fact, despite home markets of similar size, European multinationals' re-export to the home market amounted to \$260 million in 1978, compared to \$4.1 billion for U.S. firms.<sup>16</sup> Growth of French trade dependence and multinationality thus occurred in the postwar period. Its levels of interdependence were, however, much greater in trade, particularly trade within the European Community (EC), than in multinational activities, while the opposite held for the U.S., where multinationality was more significant than trade dependence.

### *The argument about industry preferences*

My central claim is that aspects of the increased international interdependence similarly affected the interests of firms in both countries. Firms more extensively involved in the international economy through exports, multinationality, and intra-firm trade should be less likely to seek protectionism even in times of economic distress than firms without such international ties.<sup>17</sup> These internationally oriented firms should find protection costly for

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G. Helleiner, "Transnational Corporations and the Trade Structure," in H. Giersch, *On The Economics of Intra-Firm Trade* (Tubingen, W. Ger.: Mohr, 1979), pp. 159–84.

14. J. Savary, *Les Multinationales Françaises* (Paris: Presses Universitaires de la France, 1981), pp. 19–23, 26–29, 110–12; J. Ardagh, *France in the 1980's* (New York: Penguin, 1982), pp. 45–47; J. Savary, "Les Multinationales Françaises," *Économie et Humanisme* 257 (January–February 1981), p. 75.

15. Savary, *Les Multinationales Françaises*, pp. 19–26.

16. Grunwald and Flamm, *Global Factory*, pp. 25–27.

17. This argument is developed in detail in H. Milner, "Resisting the Protectionist Temptation: Industry Politics and Trade Policy in France and the U.S. in the 1920s and the 1970s," Ph.D. diss., Harvard University, 1986.

Parts of the argument have been developed elsewhere. For discussions of export dependence, see J. H. Wilson, *American Business and Foreign Policy, 1920–33* (Boston: Beacon Press, 1971); W. Becker, *The Dynamics of Government–Business Relations* (Chicago: University of Chicago Press), 1982; G. Fong, "Export Dependence and the New Protectionism," Ph.D. diss., Cornell University, 1982. For discussions of multinationality and its related trade, see G. Helleiner, "Enterprises and the New Political Economy of US Trade Policy," *Oxford Economic Papers*, vol. no. xxix–1 (1977), pp. 102–16; R. Lavergne, *The Political Economy of US Tariffs* (Toronto: Academic Press, 1983); T. Pugel and I. Walter, "US Corporate Preferences and the Political Economy of Trade," *Review of Economics and Statistics* 67 (3 Aug. 1985), pp. 465–73.

several reasons. First, firms that export or have foreign production and trade flows will be concerned about retaliation. Demanding protection at home may prompt greater protection abroad or new restrictions on foreign operations and their trade flows. Second, protection in one market may hurt a firm's exports to third markets as other exporters divert their products to these third markets to compensate for the closure of the market elsewhere. Third, firms enmeshed in a global web of trade and production will view protection as a new cost that may undermine the existing pattern of trade and investment. For these firms, protectionism will be very disruptive and costly. Fourth, for firms dependent on imports, whether from their subsidiaries, subcontractors, or foreign firms, new trade barriers will increase their costs substantially, often eroding their competitiveness. Finally, intra-industry rivalries will create resistance to protectionism. Internationally oriented firms will find that protection puts them at a disadvantage vis-à-vis their domestically oriented rivals. It imposes a cost on the international firms, while providing substantial benefits for the domestically centered firms, thus perhaps enhancing the latter's market position and profitability. The different relative costs and benefits of protection will also prompt internationally oriented firms to oppose it. For these reasons, firms with substantial international ties will find protection of the home market very costly and will probably resist appeals for it.

My argument is that, assuming other solutions to their problems besides protection (such as diversification or exit) are about equally costly to all firms, the internationally oriented firms should be less likely to demand protection, given its higher relative cost to them.<sup>18</sup> Protection will cost more than other options, and protection will benefit these firms less than it will the domestically oriented firms. For these domestically centered firms under import pressure, protection will be less costly and thus preferable. Thus, I claim that serious foreign competition will be more likely to cause domestically oriented firms to seek protection, because protection is so much less costly for them.

This argument was analyzed elsewhere using eighteen different industry cases.<sup>19</sup> In this article, only the general pattern is discussed, with a few illustrative examples. All the industries selected were among those experiencing the greatest import growth, and the highest levels of import penetra-

18. The assumption that the costs of other options are about equal for all firms is probably not accurate. But it is unclear whether any systematic difference in costs exists for internationally oriented versus domestically oriented firms. It could be argued that domestic-centered firms, generally being smaller and more flexible, will find adjusting to foreign competition less costly; on the other hand, large multinationals may have advantages—i.e., in obtaining capital or buying into new ventures—that will make adjustment less costly for them. Whether it will be more costly for one group over the other probably depends on the particular firms and industry. For an interesting discussion of how other options affect demands for protection, see V. Aggarwal, R. Keohane, and D. Yoffie, "Dynamics of Negotiated Protectionism," *APSR* 81 (June 1987), pp. 345–66. Their argument focuses on industries instead of firms, however.

19. Milner, "Resisting the Protectionist Temptation."



tion over the decade. These industries also were experiencing other economic difficulties: for example, unemployment, profit problems, and overcapacity. Since many studies have shown that high levels of import penetration are strongly associated with demands for protection and high levels of actual protection, the industries selected are "hard cases" for the argument.<sup>20</sup> Given their situation, they *should* desire protection.

Once these "hard cases" were selected, I explored their degree of integration into the international economy and their trade policy preferences. Data on their export dependence, multinationality, and global intra-firm trade were collected. To understand their preferences, I surveyed their activities in a number of arenas. In the United States these included: 1) the U.S. Congress, which both authorizes tariff level changes for the GATT negotiations and introduces bills to help industries; 2) the U.S. International Trade Commission (ITC), which investigates industries' trade complaints; 3) the U.S. Special Trade Representative (STR) and other executive agencies, which decide on industry complaints and handle the GATT negotiations; and finally 4) industry trade associations, which develop and articulate industry-wide trade positions.

In France, even more actors were involved in the process. Most traditional trade policy is conducted at the EC and not in France. The EC's commission develops GATT trade negotiation positions and investigates industry complaints, although these activities require the advice and agreement of national authorities. Domestically, concern for trade and industrial policy is spread among a number of ministries. The Ministry of Industry, the Direction for External Economic Relations (DREE), the Ministry of Finance, the Ministry of Foreign Trade, the Ministry of Foreign Affairs, and other ministries responsible for particular industries are involved. I surveyed firm and industry activities in trade and industrial policy issues in all of these arenas, as well as in the industry trade associations.

Before examining the cases, it is important to understand the connections between firms' preferences and those of the industry as a whole. The firms chosen will be very likely to act on their preferences. These firms are all under serious economic distress; it is reasonable to expect that their precarious position will force them to act even if action is costly, since inactivity may mean their demise. Both rational actor and satisficing models of firms would expect these endangered firms to try to improve their situations.

Moreover, my argument is *not* that firms in an industry will always be able to act in a unified way to promote some industry-wide position. By focusing

20. Many studies have found that high levels or high rates of increase in imports are strongly correlated with high levels of demand for protection or with high actual levels of protection; see R. Baldwin, *The Political Economy of U.S. Import Policy* (Cambridge, Mass.: MIT Press, 1986); Lavergne, *Political Economy of U.S. Tariffs*; J. Goldstein, "A Reexamination of American Commercial Policy," Ph.D. diss., UCLA, 1983; W. Takacs, "Pressures for Protection," *Economic Inquiry* 19 (October 1981), pp. 687-93.

on the firm, the argument anticipates that firms may have very different preferences and may not be able to agree on a unified position. On the other hand, the firms in an industry may all have a similar international orientation and may develop a common position. In this case, collective action problems should be minor. All will face strong economic pressure to act, and in very few instances will the number of relevant firms be large enough to pose collective action problems. Thus, because of the cases chosen, individual and collective action problems should be minimal: these distressed firms will be impelled to act, only differing preferences will impede industry-wide political activity.

### *Some results*

The investigation of American and French industries reveals a strong correlation between their international ties and their trade policy preferences. For industries that were dominated by firms lacking substantial ties to the international economy, soaring imports tended to produce rising demands for extensive protection. In contrast, protection was not desired for industries whose firms had well-developed multinational operations *and integrated global production and trade flows*—even in times of rapidly rising imports. In fact, they often attempted to further open markets at home and abroad. Between these two extremes lay a range of industries whose firms possess either some multinational ties or some exports. For these intermediate cases, preferences were more complex. They differed greatly from firm to firm. Most commonly, they sought some form of limited or selective protection when they were under strong import competition. For these firms, a compromise tended to develop, which involved protection targeted against their strongest competitors while leaving their other foreign markets undisturbed. Both the French and U.S. cases illustrate this pattern of trade preferences.

The U.S. and French footwear producers typified the industries that lacked substantial international economic ties. All the U.S. producers lacked substantial export or multinational operations.<sup>21</sup> After the mid-1960s when shoe imports surged, the industry, united in its preferences, launched a campaign to get tariff protection. From the early 1970s on, the industry, through its trade association, pursued this goal with increasing intensity; the association filed numerous trade complaints with the ITC, lobbied Congress for relief, developed a coalition of Congress members to promote their cause, and finally launched a public relations campaign to garner public support. In the late 1970s, these activities successfully pushed President Carter to negotiate voluntary export restraints with several East Asian countries. The producers' limited political success since has partially resulted

21. Milner, "Resisting the Protectionist Temptation," chap. 5, pp. 300–19.

from rising opposition to protection by some U.S. producers who had begun importing or subcontracting offshore. Thus, the industry's waxing and waning protectionist demands were partly a function of the extent of its firms' international ties.

The French footwear industry was much like its U.S. counterpart, except that, before the mid-1970s, the French had been major exporters.<sup>22</sup> Hence, in the early 1970s, the industry resisted attempts to seek protection or government aid despite the import flood unleashed by the Kennedy Round tariff cuts of 1968. By mid-decade, however, as exports shrank dramatically, the smaller producers began searching for ways to get relief. At this point, the industry presented the government with a rescue plan, which contained protectionist elements. Although the plan was approved by the French government, the large exporters in the industry halted it. By the late 1970s, as the industry's international position further deteriorated, the coalition for protection was strengthened, and the industry made new demands. While Italian opposition crushed attempts to use the EC's complaint process to slow imports, the industry eventually negotiated its own voluntary exports restraints with a number of East Asian countries. In the two footwear cases, the limited and diminishing international economic ties of the firms removed constraints on demanding protection when imports became a problem.

On the other hand, for a number of large multinationals with extensive international trade flows, protection was not sought largely because it had costly effects on the firms' global operations. The United States producers of automobile tires and of semiconductors are two examples. Due to their failure to develop radial tires, the U.S. producers faced a massive import surge in the early 1970s.<sup>23</sup> These producers, the largest of which were sizable multinationals, reacted differently. The smaller domestic firms and the mid-sized multinationals launched a trade complaint against their strongest competitor, the French firm Michelin, in the early 1970s. Despite the opposition of the global U.S. giant, Goodyear, the U.S. government ruled against Michelin. This suit was later halted at the urging of Michelin and Goodyear. Indeed, further protectionist activity was squashed in large part by Goodyear, the industry leader that controlled the tire producers' association where trade complaints were developed. After this case, the major firms decided that the best way to meet import competition was to adjust internally, choosing various strategies of consolidation, diversification, concentration, and product specialization. The U.S. industry that emerged in the 1980s was smaller but not protectionist. After its one trade complaint in 1973, the industry largely resisted any protectionist urges, despite mounting foreign competition.

22. *Ibid.*, chap. 6, pp. 437–66.

23. *Ibid.*, pp. 418–36.

During the 1970s, the U.S. semiconductor industry faced serious import competition for the first time. The largest firms in this industry (IBM, Texas Instruments, Motorola) were internationally oriented, with widespread foreign production facilities and intra-firm trade; the smaller firms were more domestically focused.<sup>24</sup> Demands for aid or protection by the industry did not occur in the 1970s. By the late 1970s, however, the smaller firms, united in the Semiconductor Industry Association (SIA), began developing a trade complaint against the Japanese. Because of opposition by the large firms, especially IBM, this complaint was not formalized at the time. Initially, Texas Instruments and IBM refused to join the SIA because they opposed its activities. Later, IBM joined the SIA and helped turn its attention towards negotiations with Japan over further tariff reductions. These negotiations, compelled by the firms, resulted in lowered tariffs; other moves to open the Japanese market followed. In the 1970s, then, the strong, international ties of the leading semiconductor manufacturers helped prevent a turn to protectionism in the face of rapidly rising imports.<sup>25</sup>

In France, the tire and glass industries behaved similarly. The French tire industry, mainly Michelin, faced enormous problems after the mid-1970s.<sup>26</sup> The firm was quite export-dependent and multinational, and planned to become more so. To deal with foreign competition, then, the firm chose to avoid any demands for protection or government aid. Instead, it adjusted through its own economic means, further internationalizing its operations. Protectionism would only upset the firm's global operations, which were considered crucial to its success.

The French glass industry reacted similarly to the intense foreign competition it faced from British, American, and Japanese multinationals in the 1970s.<sup>27</sup> This industry was largely European in its operations and quite export-dependent. Despite an invasion of imports, the French producers never sought protection or government aid. Furthermore, they favored tariff reductions and actively opposed protection for glass in the United States. Like other internationally oriented industries, the glass producers adjusted on their own. The second largest French and European producer, BSN, left the business entirely in the late 1970s, while the largest firm, St. Gobain, adjusted by further "Europeanizing" production and building new glass factories. Once again, neither protection nor government aid was desired, or

24. *Ibid.*, chap. 5, pp. 343–71.

25. In the 1980s, increased action has been taken against the Japanese. A number of unfair trade complaints have been filed and the U.S. government has also negotiated a semiconductor export pricing agreement with Japan. Many of the firms involved in these actions have been more concerned with opening the Japanese market and forcing the Japanese to play by "the rules" than closing the U.S. market. Firms in this industry have developed an increasingly strategic vision of their interests in trade; see forthcoming paper by H. Milner and D. Yoffie, "Strategic Trade and Industry Preferences," on this point.

26. Milner, "Resisting the Protectionist Temptation," chap. 6, pp. 549–75.

27. *Ibid.*, chap. 6, 495–522.

received, to deal with foreign competition by these internationally oriented firms.

Between these highly domestically oriented and very internationally oriented industries lay a range of intermediate cases. Many of these industries had some exports or some multinational production, but they were still focused mostly on the domestic market. In these cases, demands for selective protection—that is, protection of particular products or against certain countries—usually resulted. Two examples illustrate these intermediate cases: U.S. and French television producers. The U.S. television producers had some foreign operations but were not exporters.<sup>28</sup> In fact, the industry was divided: the two largest producers, RCA and GE, were integrated multinationals; the rest of the industry, including Zenith, Magnavox, GTE-Sylvania, were primarily domestic producers. In the 1970s, when East Asian imports began pouring into the United States, the domestically oriented producers initiated a series of trade complaints against a few East Asian countries and several specific products. These complaints met with varying success, but RCA, the industry's giant multinational, opposed them all. By the late 1970s and early 1980s, much of this protectionist activity had abated as the American firms began their own adjustment. This adjustment further eroded support for even the limited, selective protection they desired earlier.

Although the French television industry was created behind extensive trade barriers, by the late 1960s, imports began claiming an ever larger share of the domestic market.<sup>29</sup> The French industry, lacking international ties, reacted to this invasion by seeking more protection and government aid. The industry negotiated its own voluntary quotas with the Japanese and designed various industrial policy plans for itself. By the mid-1970s, the industry's strategy had shifted. The dominant and sole French producer, Thomson-Brandt, began foreign operations throughout Europe. Thomson's Europeanization sparked its growing interest in a freer intra-European market. To this end, it worked to eliminate the technical barriers that sealed off the French market. Its interest in containing Japanese color television competition, however, endured. Thus, Thomson's Europeanization created an interest in promoting a European market, while maintaining selective protection against the Japanese.

In all these cases, extensive international economic ties through exports, multinationality, or intra-firm trade prompted firms to resist seeking protection in times of severe import competition. Indeed, in certain cases, these international ties created strong anti-protectionist interests within the industry. This pattern of results appeared in both French and U.S. industries. The two countries' industries discovered the logic of increased interdependence despite their different contexts.

28. *Ibid.*, chap. 5, pp. 372–96.

29. *Ibid.*, chap. 6, pp. 576–604.

We should note three additional points. First, the cases reveal that firms usually did have a fairly clear conception of their trade policy preferences. In contrast to the findings of R. Bauer, I. Pool, and L. Dexter, the firms and industry associations in this study formed trade policy preferences and pursued them quite actively.<sup>30</sup> Because they faced strong competition and the policies they pursued were sector-specific, their situation differed from the 1950s case examined by Bauer, Pool, and Dexter. Firms may have greater difficulty and less interest in defining their preferences clearly when they are less threatened by imports and faced with a much broader policy issue, such as the delegation of tariff-cutting ability to the president.

A second point deals with collective action problems. It has been argued that there is an asymmetry in the willingness of free trade and protectionist interests to act. Groups interested in free trade will be less likely to act politically since the benefits to them individually will be small and diffuse; for protectionists, however, the benefits of such activity will be sizable and very tangible. The evidence here challenges this claim. It shows that small groups of internationally oriented firms—even one firm—interested in resisting protection or in further liberalizing trade may find the benefits of political activities to be very substantial and worth the costs. Thus, these groups may act to realize their preferences just as much as protectionist groups do. Moreover, the cases reveal that the failures of an industry to develop a strong, common front on trade issues may result less from collective action problems than from divisiveness among the firms over the desired policy. Intra-industry disputes may account in large part for the inability of industries to develop and realize their trade policy positions, as the French and U.S. footwear and semiconductor cases suggest.

Third, firms' preferences were not driven by the state's, but were developed largely by examining their own international positions. In contrast to certain arguments about the autonomy of the state, little evidence shows that even the "strong" French state played a major role in shaping its firms' preferences. For instance, citing A. Shonfield, S. Cohen, and J. Zysman, Eric Nordlinger argues that the French state possesses this kind of autonomy. He observes "the success of the [French] higher bureaucracy in shaping societal preferences and then translating its own into public policy" and notes that "the [French] state [could] shape the preferences of even remarkably well-endowed private actors, in this instance the big business community" through its many policy levers.<sup>31</sup> The evidence of this study does not confirm this argument. In no case did a firm's preferences appear to be directly shaped by the state. More frequently, firms' preferences shaped the state's activity. Often the firms, and not the state, initiated policy for the sector. For example, the French footwear and television industries both took a central role in developing and initiating the sectoral trade and indus-

30. R. Bauer, I. Pool, and L. Dexter, *American Business and Public Policy* (Chicago: Aldine-Atherton, 1972).

31. Nordlinger, *Autonomy of the Democratic State*, especially pp. 104–5.

trial policies undertaken. Moreover, some French industries had very little need for state help. For instance, the French tire and glass producers adjusted independently without seeking aid or protection.

While perhaps not directly shaping preferences, the state, it has been claimed, may alter the context of economic activity and thereby reshape industry preferences.<sup>32</sup> For the French economy, the creation of the European Common Market and the building of “national champion” firms are linked to this effect. It is likely that the Common Market helped create export and multinational interests, which have since become major supporters of that international market. But it is also true that important support for the Common Market was evident among certain large, internationally oriented French firms before its inception.<sup>33</sup> Institutions and societal interests were interdependent. Societal interests favoring the institution’s goals appeared important for its creation. Over time, however, the institution, to remain successful, promoted these interests, thereby establishing further support for itself. This process suggests that the institutional context in which firms operate may, over time, influence firms’ calculations of their preferences—but that firms’ preferences may also affect the institutions.

Finally, the creation of French “national champions” has provided equivocal support for freer trade. Despite their large size, many national champions have remained domestically oriented, often because of governmental pressures, and they have been unwilling to see their virtual domestic monopolies broken by foreign competition. In contrast, others have developed foreign operations, often at the government’s displeasure, and have become anti-protectionist forces.<sup>34</sup> The main point is that while firms take many factors into account when developing their preferences, the extent of their linkage to the international economy plays a critical role.

## 2. Trade policy structures and industry influence

This section discusses how firms’ preferences affect trade policy outcomes, and whether the structure of policymaking allows business interests to play an important role in shaping policy outcomes. In particular, it examines how these interests are integrated into the policy process, describing the U.S.

32. R. Gilpin, *U.S. Power and the Multinational Corporation* (New York: Basic Books, 1975), for example, maintains that the rise of multinational enterprise occurred in large part because of U.S. hegemony and the conducive environment that it provided for U.S. enterprise.

33. See J. M. Hennart, “The Political Economy of Comparative Growth Rates: The Case of France,” in D. Mueller, ed., *The Political Economy of Growth* (New Haven, Conn.: Yale University Press, 1983), pp. 197–201; W. Hanreider and G. Auton, *The Foreign Policies of West Germany, France, and Britain* (Englewood Cliffs, N.J.: Prentice-Hall, 1980), p. 123.

34. Examples of the former are the French television manufacturer, Thomson, in the 1970s, and many of the steel companies, while St. Gobain, the glass manufacturer, is a good example of the latter.

and French “policy networks” linking state and society in the trade issue-area.<sup>35</sup>

Much of the literature on French economic policymaking implies that answers to this question should differ greatly between the two countries. In these accounts, the French state is viewed as the primary determinant of policy, while societal interests are seen as secondary at best. French policy is “state-led.”<sup>36</sup> The French state is depicted as highly centralized, unified, and powerful, relative to its decentralized, divided societal actors; it is a very “strong” state. The preferences of industries in this political structure are seen as much less important than they are in the United States. In contrast, the U.S. state is viewed as a “weak” one—decentralized, divided against itself, and easily permeated by societal interests.<sup>37</sup> These scholars contrast the closed, unified policy process in France with the open, fragmented U.S. policy process.

This contrast appears to be overdrawn. Evidence presented in this study and others reveals that industry preferences are deeply involved in the trade process in both countries. The structure of policymaking allows significant industry influence in both, although the character of this involvement differs in the two countries. Thus, knowledge of the policymaking structure, *as well as the preferences of industries*, is critical in both for understanding policy outcomes.

Four characteristics of the policy process are often used to distinguish policymaking in the United States and France: 1) the degree of unity in the policy process (often the number of state actors involved); 2) the extent of insulation of the policymaking bureaucracy; 3) the number of policy instruments available; and 4) the coherence of policymakers’ goals. The less each of these characterizes the policy process, the “weaker” the state is seen to be, and the greater the likelihood that societal influences can significantly affect the process. In terms of these four aspects, the structure of policymaking in France is often viewed as differing greatly from the U.S. structure. The French state is seen as “strong” on each account. Its purported differences from the United States are crucial to my argument because they imply that industry preferences in France, even if formed independently of the state, should have minimal effect on policy outcomes.

### *Characteristic #1: unity of state policymaking structures*

Studies of French policymaking portray it occurring in a highly centralized and unified state, with decision-making controlled by the executive and,

35. Policy networks come from Katzenstein, ed., *Power and Plenty*, p. 308.

36. J. Zysman, “The French State in the International Economy,” and P. Katzenstein, “Conclusion: Domestic Structures and Strategies of Foreign Economic Policy,” in Katzenstein, ed., *Power and Plenty*; Zysman, *Governments, Markets, and Growth*.

37. J. Krasner, “U.S. Commercial and Monetary Policy,” in Katzenstein, ed., *Power and Plenty*.



within that branch, by the Ministry of Finance and the prime minister.<sup>38</sup> Trade policymaking in France, however, appears much less unified than these accounts suggest. First of all, France de jure has no independent trade policy. As many French policymakers explained, trade policy is made at the EC, not nationally.<sup>39</sup> While overstated, this point is important because most of the traditional trade policymaking apparatus is located in Brussels, not Paris. The negotiation and setting of tariff rates and the use of GATT-sanctioned trade measures—such as antidumping, countervailing duty, and escape clause measures—rest in the hands of the Community. Analogues to the United States' ITC and STR then are found in the European Community's Commission.<sup>40</sup>

Within France, however, mechanisms exist to shape French positions on trade. The DREE, attached before 1975 to the Ministry of Finance and afterwards to Ministry of Foreign Trade, is the central locus for defining French positions within the EC.<sup>41</sup> The DREE is also responsible for French export policies and the control of imports under its old system of import restrictions.

Other ministries also shape trade policy. The Ministry of Industry develops much sectoral policy, including trade complaints and export aid. Industries often bring their complaints and demands first to their division of the Ministry of Industry—as both the footwear and television producers did.<sup>42</sup> The Ministry of Agriculture deals with all agricultural trade policy, while other “tutelles” develop policies for their clients—for example, the Ministry of Health oversees policy affecting the pharmaceutical industry.<sup>43</sup> Finally, the Ministry of Foreign Affairs watches over trade policy developments to ensure that they do not disturb relations with foreign governments.

38. Zysman, “The French State”; Katzenstein, “Conclusion”; Zysman, *Governments, Markets, and Growth*, chaps. 1–3 and conclusion.

For this view of trade policymaking, see S. Cohen, *The Making of U.S. International Economic Policy* (New York: Praeger, 1977), pp. 131–36.

This notion of unity is similar to Barzelay's idea of segmentation. He presents a well thought out argument as to why segmentation reduces a state's control over its policymaking apparatus. See M. Barzelay, *The Politicized Market Economy* (Berkeley, Calif.: University of California Press, 1986).

39. Milner, “Resisting the Protectionist Temptation”; J. Adams, and C. Stoffaes, eds., *French Industrial Policy* (Washington, D.C.: Brookings, 1986), especially pp. 17–20, also notes the growing fragmentation of industrial policymaking in France and the increasing role of the EC in it.

40. Boittin and Valluet, *Les Importations* (Paris: Qui Est-ce Que, 1982), especially pp. 38–121; UN, *Le Contrôle des Pratiques Commerciales Restrictives Dans le CEE* (New York: UN, 1977), especially p. 1; Garcia, *Notes et Études Documentaires*, #4404–4405, 2 September 1977, pp. 14–19.

41. Garcia, *Notes et Études*, pp. 14–16; X. Beauchamp, *Un État dans L'État* (Paris: Bordas, 1976), pp. 117–22; D. Joly, *La Régime Française du Contrôle du Commerce Extérieur*, thesis, Dijon, 1975.

42. Milner, “Resisting the Protectionist Temptation,” chap. 6; *Le Monde*, 16 December 1977.

43. Milner, “Resisting the Protectionist Temptation,” chap. 6.

While the French parliament is not as directly involved with trade legislation as the U.S. Congress is, it plays a significant role in communicating its members' regional interests to the executive. This role was particularly evident in cases where the industry was concentrated regionally. For the footwear, watch and clock, and tire industries, firms' problems and complaints sparked regional representatives' activities, which included not only launching local initiatives, but also pressing the national authorities to help the industries. All these strands of trade activity are supposedly coordinated through an inter-ministerial committee chaired by the prime minister. The actual role of this committee seems quite limited in fact, and policymaking often lacks centralized direction.<sup>44</sup>

The fragmented French trade policy process provides many avenues for industries to voice their preferences. An industry can petition the EC or lodge its complaint with various national authorities. If the EC resists its pressure, it can find allies at home to increase pressure on the EC's Commission, as happened in the television case.<sup>45</sup> If the Ministry of Finance or the DREE resists its appeals, it can turn to its tutelle or regional representatives for help, as occurred in the footwear and pharmaceutical industries.<sup>46</sup> Multiple channels of access exist, then, for industries to express their demands. These channels give industries the ability to play one group off against another, as they often do in the United States. For instance, in the late 1970s the pharmaceutical industry finally succeeded in having the government remove price controls, which served to limit imports, from many of its goods. The industry achieved this aim by allying with the Ministries of Industry and of Health against the Ministry of Finance.<sup>47</sup> Regional authorities and allies in one ministry who can countervail another's authority enable industries to be heard. Overall, trade policymaking in France exhibits a fairly fragmented character, as it does in the United States.<sup>48</sup>

### *Characteristic #2: insulation of the bureaucracy*

France's bureaucracy has been portrayed as highly insulated from societal influence, given the bureaucrats' similar backgrounds and strong esprit du corps.<sup>49</sup> Although their similar social backgrounds and educational training

44. Ibid., chap. 6; Beauchamp, *Un État dans L'État*.

45. Milner, "Resisting the Protectionist Temptation," chap. 6, pp. 576–604.

46. Ibid., chap. 6, pp. 437–66.

47. Ibid., chap. 6, pp. 523–48.

48. Evidence of the fragmentation of U.S. trade policymaking is contained in Krasner, "U.S. Commercial and Monetary Policy," in Katzenstein, ed., *Power and Plenty*; I.M. Destler, *Making Foreign Economic Policy* (Washington, D.C.: Brookings, 1980); Cohen, *Making of U.S. International Policy*.

49. E. Suleiman, *Politics, Power, and Bureaucracy in France* (Princeton, N.J.: Princeton University Press, 1974); E. Suleiman, *Elites in French Society* (Princeton, N.J.: Princeton University Press, 1978).

may make them a cohesive social group, it does not necessarily set them apart from other sectors of society. In fact, as E. Suleiman has shown, many bureaucrats become business leaders as they progress along their career ladders.<sup>50</sup> This situation has created a community among bureaucrats and business leaders. The two tend to have easy access to one another. Moreover, working groups that are created to define policies for troubled industries bring business leaders and bureaucrats into close contact, as evidence from the television industry shows.<sup>51</sup> Indeed, some have pointed out the “quiet conspiracy” between them in determining postwar economic policy.<sup>52</sup> The French bureaucracy may be a socially coherent group, but its insulation from other groups has been exaggerated given its close relations with business.

Politically, the bureaucracy’s independence from societal actors is also limited. The bureaucracy’s access to information and development of policy expertise has not been achieved without industry help. In a number of cases, the bureaucracy’s understanding of a particular industry’s problems and its gathering of statistics depended directly on information from the industry itself. For instance, in the footwear, watch and clock, and television cases, the best information on sales, imports, and exports were provided by the industry associations to the Ministry of Industry.<sup>53</sup> Moreover, in these cases, the industries initially formulated their own industrial policy plans and trade policies. In addition, some of these industries even negotiated their own voluntary export agreements with foreign producers and their governments. The French bureaucracy, then, does not appear independent from industry for its information collection, policy planning, or implementation.

The character of the relations between an industry and the bureaucracy in France may also reduce decision-makers’ autonomy. As others have theorized, bureaucrats may sometimes be more willing than politicians to help industries under their auspices.<sup>54</sup> In particular, when bureaucracies have narrowly defined areas of jurisdiction and they compete with one another, keeping one’s clients happy is the key to successfully retaining, and

50. Suleiman, *Elites*, chaps. 8 and 9.

51. Milner, “Resisting the Protectionist Temptation,” chap. 6. The footwear, radio and television, and watch and clock industries are examples. An illustration from this study was Thomson’s head of international operations, who was the brother of the president of the republic from 1974–81.

52. The following authors discuss the “special relationship” between big business and the state in France. A. Shonfield, *Modern Capitalism* (New York: Oxford University Press, 1965); A. Michalet, in R. Vernon, ed., *Big Business and the State* (Cambridge, Mass.: Harvard University Press), especially pp. 124–25; Suleiman, *Politics, Power and Bureaucracy*, especially chap. 12.

53. Milner, “Resisting the Protectionist Temptation,” chap. 6.

54. P. Messerlin, “Bureaucracies and the Political Economy of Protection: Reflections of a Continental European,” *World Bank Staff Working Paper*, #568, 1983; in contrast, see J. Finger, H. Hall, D. Nelson, “The Political Economy of Administered Protection,” *American Economic Review* 72 (June 1982), pp. 425–66.

perhaps expanding, one's jurisdiction. Such conditions describe the French system, especially the Ministry of Industry. This ministry is organized into sections dealing with specific industries, and it competes with other ministries for jurisdictional control over these industries. In addition, the ministry's sections have very extensive, long-term relations with their industries, which involve much bargaining and consensual decision-making, as the footwear, television, watch and clock, and pharmaceutical cases illustrate.<sup>55</sup> In each case, the industry tended to initiate its own proposals and then negotiate with the bureaucracy to get what it wanted. Studies of the textile, steel, nuclear, and oil industries show of these patterns as well.<sup>56</sup> The French bureaucracy thus seems less insulated from industry than other have suggested. Rather, it is engaged in an extensive negotiating relationship with industry, which often produces mutually acceptable outcomes.

### *Characteristic #3: the number of policy instruments*

The French state is often seen as possessing a plethora of policy instruments, partly because of its long history of intervention in the economy.<sup>57</sup> While sizable, its array of trade and industrial policy instruments is not vastly superior to the United States'. In trade, many French policy instruments have been assumed by the EC, namely those involving tariff levels and unfair trade practices. Unlike the United States then, the French cannot impose their own trade law measures. The well-developed U.S. arsenal of legal procedures to redress trade problems is not easily available to the French. Instead, they must petition the EC, a supranational body in which French interests must take their place among many other nations' interests.<sup>58</sup> Additionally, the French cannot legislate trade assistance for particular industries, as the United States Congress does. While these laws would contradict GATT provisions, they are nonetheless possible in the United States and unheard of in France.

55. Milner, "Resisting the Protectionist Temptation," chap. 6.

56. Messerlin, "Bureaucracies and the Political Economy of Protection," pp. 40–43; H. Feigenbaum, *Politics of Public Enterprise* (Princeton, N.J.: Princeton University Press, 1985); P. Simonnot, *Les Nucleocrats* (Grenoble: Presses Universitaires de Grenoble, 1978).

For steel, see Harvard Business School, "France Enters the 1980's," by P. Hall, J. McCormick, and B. Scott, 1980, Case #380–202, and P. Hall, unpublished research; G. Shepard, F. Duchene, C. Saunders, eds., *Europe's Industries: Public and Private Strategies for Change* (Ithaca, N.Y.: Cornell University Press, 1983), pp. 66–69 especially.

For textiles, see L. Mytelka, "In Search of a Partner," in S. Cohen, and P. Gourevitch, eds., *France in a Troubled World Economy* (London: Butterworth, 1982); R. Mahon and L. Mytelka, "Industry, the State, and the New Protectionism," *International Organization* 37 (Autumn 1983), pp. 551–82; Shepard, et al., eds., *Europe's Industries*, pp. 38–40 especially.

57. Zysman, "The French State"; Katzenstein, "Conclusion"; and Zysman, *Governments, Markets, and Growth*, chaps. 1–3 and conclusion.

58. Boittin and Valluet, *Les Importations*, especially pp. 94–95; F. David, *Le Commerce International à la Dérive* (Paris: Calmann-Levy, 1982), pp. 189, 192–95; C. Stoffaës, *La Grande Menace Industrielle* (Paris: Calmann-Levy, 1978), p. 426; Milner, "Resisting the Protectionist Temptation."

On the other hand, the French possess an administrative capability for controlling imports. The French trade laws that were developed in the 1930s made import controls the rule and free trade the exception. While parts of these laws still exist, allowing bureaucrats to monitor and impose quotas on imports, much of their substance has been eliminated by France's decision to participate in the GATT and the EC.<sup>59</sup> Use of these quotas has been foresworn and control of imports has devolved to the EC. Nonetheless, quotas and negotiated import controls have developed in both France and the United States. The proliferation of voluntary export restraints and other non-tariff barriers has affected the two countries very similarly.<sup>60</sup> The use of import controls, then, is not restricted to France. Overall, in terms of traditional trade measures, the French may actually be *less* well-endowed than the Americans because of the EC's important role.

The French, it has been shown, have many non-traditional methods to affect trade. Besides the use of standards, norms, and government procurement, all of which are available in the United States, the French have recourse to industrial policy and export subsidies. Many observers have viewed industrial policy as a substitute for trade policy.<sup>61</sup> The main lines of French industrial policy have involved two measures. First, it has promoted "restructuration" of industries, usually promoting concentration around the leading firms in the industry. Second, the French have given aid for R&D and exports, or simply as a production subsidy. For the cases examined, the two have been intertwined: industries have demanded aid and the government has offered it on condition that the industries restructure. Both policies seek to render the industries more competitive, but only aid has direct protectionist implications.

The amount of aid that industries receive is difficult to estimate since it comes in many forms. For instance, interest rate subsidies are very difficult to calculate. Some estimates of this aid, however, do exist. One estimate places *total* state aid to industry at eight billion francs in 1972 and over

59. Boittin and Valluet, *Les Importations*, especially pp. 70–75; but these authors point out that only 3% of all French imports, excluding energy products, are still under quotas.

60. Figures suggest that, by the mid-1980s, about a third of all categories of manufactured imports were subject to some form of nontariff barrier. This does not mean that imports in all of these categories were severely restricted, however. Many nontariff barriers are very ineffective compared to tariffs or quotas. Cline, "Exports of Manufactures," Table 2–3; Hine, *Political Economy of European Trade*, p. 224.

61. V. Curzon Price, *Industrial Policies in the EC* (London: St. Martin's, 1981), p. 21; Stoffaes, *La Grande Menace Industrielle*; Y. Giordano, "Analyse de la Politique Française du Commerce Intérieur Depuis le VI<sup>e</sup>m Plan," thesis, Nice, 1982; Y. Giordano, "Analyse de la Politique Française du Commerce Extérieur Depuis le VI<sup>e</sup>m Plan," *Revue d'Économie Industrielle* 29 (3d trimester, 1984).

Adams and Stoffaes, eds., *French Industrial Policy*, p. 18, also point out France's declining control over its industrial policy tools since the EC has begun regulating the national use of instruments such as industrial subsidies.

twenty billion francs in 1979.<sup>62</sup> This accounted for roughly 3 percent of French industrial production in 1979. But of 15 billion francs in total aid in 1976, only a fifth (3.5 billion) went to promote exports.<sup>63</sup> These export credits equaled 2 percent of France's total exports. In addition to these outright credits, the state's COFACE (Compagnie Française d'Assurances du Commerce Extérieur) provided export insurance to approximately a third of all French exports.<sup>64</sup> Over 60 percent of this state aid, however was channeled to five industrial sectors—steel, shipbuilding, computers, electronics, and aeronautics.<sup>65</sup> Export aid in France was thus limited, in both its percentage of total aid and its distribution among industries.

Compared with U.S. activity in the same area, the figures show similar *levels* of expenditures in both countries. In 1975, direct state aid to exports totaled \$27.3 million in France and \$23.7 million in the United States.<sup>66</sup> While the U.S. figure is obviously a much lower percentage of its total exports, the absolute figures show that export subsidies are available to either government. Another figure also reveals that government funding of R&D is very important in the United States as well as in France. Public funding of industrial R&D as a percentage of total funding (public and private) in 1979 was about 29 percent for France and 32 percent for the United States.<sup>67</sup> These comparable figures imply that the United States also has an active industrial policy, one carried out mainly in conjunction with its defense policy.

The French state's control over credit has been the central example of its ample means to control societal actors. Evidence from the cases suggests that this instrument was rarely used as a "stick" towards industry. Instead, financial aid was the "carrot" offered for industry restructuring. Granting aid seemed less the result of the state's autonomous decisions than of negoti-

62. C. Stoffaes, "La Politique Industrielle," *Cours Aux Sciences Politiques*, vol. 1, 1980, pp. 37–44.

63. E. Pisani, *Enjeux et Conditions des Equilibres Extérieurs de la France*, Paris, Senate Report #31, 1978, pp. 170–75. This is for all state aid, including both direct and much indirect aid. See also Adams and Stoffaes, eds., *French Industrial Policy*, p. 28.

64. *La Vie Française*, 22–28 April 1985.

65. Giordano, "Analyse de la Politique Française," 1982, p. 211; Giordano, "Analyse de la Politique Française," 1984; Stoffaes, *La Grande Menace Industrielle*; Adams and Stoffaes, eds., *French Industrial Policy*, pp. 32–35.

66. This figure is just for direct state aid to industry; see *Les Echos*, 24 February 1977; figures on export subsidies as a percent of total manufactured exports averaged 40–45% for France and around 10% for the United States in the late 1970s; see C.F. Bergsten and W. Cline, *Trade Policies in the 1980s* (Washington, D.C.: Institute for International Economics, 1982), p. 32 and European Management Forum (EMF), *Report on International Industrial Competitiveness*, 1984 (Geneva: EMF Foundation, 1984), p. 7, Table 1.3. Data on all subsidies as a percent of GNP place it at about 2–2.5% for France in the 1970s and about 0.5% for the United States; see S. Anjaria, Z. Iqubal, N. Kurmani, and L. Perez, *Developments in International Trade Policy* (Washington, D.C.: IMF), Occasional Paper #16, November 1982, p. 56 and L. Franko, in G. Helleiner, et al., *Protectionism or Industrial Adjustment* (Paris: Atlantic Institute, 1980), p. 39.

67. EMF, *Report on International Competitiveness*, p. 168.

ations between industry and the state. For example, the watch and clock industry association drew up and presented its own rescue plans to the government and then spent much time negotiating for the aid it had requested and arguing about how to restructure.<sup>68</sup> This bargaining between the two sides was very common, appearing in every case where aid was demanded. In this process the French state did have ample negotiating leverage. In most cases, it was able to prompt restructuring, even if not desired by the industry. But this was a bargained outcome. The state paid for it by giving aid to the industry, even when it did not want to pay.<sup>69</sup>

In the United States, relations appeared far more adversarial, as noted elsewhere.<sup>70</sup> Little could be done to induce industries to change their ways, but threats and denials of help were possible. In the United States, sometimes antitrust policy was used. The threat of antitrust action forced industries to back down from making trade complaints in several cases. For instance, the machine tool industry couldn't file a major trade complaint after all its documents were impounded in an antitrust suit.<sup>71</sup> The outright denial of industry demands was also possible through the ITC's findings or Presidential decision, as happened to the footwear industry several times. Such denials and threats occurred less frequently in France. There, the long standing, close relations between industries and the state fostered the negotiated resolution of industry problems. Overall, it seems inaccurate to portray the French state as significantly better equipped with trade or industrial policy instruments. Both countries have a plethora of their own, specific means for aiding and guiding industries.

#### *Characteristic #4: coherence of state policy goals*

Finally, French policymakers have been characterized as possessing a set of goals, distinct from much of their society's, that have directed the post-war French economy. The central goal of French foreign policy has been the pursuit of national autonomy and influence.<sup>72</sup> This goal involved policies to maximize its external dependence. Such goals entailed promoting economic growth, creating and protecting strategic infant industries, and maintaining a

68. Milner, "Resisting the Protectionist Temptation," chap. 6, pp. 467-95.

69. Ibid., chap. 6, pp. 437-95; Adams and Stoffaers, eds., *French Industrial Policy*, p. 18 especially.

70. For example, see S. Kelman, *Regulating America, Regulating Sweden* (Cambridge, Mass.: MIT Press, 1981); D. Vogel, *National Styles of Regulation* (Ithaca, N.Y.: Cornell University Press, 1986).

71. For example, the U.S. machine tool and tire cases in Milner, "Resisting the Protectionist Temptation," chap. 5; Fong, "Export Dependence."

72. Ashford, *Policy and Politics*, pp. 148-52; Ardagh, *France in the 1980s*, chap. 2; R. Kuisel, *Capitalism and the State in France* (Cambridge: Cambridge University Press, 1981), chap. 10; E. Kolodziej, *French International Policy Under DeGaulle and Pompidou* (Ithaca, N.Y.: Cornell University Press, 1974), chaps. 1, 4.

rough balance of payments to uphold the franc's value through capital and import controls; all were pursued in the 1950s and 1960s.

Evidence of a coherent policy that followed these goals is very uneven for the 1970s, however. Overall, trade and industrial policymaking in this decade have been characterized as "ad hoc, inconsistent, and short term."<sup>73</sup> No overarching strategy or plan seemed to guide policy. Money was given to ailing industries in the hope that they would recover, while protection was granted to various industries in other cases.<sup>74</sup> Indeed, as the cases here demonstrate, some sectors received protection and aid—for example, footwear, watches and clocks, and television—while other, larger and more significant industries in difficulty went without it—such as pharmaceuticals, tires, and glass—often because they did not want any help. This haphazard "pattern" of protection and aid in France does not support a vision of policymakers unified in the pursuit of common goals, but rather one of a state making ad hoc adjustments partly to meet its industries' demands.

Like American legislators, French policymakers in the 1970s were increasingly caught in the problem of how to preserve their national autonomy in the face of growing international interdependence. External economic shocks multiplied in the decade, and the French found it increasingly difficult to pursue their longstanding goals. Their response was not a coherent plan, but a series of ad hoc measures and compromises designed to revive growth and allow for some autonomy without disrupting their new interdependence. In 1981 and 1982, when the Socialists undertook a coherent effort at reflation, France's constrained ability to pursue national goals was starkly revealed.<sup>75</sup> Greatly increased interdependence frustrated French policymakers. However, rather than reduce this interdependence by closing the economy, the French chose to accept it, and instead altered their domestic policies and goals. The management of the economy's new integration into the world economy thus proved an increasing problem for the French after 1968, as it did for many other advanced industrial countries, including the United States.

In sum, the picture of the French state I have drawn is one much less insulated from and remotely imposing over its society than traditional characterizations suggest. This state is in constant negotiation with its indus-

73. Giordano, "Analyse de la Politique Française," pp. 54–57; see also B. Bobe and P. Messerlin, in H. Bourguinat, ed., *Internationalisation et Autonomie de Décision* (Paris: Economica, 1982).

74. Giordano, "Analyse de la Politique Française"; S. Cohen, "Informed Bewilderment: French Economic Strategy and the Crisis," in Cohen and Gourevitch, eds., *France in a Troubled World Economy*; S. Berger, "Lame Ducks and National Champions," in William Andrews and Stanley Hoffmann, eds., *The Fifth Republic at Twenty* (Albany, N.Y.: SUNY, 1981), pp. 292–310.

75. Hall, *Governing the Economy* (Oxford: Oxford University Press, 1986), chap. 8; M. Kahler, "European Protectionism in Theory and Practice," *World Politics* 37 (July 1985), pp. 498–500.



tries, and does not dictate policy to them. Trade and industrial policymaking seems less unified and dominated by isolated bureaucrats. Instead, it involves frequent contact between business and the state as well as bureaucrats who depend on industries for help collecting information and implementing policies. Moreover, the policy instruments available in these issue-areas hardly seem so much more numerous than those available in the United States. In addition, French policy in the 1970s does not appear as a coherent, well-planned effort to pursue a set of well-established goals. It was rather a series of ad hoc measures, frequently prompted and designed by industries themselves, to absorb the impact of the decade's external shocks.

The traditional view of the French state as a strong, centralized unit insulated from societal pressures may have been more accurate before the 1970s. But the state's success in transforming its society and increasing its integration into the world economy altered it and its relationship with that society. As theorists concerned with the state have concluded:

Although strong, effective state interventions in economic processes may grow out of coherent bureaucracies relatively autonomous from dominant social classes, those very interventions are likely in time to lead to diminished state autonomy and capacities for further intervention, because affected groups will mobilize to pressure state authorities or to penetrate relevant parts of the state apparatus.<sup>76</sup>

This phenomenon, which reduced state autonomy, affected the French state by the 1970s for a number of reasons. According to one study, it was

. . . the evolution of French planning [that] began to erode the 'etatism' of the French state. To drive the French economy to new levels [of growth], the state forged an alliance with advanced sectors of capital that radically narrowed the distance between itself and society. Although planning institutions greatly enhanced the capacity of the French state for strategic thinking, they did not ultimately improve its cohesion. Moreover, planning eroded the traditional bases on which the state's claim to authority rested and forced policy-makers to seek new ways to legitimate their actions.<sup>77</sup>

Others maintain that the roots of the French state's problem lay in opening its economy.<sup>78</sup> This opening made planning exceedingly difficult, forced the state to ally with industry to promote competition, and fostered the growth of large, dynamic multinational French firms who were much less dependent on the state. For these reasons and others, the autonomy, insulation, and coherence of the French state all eroded in the 1970s, and the state that

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76. P. Evans, D. Rueschemeyer, and T. Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), p. 42.

77. Hall, *Governing the Economy*, p. 180.

78. Michalet in Vernon, ed., *Big Business and the State*, pp. 115–22.

emerged was more in contact with and dependent upon its major societal actors, especially business.

My argument thus contends that business in both states may have had the capacity to influence trade policymaking. In neither country did the structure of policymaking keep industry from gaining access to the policy process. But were firms and industries able to influence outcomes? The evidence I have presented can only suggest an answer to this question since it focuses mostly on firms' preferences and activities, not outcomes. The cases do lend credence to the idea that industries' access to the state provided them with influence. In the U.S. cases, firms' preferences seem to have played a role in shaping outcomes. Often intra-industry disputes weakened demands for protection, thereby relieving pressure on policymakers to institute protection. In the tire and semiconductor cases, firms' resistance to protection prevented them from voicing demands for it. In the television and footwear cases, certain firms' opposition to protection seriously weakened the demands made and may have increased policymakers' ability not to respond to these pressures. Conversely, pressure from some industries actually induced policymakers to seek further trade liberalization. For instance, the semiconductor industry was central in encouraging the U.S. government to begin negotiations with the Japanese to reduce trade barriers. These examples suggest that the preferences of these internationally oriented firms were evident in the policy process, thereby contributing to the maintenance of openness in these sectors.

Examples from the French cases also illustrate industry influence. In the footwear and watch and clock industries, the industry associations designed their own industrial policies, which the government adopted without much change. In addition, the footwear and television producers formulated and negotiated their own voluntary export restraints with foreign suppliers. In these cases, the industry shaped policy as much as the state did. Certain industries battled the government, or parts of it, to realize their preferences. The pharmaceutical industry fought for price decontrol, which it largely achieved (thus opening the country's market to imports). The major television manufacturer pushed successfully to have various non-tariff barriers lowered, despite government resistance. All these examples suggest that trade policymaking in France was not immune to industry influence. In these cases, industry preferences helped shape the adopted policy. Conclusions about how general this finding is—both among industries and in different issue-areas—are difficult. But other studies corroborate this argument.<sup>79</sup> Thus, while conclusions about industry influence over outcomes must remain suggestive, one conclusion we can draw is that, in addition to examining state structures, firms' preferences should be taken into account when

79. See Simmonot, *Les Nucleocrats*; Feigenbaum, *Politics of Public Enterprise*; E. Suleiman, *Centralization and Democracy in France*, unpublished manuscript, 1986.

explaining policy outcomes since they may play an important role in shaping policies.

## Conclusions

This article makes two major points. First, I have argued that aspects of increased international interdependence have wrought changes in the trade policy preferences of industries. Strengthened international economic ties in the form of exports, multinationality, and global intra-firm trade have raised the costs of protection for internationally oriented firms. These firms have thus resisted seeking protection even in times of serious import competition. This finding held for both French and American industries. Differences in the firms' contexts did not override the powerful influence that a firm's international ties exerted on its trade policy preferences. Similar international forces in the two countries shaped firms' calculations of their preferences.

Second, I compared the structure of trade policymaking in France and the United States, examining the way firms' preferences were integrated into these structures. Comparative analysis of trade and industrial policymaking in the United States and France revealed that firms' preferences were a powerful influence. France seemed less immune to industry influence than typical accounts suggest. Its state did not appear "strong" in terms of the unity of its policymaking process, the insulation of its bureaucracy, the relative number of its policy instruments, and the coherence of its goals. Thus, the structure of trade policymaking in France during the 1970s did not prevent industries from having access to and some influence over the process, and the same was true in the United States.

While the structure of trade policymaking seemed more similar between the two countries than is often claimed, the character of this process differed. Industry-state relations in France were characterized by a long-term bargaining process, often producing mutually acceptable outcomes with the industry: the industry received the aid or protection it desired, and the state obtained reorganization of the industry.<sup>80</sup> Trade policymaking in the United States, while as fragmented and ad hoc as in France, involved a more distant relationship between industry and the state. As in France, firms or industries initiated much activity to get protection, but relations in the United States appeared less accommodating. These different policymaking styles undoubtedly reflected the different political resources relevant to industry and the state in the countries. Nevertheless, because of similar "weaknesses" in

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80. Richard Samuels's notion of "reciprocal consent" in Japan seems similar to the French case, although differences between the two countries exist. R. Samuels, *The Business of the Japanese State* (Ithaca, N.Y.: Cornell University Press, 1987).

their policymaking structures, firms' preferences in both states played a central role by helping initiate and shape policy. Thus, not only were the trade policy preferences of firms similarly shaped by certain international forces in France and the United States, but the structure of policymaking in both countries also allowed these preferences to influence outcomes. Consequently, the internationally oriented firms in both countries may have provided important resistance to protectionist pressures in the 1970s and early 1980s.

Finally, we must return to our initial question: why did all the advanced industrial democracies maintain relatively open economies in the 1970s? My argument should apply to all of these countries. It implies that if their industries became more integrated into the international economy, a growing part of their firms should have developed anti-protectionist preferences. Whether these preferences influenced policy would depend in part on the structure of policymaking in each state. For states other than France and the United States, the argument about the influence of these new preferences is more limited. In other states, the policy process may be more insulated from industry influence, or other actors, such as labor, may play a much more important role. Thus, the argument about firm preferences should be more generally applicable, while the one about the policy process more particular to the two countries I have examined. In conclusion, although the cross-national evidence here suggests that my argument may have wider validity, only further research on other countries can determine if anti-protectionist pressure from firms was also important in shaping their resistance to protection in the 1970s and 1980s.