

U.S. - Taiwan Agricultural Trade Negotiations: A Systematic Analysis

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Abstract

Shifts in U.S. trade strategies during the early 1980s have increased the importance of agricultural trade negotiations in the bilateral trade relations between the United States and Taiwan. This study conducts regression and correlation analyses to the relationships between inputs from both countries and the negotiated outcomes, and further explores Taiwan's ability to forge favorable outcomes for itself during negotiations. The results show that among other resources of bargaining power in trade negotiations, tactics are Taiwan's most useful resource; and that Taiwan's inputs of power resources do have positive effect in producing favorable outcomes by themselves, but the United States' negative impact on the negotiated outcomes is even stronger.

Between 1983 and 1992, issues of agricultural commodity trade brought tensions to the bilateral trade relations between the United States and Taiwan. In addition to negotiations at the governmental level, Taiwanese farmers protested their interests on Taipei's streets for the first time in history. It not only caused market disruptions in Taiwan's domestic agricultural markets, but also threatened Taiwan's social and political stability. However, instead of limiting the research scope to Taiwan's domestic reactions, this study adopts a systematic approach to examine the agricultural trade negotiations between these two countries from an overall perspective.

The causes of agricultural trade tensions are briefly discussed in Section I before the research objectives and hypotheses are specified in Section II. Section III and IV respectively introduce the independent variables and inputs of power resources, and the dependent variables and negotiated outcome of this study. Section V explains the process of data collection and their quantification for the quantitative analyses in Section VI. Next, the test results are presented. Finally, the limitations and the test results are elaborated upon to conclude this study.

I. The U.S. - Taiwan Agricultural Trade Tension (1983-1992)

The recent (1983-1992) bilateral agricultural trade tensions between the United States and Taiwan originated from the shift of U.S. overall trade strategies. Since the early 1980s there have been two major changes in U.S. trade policy: 1) a growing emphasis on “fair” and “reciprocal” trade, and 2) the use of bilateral processes in achieving U.S. policy objectives. Both reshaped the nature of the U.S. -Taiwan bilateral trade relations and increased the possibility of trade confrontations between the two countries.

The term “fair trade” was not mentioned in the U.S. trade policy until the Trade Act of 1974. The section “Relief from Unfair Trade Policies” amended Section 337 of the 1930 Tariff Acts and created Section 301. Section 337 focuses on trade remedies to domestic market disruptions due to unlawful or unfair methods of competition and unfair importation and sale of products in the United States. Section 301 gives the President wide discretion in dealing with “unjustifiable or unreasonable” or “discriminatory” foreign trade practices toward U.S. *exports*. Under these new trade laws, the United States adopted a new trade strategy: reciprocity, or threats of closing the U.S. market unless trading partners removed unfair barriers to American exports, especially in sectors where U.S. producers were highly competitive.¹ In other words, both import restrictions and *export expansions* have been adopted as the remedies for unfair trade.

During the 1980s, numerous trade analysts attributed growing U.S. trade deficits and competitiveness problems to market interventions by foreign states. In addition, due to the increasing inability to gain changes via the multilateral route of GATT², the United States has shifted in its policy of multilateralism towards bilateralism. Bilateral trade negotiations have been deemed as a more effective approach to correct the damage caused by the market interventions of foreign states. Thus, the United States initiated a series of bilateral trade negotiations designed to secure greater market access abroad for U.S. products.

Consequently, the U.S. fair and reciprocal trade strategy reoriented trade issues toward export expansion to countries that hold tremendous bilateral trade surpluses against the United States. The bilateral approach to correcting the trade imbalance caused by market intervention of foreign states makes trade negotiations essential in trade relations. Since the early 1980s, the United States has retreated from its liberal trade policy and targeted Taiwan as an unfair trading partner whose interventions in trade has caused the U.S. trade deficit and bilateral trade imbalance; hence, the bilateral trade negotiations between Taiwan and the United States have become more confrontational. In their trade negotiations, the United States has often threatened to close its domestic market unless Taiwan removes the unfair trading barriers toward U.S. exports to Taiwan.

The U.S. agricultural sector has had competitive advantages in the

world market. When the United States faces serious trade deficits, this exporting sector has been expected to compensate for losses in other sectors. The shift of U.S. trade policies enhanced the importance of this area, and the expansion of agricultural exports has become a major issue in its bilateral trade relations with other countries, especially those holding trade surpluses and refusing to open their agricultural imports. Taiwan, with tremendous trade surpluses with the United States in the 1980s and relatively closed agricultural import market, has been one of the targets for U.S. agricultural expansion. Recently, the management of agricultural trade with the United States has become one of the most crucial challenges to Taiwan in their bilateral trade relations.

In 1983, the U.S. International Trade Committee listed Taiwan as a single trading partner for the first time and discussed their bilateral trade issues in Operation of the Trade Agreement Program. It was a sign that the United States was taking the issue of trade imbalance between these two countries seriously. In terms of agricultural trade, most of the serious tensions arose because of particular commodity trade issues. The tensions started when the U.S. Rice Miller's Association filed a petition to the United States Trade Representative (USTR) under Section 301 of the U.S. Trade Law of 1974 on July 13, 1983. According to the petition, Taiwan's rice export subsidy gave Taiwan an unfair competitive advantage in world markets and drove the world rice price down to a level below the U.S. loan rate. Thus, the U.S. requested Taiwan to limit its rice exports.

Since then, other issues have caused tensions between these two countries, including the liberalization of Taiwan's beer, wine and cigarettes import markets (Oct. 1985 - Dec. 1986); the removal of import bans on Taiwan's fruits (Jan. 1988 - Aug. 1988); the liberalization of Taiwan's poultry and turkey import markets (Feb. 1988 - Jan. 1989); tariffs on Taiwan's beef imports (May 1990 - Jun. 1990); the liberalization of Taiwan's distilled spirits import market (Jan. 1990 - Jan. 1991); and the liberalization of Taiwan's rice imports (Jan. 1990 - Sep. 1992).

The agricultural trade tensions were alleviated by the early 1990s when Taiwan's application for readmission to GATT gained momentum. On September 29, 1992, the GATT established a working party to study and negotiate Taiwan's application. In order to get U.S. support on readmission to GATT, Taiwan adopted a more amicable attitude in response to the U.S. requests of import market liberalization. The bilateral trade relationship entered into a new era. Therefore, the scope of this study will not cover issues beyond 1992.

II. Objectives and Hypotheses

This paper adopts a systematic approach to study the negotiations between the United States and Taiwan for solving agricultural commodity

trade disputes from 1983 and 1992. The major objectives are to inquire the contributions from inputs of both countries during negotiations to the bargaining outcomes; and further to explore Taiwan's ability of making favorable outcomes for itself.

In negotiations, a negotiating party mobilizes all possible resources to assure favorable outcomes for itself and resist outcomes against its own opening offers. Resources which can be used by a negotiating party constitute the base of its power. Bargaining outcomes are determined by the inputs of resources from all negotiating parties. Thus, in this study, the outcome is the net result of Taiwan's inputs of power resources and the counter inputs from the U.S. However, the evaluation of outcomes is directional. That is, a better outcome for Taiwan is in contrast a worse outcome for the United States. One of the foci of this study is Taiwan's ability to create favorable outcomes for itself; we are, therefore, interested in the relationship between inputs from both countries and the favorability of outcomes to Taiwan. That is: $O_{TW} = a + b I_{TW} + c I_{US}$ ----- (1), where O_{TW} is the favorability of outcome to Taiwan; I_{TW} is the inputs from Taiwan and I_{US} is the inputs from the United States.

Hypotheses A: Inputs of Taiwan's power resources are expected to have a positive effect in producing favorable outcomes for Taiwan. In other words, the more power resources Taiwan uses, the better outcome it attains. Thus,

A₁: In equation (1), coefficient b is positive.

A₂: Correlation Coefficient r (O_{TW} , I_{TW}) is positive.

Hypothesis B: The counter inputs from the U.S. are expected to have negative effects on producing favorable outcomes for Taiwan. In other words, the more pressure the United States imposes, the worse the outcome Taiwan will receive. Thus,

B₁: In equation (1), coefficient c is negative.

B₂: Correlation Coefficient r (O_{TW} , I_{US}) is negative.

If Taiwan has more impact on producing favorable outcomes for itself, then the absolute value of the correlation between Taiwan's power resource inputs and bargaining outcomes is expected to be stronger than that between U.S. counter inputs and bargaining outcomes. Thus,

Hypothesis C:

C₁: In equation (1), the absolute value of coefficient b is greater than the absolute value of coefficient c.

C₂: The absolute value of correlation coefficient r (O_{TW} , I_{TW}) is expected to be greater than the absolute value of correlation coef-

ficient $r(O_{TW}, I_{US})$.

III. Resources of Bargaining Power in Trade Negotiations

The resources of bargaining power include whatever someone can exploit in order to affect the behavior of others or produce intended effects. Non-tangible resources are as important as tangible resources. Overall, they come from the underlying power structure, opportunities existing in a larger environment beyond the bargaining itself, and acts taken during the bargaining. In negotiations, the inputs of resources are reflected by forming persuasive and credible arguments or by adopting credible policies. However, one should keep it in mind that in the trade negotiations attributed to the new U.S. trade policy of export expansions, the primary goal of the United States is to make its opponent comply with requests benefiting its exports; the primary goal of Taiwan is to deter the U.S. requests. The mobilization of their resources aims at achieving these goals, rather than demonstrating their real economic capacity.

The inputs of power resources from both countries can be classified into four categories: 1) economic arguments made on the basis of trading facts, 2) concerns derived from domestic non-economic issues, 3) trade agreement and norms existing beyond the bargaining itself; and 4) tactics used during negotiations.

Economic Arguments. Unlike negotiations on issues in high politics, trade information is open to all negotiating parties. Economic data are easily revealed and lack flexibility. A bargaining country will have difficulties in using economic facts in a strategic way. Therefore, economic facts can be used as resources of bargaining power in the sense that they can be used to support the arguments made by negotiating countries to alter others' decisions. In other words, the effect of an economic indicator in current trade talks is to persuade others to ease their bargaining positions, "not" in showing one's capacity to accept another's offers. The more one can show its opponent that a request or a response is unnecessary by arguments based on economic data, the better one can preserve its bargaining position or justify the status quo.

Domestic Non-Economic Issues. Domestic issues are sources of opportunity existing outside the bargaining framework. They can be used to defend bargaining positions in international negotiations, especially when the bargaining issues actually stem from domestic concerns. Since the current U.S. trade policy primarily expands its exports in response to its domestic economic demands, it goes without saying that domestic factors will matter in shaping the outcomes of trade talks. When discussing the effect of domestic public pressure in international bargaining, Schelling addresses bargaining power as "the power to bind oneself". (Schelling, (1960): pp. 22-28) In this sense, once a country shows its opponent its irrevocable

commitment to public opinion, its initial position can thereby be made visibly “final.” By reducing the scope of his own authority, a national representative is able to make his opening position stick and thereby enhance his bargaining position.

Trade Agreements and Norms. In addition to keeping bargaining games on track, norms and trade agreements in the international trade system provide countries with opportunities to overcome the insufficiency of their private resources. Trade agreements and norms are unanimously established and accepted among trading partners. Therefore, if one negotiating country proposes a request which can be supported by the agreements and norms in the international trade regime, at least its opponent will have a hard time defending its rejection of that request.

Tactics. Tactics are the power resource that a negotiating party uses to change its opponent’s perception of bargaining issues or to modify the other’s preference during the bargaining process. Through signals, often a combination of verbal statements or non-verbal acts, negotiating parties convey their messages overtly. However, this power resource does not refer to the psychological manipulation of an individual negotiator. It refers to the policy choices of negotiating countries. In addition to forming persuasive arguments, a negotiating party can choose whether to pursue a particular tactic in order to ensure the fulfillment of its preference and produce intended outcomes. It may add something (a reward or a threat) beyond the existing bargaining framework to push or induce its opponent so that a stalemate can be broken or a conclusion promptly reached. Thus, the selection of tactics is actually a choice among feasible policies.

IV. Bargaining Outcomes and their Measurement

What will be considered as outcomes of trade talks are the explicit agreements signed by both parties or equivalent behaviors, commitments to comply with requests, or declarations of certain economic policies at the end of negotiations.

The method for classifying and comparing outcomes of conflicts is not highly developed. In his study of trade conflicts between the United States and South Korea, Odell develops a nine-point ordinal scale to measure the favorability of trade conflicts outcomes.³ Accordingly, the ideal result for a country is one which grants all its requests and yields no concessions. In other words, the outcome matches the initial objectives. The least favorable outcome is the reverse, that is, it matches its opponent’s initial position. In his approach, the scores are derived from the comparison of compensations and concessions. However, the measurement of compensation or concessions is not well defined. The scores of the outcomes thus become subjective and arbitrary.

In negotiations, the objective of each bargaining country is to produce

an outcome that is as close as possible to its own initial bargaining position and at the same time far removed from that of its opponent. Thus, what we are evaluating is the behavior of governments in trade negotiations, rather than their ability to control trade flows after negotiations. In other words, the outcomes of trade negotiations will be evaluated on the basis of their favorability to the initial objectives of either country, rather than on the basis of the economic consequences after negotiations. As stated previously, the evaluation of outcomes is directional, i.e. a better outcome for Taiwan is in contrast a worse outcome for the United States, and vice versa. In this study, the outcomes will be evaluated on the basis of their favorability to Taiwan's initial official positions.

To avoid any subjectivity, the measurement of outcomes will depend on the issues involved in bargaining. In each trade dispute, there is at least one continual controversial issue. The bargaining outcomes will be measured on the basis of the measurement of the main contending issues. However, the measurements of issue vary. In order to compare their values, each of them will be converted into a ten-point scale. When the outcome reaches Taiwan's initial offer (i.e. unconditionally in favor of Taiwan), the measure of the outcome is ten. On the contrary, when the outcome reaches the U.S. initial offer (i.e. unconditionally in favor of the U.S.), the measure is zero. Any outcome falling between the initial offers of both countries will be linearly proportioned on the ten-point scale. Therefore, the outcome of each negotiation will have a score (numerical value) in the same scale. If there is more than one contending issue involved in negotiations, an average value of all outcomes for that case will be computed and assigned as the case outcome value. If the outcome remains the status quo, i.e. both countries are not able to make changes, then 5 will be assigned as the outcome value.

For example, in the negotiation over liberalizing Taiwan's poultry and turkey import markets there were two contending issues: import amount and schedule of removing import restrictions. The initial request from the U.S. for the import amount was 1017 metre ton (MT) per month, while Taiwan's initial position was to ban turkey imports. Thus, its initial offer was zero MT. If the negotiated outcome for import amount had been 1017 MT, then the numerical value of outcome assigned to this issue would be zero because the outcome was unconditionally in favor of the U.S. initial request. If the import of turkey parts had been banned after the negotiations, then the score of outcome would be ten because it was unconditionally in favor of Taiwan's initial position. However, the actual negotiated outcome for import amount was 500 MT. Thus, The score was 5.08. In terms of the schedule for removing import restrictions, the initial request from the U.S. was January 1, 1989 while Taiwan's initial offer was September 1, 1991. The outcome was September 1, 1990. Thus, the score for this issue was 6.25. The average value of these two issues is 5.66, which was assigned as outcome score of this case.

V. Data Collection and Analysis

In this study, the major archival records used for data analyses are public records. The “public archival documents” were obtained by a measure which remove the researcher from the set of interactions, events, or behavior being investigated. Thus, the conditions leading to the production are not influenced by an intruding researcher.

The permissible primary source was “governmental documents”, including the official communications from one government to another, press releases and reports published by both governments. They were: 1) press releases file from the Office of Trade Representative of the United States (USTR) (1983-1992); 2) the National Trade Estimate Report on Foreign Trade Barriers (1985-1992), published annually by USTR, Washington D.C.; 3) Operation of the Trade Agreement Program, Annual Report (1983-1992), published by the International Trade Committee of the United States, Washington D.C.; 4) the Trade Negotiation Report (1985-1992), published by Board of Foreign Trade, Ministry of Economics, Taipei.⁴

The permissible secondary source of archival records in this study was news reports. A systematic search of related articles and reports from five major news sources was conducted. They included: 1) the Daily Report, China (1981-1992) published by Foreign Broadcast Information Service; 2) the Wall Street Journal; 3) the Journal of Commerce under the Predicasts F & S Index, International Annual (1981-1992) published by Predicasts; 4) the New York Times (1981-1992); and 5) the Washington Post (1981-1992). However, in order to minimize the screening effect caused by editors’ biases, editorial comments were not included in our archival records of news reports.

The data obtained were systematically analyzed by the method of *content analysis*. Instead of direct observing of people’s behavior or conducting interviews, the communications that the negotiators have generated can be studied, and inferences can be made by identifying specific characteristics in the records of those communications.⁵ In sum, content analysis is a phase of information-processing in which communication content is transformed, through objective and systematic application of categorization rules, into data that can be summarized and compared. (Holsti, 1969: 3) It mainly involves the interaction of two processes: 1) classification - specification of the content characteristics to be measured and 2) coding - application of rules for identifying and recording the characteristics when they appear in the texts to be analyzed.

Classificatory System

The first step in classification is to define the categories. The purpose of defining a category is to permit the classification of data on the basis of selected concepts. It then becomes possible to measure the intensity and

frequency of the occurrence of variables represented by each category. (North, et al., 1963: p.41) Since the purpose of this study is to measure the effect of each bargaining resource on the bargaining outcomes, the messages occurring in documents will be categorized according to Taiwan's bargaining power resources in trade negotiations and U.S. inputs.

Economic Arguments. The first category is economic arguments made by Taiwan's delegations during negotiations or those expressed by Taiwan's officials in public. They included: 1) domestic market disruptions caused by agricultural imports from the United States; 2) projected domestic market disruptions caused by the U.S. requests; 3) the loss or projected loss of farmer's income due to U.S. agricultural imports; 4) Taiwan as an unpromising market for U.S. agricultural exports, reflected by market shares of Taiwan's market in U.S. total agricultural exports.

Domestic Non-Economic Issues. The domestic non-economic factors contributing to the outcomes of negotiations included: political pressure from domestic interest groups and legislators; the concern of social stability in Taiwan; constraints from Taiwan's domestic law and occasional incidents during negotiations. This category specifies: 1) domestic pressure expressed by Taiwan's delegations during negotiations or by Taiwan's officials in public, including pressure from legislative bodies, social elites and farmer protests and demonstrations; 2) limitations under domestic laws or regulations expressed by Taiwan's delegations during negotiations or by Taiwan's officials in public.

Trade Agreements and Norms. This category specifies moral or normative concerns expressed by Taiwan's delegations during negotiations in support of its bargaining positions or those publicly addressed by Taiwan's officials in connection with ongoing trade negotiations. It includes: 1) fair trading principles, 2) articles in bilateral trade agreements, and 3) articles in multilateral trade agreements.

Tactics. This category specifies tactics used or policies adopted by Taiwan's delegations during trade negotiations. It includes: 1) offering rewards in order to ease pressures from the United States; 2) linking negotiated issues with other issues to show U.S. counter-interests or to shift the blame to the United States; 3) citing cases of other countries which support Taiwan's position; and 4) announcing countermeasures to U.S. threats.

Inputs from the U.S. This category specifies the moves taken and the arguments made by the United States during negotiations. First, the economic arguments specified under this category are: 1) the counter arguments showing that U.S. agricultural imports do not or will not disrupt Taiwan's domestic market; and 2) arguments referring Taiwan to a country with bilateral trade surpluses that should not impose any import restriction. Secondly, U.S. domestic legislative activities are another source reflecting U.S. pressure. This category includes: 1) protectionist bills relevant to negotiated issues introduced by Congress; and 2) protectionist bills relevant to negotiated

issues passed by Congress. Third, arguments made by U.S. delegations on the basis of bilateral trade agreements and multilateral trade agreements will be specified. Finally, threat of trade retaliation was the major tool used by the United States. What will be specified in the records are: 1) the threat of trade retaliation based on Section 301; 2) an actual petition filed under Section 301; 3) an investigation initiated under Section 301; and 4) an announcement of retaliation measures made by the USTR.

Coding and System of Enumeration

The first step in the coding process is to decide what “recording unit” will be used in the study. The recording unit is the smallest body of content in which the appearance of a reference is discerned and counted. Words or terms, themes, characters, paragraphs and items are five major recording units frequently used in content-analysis research. In this study, I use “theme,” i.e. a single assertion about some subject, (Holsti, (1969): p. 116) as a basic recording unit of analysis.

Because in most texts themes can be found in clauses, paragraphs, and illustrations, it becomes necessary to specify which of these will be searched when using the theme as a recording unit.(Nachmias, 1987: p.337) In other words, the “context unit,” i.e. the largest body of content that may be searched to characterize a “recording unit,” must be specified. In this study, the context unit for characterizing a recording unit is a single piece of archival record. It is possible for a single theme to appear more than once in an archival record. Instead of counting the frequency of each theme in the same piece of record, the coding was based on the appearance or nonappearance of a single theme in each archival record. In other words, if a theme generated from a single source appears more than once in an archival record, only one will be recorded. Moreover, if a theme generated from a single source appears in more than one piece of archival record, only one will be counted. However, when the same argument is presented by different officials or by the same official on different occasions, each appearance will be respectively recorded.

In order to conduct further quantitative tests, the attributes specified and recorded need to be quantified by employing a frequency system of enumeration.⁶ Every occurrence of a given attribute was recorded so that I could measure the degree of importance of each attribute emphasized by the negotiating parties. When a negotiating party believes a certain theme has more strength in assuring its bargaining position, the theme will be more frequently asserted by the delegation during the negotiations or by an official in public.

VI. Operational Hypotheses and Test Results

At first, all inputs from Taiwan will be combined into a variable: I_{TW} ;

and all the inputs from the U.S. will be combined into a variable: I_{US} .

Operational Hypotheses A:

The higher the frequency of Taiwan's power resources used during negotiations, the higher the outcome value Taiwan will receive, i.e.

A₁: In equation (1) $O_{TW} = a + b I_{TW} + c I_{US}$, coefficient b is expected to be positive.

A₂: Correlation coefficient, $r(O_{TW}, I_{TW})$, is expected to be positive.

Operational Hypothesis B:

The higher the frequency of U.S. power resources used by the United States during negotiations, the lower the outcome value Taiwan will receive, i.e.

B₁: In equation (1) $O_{TW} = a + b I_{TW} + c I_{US}$, coefficient c is expected to be negative.

B₂: Correlation coefficient, $r(O_{TW}, I_{US})$, is expected to be negative.

Operational Hypothesis C:

Taiwan has more impact on negotiating outcomes than the United States does.

C₁: The absolute value of regression coefficient b is expected to be greater than coefficient c .

C₂: The absolute value of correlation coefficient $r(O_{TW}, I_{TW})$ is expected to be greater than $r(O_{TW}, I_{US})$.

Table 1 summarizes case observations. The multiple linear regression line obtained from the observations is:

$$O_{TW} = 6.06 + 0.13 I_{TW} - 0.84 I_{US}$$

$$R^2 = 0.45$$

The results of correlation analyses are:

$$\text{Correlation Coefficient } r(O_{TW}, I_{TW}) = 0.33$$

$$\text{Correlation Coefficient } r(O_{TW}, I_{US}) = -0.64$$

The regression result shows that the signs of both coefficients b and c are in the expected directions, supporting operational hypotheses A₁ and B₁. However, the result of correlation analyses does not support the operational hypothesis C₁. The absolute value of b (0.13) is smaller than the absolute value of c (0.84). Therefore, Taiwan's inputs of power resources had a positive effect on producing favorable outcomes for itself while U.S. inputs had a negative effect; but inputs from the United States had more impact on the

Table 1: Summary of Case Observations

Case	Power Resources					U.S. Inputs	Outcome
	Taiwan's Inputs						
	Economic arguments	Domestic Factors	Norms & agreement	Tactics			
Rice Accord	4	2	3	2	4	2.66	
Amending Rice Accord	5	1	0	4	1	5	
Renewal of Rice Accord	5	4	3	4	1	10	
Beer, Wine & Tobacco	0	4	1	3	6	2.78	
Fruits Import Bans and Quota	3	4	4	1	5	0	
Poultry & Turkey	3	8	4	4	4	5.66	
Beef Tariffs	1	0	2	2	2	5.24	
Distilled Spirits	2	2	2	1	6	4.78	
Liberating Rice Imports	2	4	4	1	3	5	

bargaining outcomes than Taiwan’s inputs.

The correlation analyses also show the similar results. The signs of both correlations coefficients $r(O_{TW}, I_{TW})$ and $r(O_{TW}, I_{US})$ are in the expected directions, supporting operational hypotheses A₂ and B₂. However, the result does not support the operational hypothesis C₂. The absolute value of $r(O_{TW}, I_{TW})$ (0.33) is smaller than the absolute value of $r(O_{TW}, I_{US})$ (0.64). Thus, the correlation between bargaining outcomes and U.S. inputs is stronger than that between bargaining outcomes and Taiwan’s inputs.

If we disaggregate inputs from Taiwan into four different power resources, the model will be expanded as:

$$O_{TW} = a + b^1 X_E + b^2 X_D + b^3 X_N + b^4 X_T + b^5 X_{US}, \text{----- (2) where}$$

O_{TW} is the favorability of outcomes to Taiwan,

X_E is Taiwan’s power resources from economic arguments,

X_D is Taiwan’s power resources from domestic non-economic factors;

X_N is Taiwan’s power resources from norms and trade agreements;

X_T is Taiwan’s power resources from tactics; and

X_{US} is the U.S. inputs.

The multiple linear regression line obtained from the same observations is:

$$O_{TW} = 5.6 - 0.26X_E + 0.07X_D + 0.25X_N + 0.73X_T - 0.83X_{US}$$

$$R^2 = 0.51$$

This regression result shows: 1) Among the power resources used by Taiwan, economic arguments have negative effects on producing favorable outcomes for Taiwan; 2) compared to other power resources, domestic non-economic factors is an insignificant variable, while tactics are the most significant variable; 3) the sign of the coefficient for inputs from the U.S. is in the expected direction, that is, U.S. inputs have negative effects on favorable outcomes for Taiwan. In addition, the impact of U.S. inputs on bargaining outcomes is greater than Taiwan’s other inputs.

VII. Discussion and Limitation

The purpose of this paper is to present regression and correlation analyses exploring the relationships between inputs of power resources from both the United States and Taiwan and the negotiated outcomes. However, due to the small number of observations, a definitive explanation of the results is limited. All of the trade negotiations derived from commodity trade tensions in this bilateral agricultural trade during 1983 and 1992 have been

included in our analysis. To increase the number of observations is unlikely. Thus, I will not discuss the statistical significance of this test, nor will I generate a general theory on the basis of studying these results.

The results of regression analyses support our hypotheses A and B, that is, inputs from Taiwan's power resources have a positive effect on producing favorable outcomes, while the U.S. inputs have a negative effect. Nevertheless, the results do not support our hypothesis C. The absolute values of both the regression coefficient of Taiwan's inputs to outcomes and correlation coefficient between Taiwan's inputs and bargaining outcomes are less than those of the United States. In other words, compared to the United States, Taiwan has less influence on bargaining outcomes in their bilateral agricultural trade negotiations. In sum, although Taiwan has the capacity to produce favorable outcomes for itself, the negative impact from the U.S. inputs is even stronger.

When we break down Taiwan's inputs into four power resources, we are able to see the nature of the contributions of each power resource to bargaining outcomes. The results of this study clearly show their difference.

First, tactics are the most useful power resource for Taiwan during its agricultural trade negotiations with the United States. Unlike those in private business bargaining or security issue negotiations, in international trade negotiations countries know clearly what others have. The interdependence of trade excludes the possibility of hiding economic capacity behind bargaining tables. Therefore, if a promise or a threat is not credible, states will not likely use it. When they make a promise or impose a threat, they must be capable of carrying it out. Due to this credibility factor, whenever a state uses such tactics, the outcome is expected to be better.

Limited by its underlying structural inferiority, Taiwan is the weaker country in asymmetrical confrontations and unable to use certain tactics such as threats due to lack of credibility. However, to promise the opponent compensation for whatever loss it might incur, link ongoing negotiating issues with other issues, and introduce a third country for comparative purposes all had positive effects on supporting Taiwan's bargaining positions. The most common tactic used by Taiwan was to bring up another U.S. import commodity and showed its relationship with the ongoing contending issue. In many cases, Taiwan successfully shows the U.S. that the liberalization of bargaining products would decrease the imports of other U.S. agricultural products. Therefore, it was not in U.S. interests to urge Taiwan to make concessions.

Secondly, arguments derived from bilateral or multilateral trade agreements, or fair trading principles, were another power resource for Taiwan during agricultural trade talks. Norms and trade agreements are considered as public resources, and their use by one country to defend its bargaining position will not exclude others from using them. In other words, their use does not involve the underlying power structure of international system.

Such impossibility of exclusion especially enhances the power resources of the weaker side in asymmetrical negotiations. Thus, they effectively provided Taiwan with opportunities to overcome its inadequate private resources.

Although Taiwan's special political status in the international system prevents it from being a contracting party of GATT, the bilateral trade agreements with the United States are applied on the basis of fundamental principles governing MTNs and constitute a vehicle for integrating Taiwan into the MTN framework. In the case of agricultural trade, Taiwan has often cited Article XIX in the GATT on Emergency Action on Imports of Particular Products,⁷ which states that if the flood of imports causes or threatens serious injury to domestic producers of like or directly competitive products, the contracting party shall be free to take actions to prevent or remedy such injury. This article provides Taiwan with a powerful legal basis for defending its opposition to market liberalization for the U.S. agricultural exports.

Thirdly, compared to other power resources, domestic non-economic issues were less relevant to producing favorable outcomes for Taiwan. In fact, in many cases, instead of pressuring its own government, Taiwan's public often condemned the United States directly. As a result, domestic non-economic factors were not incorporated into Taiwan's official positions in negotiations. Ironically, on many occasions the Taiwanese government failed to exploit self-binding power to its domestic public and was not able to make its initial offer final during negotiations. The freedom of negotiating led the Taiwanese delegations to fail to stand firm with its domestic public.

In the case of market liberalization of beer, wine and cigarettes, for instance, several commentaries and public opinions condemned U.S. requests as unreasonable. Taiwanese citizens ran the protest advertisement in the *New York Times* to show their anti-American sentiment. However, when anti-American sentiment came to a boiling point in Taiwan, the government changed its strategy towards compliance with the U.S. requests. The Taiwanese government changed its strategy by saying that Taiwan should consider itself the weaker partner in its trade ties with the United States and refrain from taking on a belligerent anti-foreign attitude. When faced with domestic pressure and external pressure at the same time, the Taiwanese government still avoided antagonizing its external trading partner. After political liberalization in the mid-1980s, the Taiwanese government could not suppress domestic anti-American sentiment, nor would it exploit domestic pressure to defend its bargaining positions. Even when it mentioned domestic pressure during negotiations, it did not reflect being influenced by the public.

Fourthly, the arguments made from economic data were not useful power resources for Taiwan. The overt economic data are known by both countries prior to negotiations, and the U.S. imposed its requests with full knowledge of the data. Therefore, it is very difficult for Taiwan to make

persuasive arguments based on economic data to alter U.S. bargaining positions, or to support its resistance to further opening its import market. Ironically, the increase of Taiwan's economic capacity did not increase its political influence in trade negotiations. In contrast, it made Taiwan a promising potential market for U.S. agricultural exports, especially as Taiwan enjoys overall bilateral trade surpluses. Thus, in recent agricultural trade negotiations between the United States and Taiwan, Taiwan's economic capacity has become a negative factor in defending its bargaining positions.

Note

1. For the details of this argument, see Walters, Robert S. (1993) "Introduction: U.S. Trade Negotiations in Perspective," in Walters ed. *Talking Trade: U.S. Policy in International Perspective*, Boulder, CO: Westview Press.
2. In one of the GATT's reports, it says: "[w]hile the rules of the GATT continue to exert considerable influence on policy conduct, there is no denying that infractions and circumventions of them have tended to multiply...that there has not been more open violation to the rules is also partly explained by the increasing resort to privately agreed and officially tolerated if not promoted, restraints on trade and competition. Developments in such important industrial sectors as steel, automobiles, synthetic fibre and perhaps other petrochemicals exemplify this tendency." (*GATT, International Trade 1980-1981*; Geneva: GATT, 1981; p. 11.)
3. This approach is an improvement from the classification of outcomes in Odell, John S (1980) "Latin American Trade Negotiations with the United States," *International Organization*, 34 (2): 207-228. In that study, the three classification of outcomes are "substantially favorable to the U.S.," "substantially favorable to Latin America," and "compromised".
4. This document is semi-classified. The title has been modified.
5. The methodology of content analysis in this study is based on the discussions in David and Chava Nachmias, (1987), *Research Methods in the Social Sciences*, pp.332-339, NY: St. Martin's Press; Ole Holsti, (1969), *Content Analysis for the Social Sciences and Humanities*; Robert North, et al, (1963), *Content Analysis: a Handbook With Applications for the Study of International Crisis*, Northwestern University Press; and Edward Andrews, (1968), *A Content Analysis of Selected Collective Negotiation Agreement for Teachers*, University of Maryland.
6. Other systems of enumeration suggested in the literature of content analysis are the time/space system; the appearance system; and the intensity system.
7. Article XIX of the GATT stipulates that "If, as a result of unforeseen

developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

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Appendix Classification and Coding

The following tables itemize 1) the outcomes of negotiations and their scores; and 2) Taiwan's power resources and counter inputs from the United States, recorded by the method of content analysis. For the measurement of outcomes and the rules of classification, coding procedures of inputs of power resources, please refer to the discussions in the sections of "Bargaining Outcomes and their Measurement" and "Data Collection and Analysis".

All the non-English news sources quoted in this Appendix were derived from the Daily Report, China. Taiwan is abbreviated as TW, while the United States is abbreviated as US.

Table A.1. Rice Accord

Resources	Rice Accord	Value
Economic arguments	<ol style="list-style-type: none"> 1. Chiu Mao-ying, director of Agricultural Bureau: TW's rice exports only account for 2% of the total rice trade in the world market. The combined rice export volumes of US and Thailand account for about 25%. (CNA* 7-15-83) 2. Agricultural officials: TW's rice exports only account for 2-3 percent of the world market, which is too small to influence the selling prices of major rice exporters, the US and Thailand, which together hold 25% of the world rice market. (<u>China Post</u> in English 12-10-83) 3. Chiu: TW's government has to solve the problems of rice surplus. (CNA 7-15-83) 4. Agricultural officials contend that in order to prevent the rice from becoming spoiled, the government purchases rice from farmers. It suffers a loss of more than US\$25 million for the export of every 10,000 tons of rice. If it does not export, the deficit will be even greater. (<u>China Post</u> 12-10-83) 	4
Domestic noneconomic issues	<ol style="list-style-type: none"> 1. Legislator Hsiao Jui-cheng, who represents the farmers group in the Legislative Yuan, urged the government not to compromise. (<u>China Post</u> 12-9-83) 2. Legislator Tsai Yu-Tu proposed a suspension of grain imports from the US in retaliation for an US move (<u>China Post</u> 12-10-83) 	2
Norms & trade agreements	<ol style="list-style-type: none"> 1. The US request was unfair and unreasonable (TNR** Sep. 1983) 2. Huang Ching-feng, director of the TW Provincial Food Bureau, described US charges as unfair. (CNA 7-15-83) 3. Chiu: described US charges as unfair. (CNA 7-15-83) 	3
Tactics	<ol style="list-style-type: none"> 1. Agricultural officials: TW has to export rice partly due to its annual import of 800,000-1,000,000 metric tons of wheat from US. (<u>China Post</u> 12-10-83) 2. Chiu: the rising imports of US grains has brought a considerable surplus in rice production. (CNA 7-15-83) 	2
US Inputs	<ol style="list-style-type: none"> 1. US threatened to use Section 301 for trade retaliations. 2. Section 301 petition was filed by the US Rice Millers Association. 3. Section 301 investigation was initiated. 4. Congressman John Breaux claimed TW's rice export subsidy had hurt US rice industry (<u>China Post</u> 12-9-83). 	4
Outcome	<ol style="list-style-type: none"> 1. Ceiling on TW's rice exports: US: .55 MMT; TW: 2.1 MMT; Outcome: 1.375 MMT => 5.32 2. Time: US: 5yrs; TW: 0yr; Outcome: 5yrs => 0 	2.66

* CNA: Central News Agency, Taipei

** TNR: Trade Negotiation Report.

Table A.2. Amendment of Rice Accord

Resources	Amendment of rice Accord	Value
Economic arguments	<ol style="list-style-type: none"> 1. TW's domestic rice consumption declined while production did not. The Rice Accord limited TW's rice exports and caused overproduction. (TNR 10-17-85; TNR 4-14-87) 2. TW was not a major rice exporter in the world market (TNR 10-17-85) 3. Rice exported by TW differed from that by US. It would not make US less competitive in rice exports. (TNR 10-17-85) 4. US rice exports have increased. (TNR 4-14-87) 	5
Domestic issues	<ol style="list-style-type: none"> 1. TW's government faced tremendous domestic political pressure. (TNR 10-17-85) 	1
Norms	None	0
Tactics	<ol style="list-style-type: none"> 1. TW would restrain other US imports if US did not improve the terms of Rice Accord. (TNR 10-17-85) 2. Lin Kun-chung, chairman of the ROC Maize Importers Committee: if US helps the nation find an outlet for rice overproduction, TW would be able to purchase more American farm products in the next five years. (CNA 9-24-86) 3. The Ministry of Economic Affairs BOFT: TW shelved its original plan and refused to buy more US corn and wheat because US rejected the repeated appeals from TW regarding the amendment of the 1984 rice accord. (China Post 11-3-86) 4. Current situation would affect the opening of import markets for other US agricultural products. (TNR 4-14-87) 	4
US Inputs	<ol style="list-style-type: none"> 1. There was a US Congressional election in progress, so US domestic pressure increased. It was bad timing for discussing this issue (TNR 10-17-86). 	1
Outcome	No amendment was made, but the US agreed to have further consultation. => 5.	5

Table A.3. Renewal of Rice Accord

Resources	Renewal of Rice Accord	Value
Economic arguments	<ol style="list-style-type: none"> 1. US rice exports had increased since 1984 (TNR 4-26-88). 2. TW's rice exports constituted a small share of world rice market. Its exports should not affect US rice exports (TNR 4-26-88; TNR 8-4-88) 3. Rice exported by TW differs from that exported from US. (TNR 8-4-88) 4. Rice export was not a main export item for TW (TNR 8-4-88) 	5
Domestic issues	<ol style="list-style-type: none"> 1. TW's delegation: Lin Feng-hsi, chairman of the Taiwan Farmers' Union, brought domestic political sensitivity to rice issue. (TNR 8-4-88) 2. A farmers' protest called by TW Association for Promotion of Farmers Rights & Interests was staged in Taipei (CNA 10-25-88) 3. Two assemblymen* condemned the Rice Accord in TW Provincial Assembly interpellation (CNA 11-4-88). 	4
Norms & trade agreement	<ol style="list-style-type: none"> 1. Wang Chien-shien, vice economic minister: the US subsidized every metric ton of rice US dollars 245.96 in 1986, yet TW subsidized every metric ton only \$153. Citing the difference, TW would never renew the "unfair treaty." (CNA 4-26-88) 2. The accord was an unfair treaty because TW never exported rice to US, US should not have veto to TW's rice exports. (TNR 8-4-88) 3. Chien Fu, chairman of CEPD: the rice pact was unfair because it included a double standard of restricting TW's rice exports while the US subsidized its own rice exports to expand the markets abroad (Taipei International Service 12-6-88) 	3
Tactics	<ol style="list-style-type: none"> 1. US itself had EEP to subsidize rice exports. It should not limit other countries' exports. (TNR 4-26-88; TNR 8-4-88) 2. TW's rice surplus was due to increased import of wheat from US. (TNR 4-26-88; TNR 8-4-88) 	4
US Inputs	<ol style="list-style-type: none"> 1. US accused TW's 7000 MT rice exports to Venezuela violated this rice accord. (TNR 4-26-88) 	1
Outcome	TW refused to comply any demand from US => 10	10

* This record should be counted twice since two assemblymen's interpellations were recorded.

Table A.4. Market Opening for Beer, Wine, and Cigarettes

Resources	Beer, Wine and Cigarettes	Value
Economic arguments	None	0
Domestic noneconomic issues	<ol style="list-style-type: none"> 1 Chief delegation: this issue became politically sensitive in TW. (TNR 8-25-86) 2. The Monopoly system in TW has been guided by domestic laws. (TNR 4-26-86; 6-16-86; 9-29-86) 	4
Norms & trade agreements	<ol style="list-style-type: none"> 1. In the agreement of Oct. '85, US agreed to follow TW's monopoly system. US should keep its promise of not trying to change TW's monopoly system. (TNR 6-16-86) 1 	1
Tactics	<ol style="list-style-type: none"> 1. An official of Economic Ministry: TW will take the necessary countermeasures after US specifies its retaliatory measures. (Taipei International Service 10-27-86; CNA 10-30-86) 2. Wang Chien-Hsien, vice economic minister: TW offers better trade conditions for US products than Japan or Korea does. (CNA 11-6-86) 3 	3
US Inputs	<ol style="list-style-type: none"> 1. Wine Equity Act listed TW as a potential market for US's export country with unfair trade barriers. (TNR 10-17-85) 2. US threatened to use Section 301. 3. Section 301 petition was filed by USTR, 4. Investigation was taken by USTR, 5. Retaliatory measures were announced (10-28-86) 6. Yeutter: blamed TW for not honoring promises made in Oct. 1985 (CNA 11-6-86) 	6
Outcome	<p><u>Advertising</u>: US: mass media & newspaper; TW: no mass media only in retail stores; Outcome: advertising in magazines and newspapers was allowed. => 0</p> <p><u>Promotion</u>: US: unlimited promotion activities; TW: not allowed; Outcome: promotion in point of sale and sample distribution was permitted. => 5*</p> <p><u>Monopoly Tax</u>: ==>3.33</p> <p>Beer (US: NT\$39/lt; TW: NT\$48/lt; Outcome: NT\$30/lt) => 0</p> <p>Wine (US: NT\$70/lt; TW: NT\$113/lt; Outcome: NT\$119/lt) => 10</p> <p>Cigarettes (US: \$1050/thousand; TW:\$1300/thousand; O: \$830/thousand) => 0 2.78</p>	2.78

*The outcome of promotion was not able to be quantified. Since either of the negotiating parties was able to urge its opponent to comply with its initial position, the compromised outcome was scored at the middle point on the outcome spectrum.

Table A.5. Fruit Ban and Quota

Resources	Fruit Ban and Quota	value
Economic arguments	<ol style="list-style-type: none"> 1. US fruit imports doubled to 101610 tons from 1985 to 1987 with imports of apples amounting to 43832 tons, three times local production. (HK AFP 3-16-88) 2. The appreciation of NT dollar made the price of domestic fruits less competitive. (TNR 2-19-88; TNR 8-4-88) 	3
Domestic noneconomic issues	<ol style="list-style-type: none"> 1. 3/16/88: 7000 farmers protested in front of AIT, BOFT and KMT headquarters to stop US from dumping its farm products on TW. 2. 4/26/88: Piglets were let loose in the vicinity of AIT to vent the farmers' anger. 3. 5/20/88: Farmer's protest turned into a riot. 4. Wang Chao-ming: TW would not fulfill promises for free trade because of domestic circumstances. (CNA 7-27-88) 	4
Norms & trade agreements	<ol style="list-style-type: none"> 1. GATT Article XIX (TNR 2-19-88; TNR 8-4-88) 2. GATT Article XV (TNR 2-19-88; TNR 8-4-88) 	4
Tactics	<ol style="list-style-type: none"> 1. Pressure from third country would force TW to restrain fruits imports from US (TNR 8-4-88) 	1
US Inputs	<ol style="list-style-type: none"> 1. US accused TW's violation of bilateral agreement of 1979. TW was obliged to lift a ban on foreign fruits. (TNR 2-19-88) 2. US threatened to use Section 301 for trade retaliation 3. TW enjoys trade surplus with US and should not impose import restrictions. (TNR 2-19-88) 4. Due to US domestic elections, US gov't was under domestic pressure from agricultural states. (TNR 2-19-88) 5. TW's unilateral bans were against the free trade principle (TNR 8-4-88) 	5
Outcome	<p>TW: imposed temporary bans on fruit imports. US: Cancel import restriction on fruit imports Outcome: TW canceled temporary bans.</p>	0

Table A.6. Issues of Poultry and Turkey Imports

Resources	Poultry & Turkey	Value
Economic arguments	<ol style="list-style-type: none"> 1. TW's turkey imports surged from 46.6 tons in 1985 to 2684 tons in 1987. (TNR 2-19-88; TNR 1-4-89) 2. The price of domestic chicken dropped below the cost (NT\$24) to 15NT/kg. The price war threatened farmer's income. (TNR 1-4-89) 	3
Domestic non-economic issues	<ol style="list-style-type: none"> 1. 3/16/88: 7000 farmers protested in front of AIT following a government decision (3/12) of lifting curbs on US turkey imports on May 1. 2. Members of the Legislative Yuan prompted three committees on interior affairs, foreign affairs and economic matters to join forces in launching a counterattack against U.S. pressure. (Hong Kong Zhongguo Tongxun She 3-17-88) 3. 3/21/88: 3000 poultry farmers protested at AIT and demanded a 5-yr ban on US turkey imports. 4. 5/20/88 Farmers' protest turned into a riot. 5. Wang Chao-ming, spokesmen of the ROC-US Trade Committee: US should understand the political realities requiring limits on whole turkey imports to TW. (CNA 7-14-88) 6. Koh Chin-chao, chief of TW's delegation: the restrictions on turkey offals were based on Article 40 of the Agriculture Development Statute, formally approved by the legislature. (CNA 7-26-88) 7. Wang: TW will not fulfill promises for free trade because of domestic circumstances. (CNA 7-27-88) 8. Delegation expressed concerns regarding domestic political disturbance from farmers. (TNR 8-4-88) 	8
Norms & trade agreements	<ol style="list-style-type: none"> 1. TW cited GATT Article XIX: Emergency Action on Imports of Particular Products. (TNR 2-19-88; TNR 8-4-88) 2. GATT Uruguay Round negotiations highlighted agricultural protection; TW's action was not the unique case. (TNR 2-19-88) 3. Based on 1979 Agreement, TW would reduce tariff of import turkey to 35% fr 65%. TW had reduced it to 10%. (TNR 8-4-88) 	4
Tactics	<ol style="list-style-type: none"> 1. TW's chicken farmers imported yellow beans as feed fr US. If chicken farmers were in trouble then, US's grain exports to TW would decline. (TNR 2-19-88; TNR 1-4-89) 2. The price of US turkey exports to TW (\$0.70) was lower than that of Singapore (\$1.47), Japan (1.92) or Korea (1.41). Such dumping should not be tolerated. (TNR 2-19-88) 3. TW will compensate US loss by lowering turkey tariff. (TNR 1-4-89) 	4
US Inputs	<ol style="list-style-type: none"> 1. US threatened to use Section 301. 2. US senators and congressmen visited Taipei to talk turkey trade with local officials in Nov. 88 (WSJ* 11-21-88). 3. Dec. '88: Trade Committee decided to use Section 301 (TNR 1-4-89) 4. Under the agreement of 1978, TW, in exchange for the benefits of US tariff reductions made in Tokyo round of GATT, agreed to cut tariffs on turkey and duck. (Can 9-7-90) 	4
Outcome	<p>Import Amount: US: 1017 MT; TW: 0 MT; O: 500 MT => 5.08 Time to Reopen: US: Jan, 89; TW: Sep. 91; O: Sep, 90 => 6.25</p>	5.66

* WSJ: Wall Street Journal

Table A. 7. Consultation on Beef Tariffs

Resources	Beef	Value
Economic argument	1. Lin Shiang-neng, vice chairman of COA: US should not put further pressures on TW, because US enjoys an increasing surplus in agricultural trade with TW (CNA 5-12-90)	1
Domestic noneconomic issues	None	0
Norms & trade agreements	1. Lin : TW treated all trading partners on an equal basis. US should not ask for differential treatment. (CNA 5-12-90) 2. TW should have sovereignty to decide tariff category of import commodity. (TNR 5-20-90)	2
Tactics	1. Australia officials warned TW that if TW made concessions to US, Australia, a major TW beef supplier, would lift its self-imposed export quota and increase its beef exports to TW (CNA 5-12-90) 2. TW offered US lower tariffs as compensation for US loss (TNR 5-20-90)	2
US Inputs	1. US threatened to take action for retaliation. (TNR 5-20-90) 2. Clarke Ellis, Chief of delegation: TW's policy violated 1978 agreement. (TNR 5-20-90)	2
Outcome	<u>Tariffs on Shin & Shank:</u> US: NT\$23.8/kg; TW: NT\$30/kg; O: NT\$30/kg => 10 <u>Tariffs on Others:</u> US: NT\$17.8/kg; TW: NT\$22.3/kg; O: NT\$20/kg => 4.89	5.24

Table A.8. Consultation of Liberalization of Distilled Spirits

Resources	Liberalization of Distilled Spirits	Value
Economic arguments	<ol style="list-style-type: none"> 1. Import of liquor would substitute for domestic liquor (TNR 1-8-90). 2. Raw materials for liquor had surplus. Further market opening would harm the interests of farmers. (TNR 1-8-90) 	2
Domestic noneconomic issues	<ol style="list-style-type: none"> 1. Due to the pressure from farmers, TW could not open its market. (TNR 1-8-90) 2. US requests were far beyond TW's current domestic laws and regulations on the issues. (TNR 9-90) 	2
Norms & trade agreement	<ol style="list-style-type: none"> 1. US should follow the promise that it would respect TW's monopoly system. (TNR 1-8-90; 6-90) 	2
Tactics	<ol style="list-style-type: none"> 1. The import procedure takes less time than in Korea, Japan, and even the U.S. (TNR 9-90) 	1
US Inputs	<ol style="list-style-type: none"> 1. US threatened to use Section 301 (TNR 1-8-90; 3-26-90) 2. TW's policies of marketing and advertisement violated GATT (TNR 1-8-90) 3. Monopoly tax was 270% . Imports failed to compete with domestic products. (TNR 1-8-90) 4. Current policy would halt TW's GATT reentry application (TNR 1-8-90) 5. Section 301 petition was filed by the American Beverage Alcohol Association on 12-3-90 6. TW's protection of its liquor market was one of the reasons it remained on the General Watch List for potential trade retaliation under Special Section 301. (Journal of Commerce, 12-4-90). 	6
Outcome	<p><u>Monopoly Tax</u>: ==> 4.56 Whisky: (US: NT\$119/lit; TW: NT\$330/lit; O: NT\$198/lit) => 3.74 Brandy: (US: NT\$140/lit; TW: NT\$900/lit; O: NT\$550/lit) => 5.39</p> <p><u>liberalization Schedule</u>: ==>5 Brandy: (US: Jan. 91; TW: Jan. 93; O: Jan. 93) => 10 Whisky: (US: Apr. 91; TW: Jan. 92; O: Apr. 91) => 0</p>	4.78

Table A.9. Liberalization of Rice Import Market 7

Resources	Liberalization of Rice Import Market	Value
Economic arguments	<ol style="list-style-type: none"> 1. COA Official: Due to the high cost of production, local rice produce could not compete with the import of US rice. (CNA 3-23-89) 2. Sun Ming-hsien, director of TW Provincial department of Agricultural and Forestry: the price of rice on TW is already low. An opening up of rice imports could lead to further deterioration in rice prices. (Taipei International Service 8-10-90) 	2
Domestic noneconomic issues	<ol style="list-style-type: none"> 1. COA officials said that opening local markets to US rice will not only cause economic problems, but will eventually also cause serious social and political problems. (CNA, 3-23-89) 2. Leaders of farmer groups said they would mobilize all TW farmers to stage protests and even strikes if the local rice market was opened. (China Post, 12-1-93) 3. Agricultural representatives called on the government to stick to its traditional policy, saying that rice-growing is not only a major income of local farmers but a unique part of Chinese culture as well. (CNA 12-6-93) 4. Leaders from 21 farmers associations around TW gathered in Taipei on Dec. 8, 93 to protest against the possibility that the government will lift its ban on rice imports. (CNA 12-8-93) 	4
Norms & trade agreement	<ol style="list-style-type: none"> 1. Lin Shen-chung, a deputy section chief at BOFT: No consultation will be needed until the GATT-led talks reach definite conclusions on farm trade. (CNA 3-28-92) 2. Chen Wu-hsiung, a COA department chief: Since the 108-nation Uruguay Round is still proceeding, US should not rush to force TW into bilateral negotiations on opening its rice market. (CNA 3-28-92) 3. A ranking official with COA said: TW will not comply with the US request to permit rice imports as it is unilateral and runs counter to provisions of the GATT. (Taipei Voice of Free China, 6-11-92) 4. Sun Ming-hsien, Chairman of COA, said: Taiwan was not facing immediate pressure on opening its rice market because the nation was not yet a signatory to the GATT. (Taipei Voice of Free china 12-9-93) 4 	4
Tactics	<ol style="list-style-type: none"> 1. An officer pointed out: TW would naturally scale down restrictions against agricultural imports after its admission to GATT. (Taipei Voice of Free China, 6-11-92) 	1
US Inputs	<ol style="list-style-type: none"> 1. US planned to invoke section 387 against TW for its refusal to import US rice. (CNA 3-23-89) 2. US Congressmen introduced a bill requiring the Bush administration to take 301 action against TW's refusal to open rice imports. (CNA 3-28-92) 3. US House Trade Sub-Committee passed the Trade Expansion Act of 1992 that would extend for five years the 301 provision of the 1988 Trade Law, which expired in 1990. The bill would be used by the US administration as a tool to negotiate market opening agreements with countries having trade surpluses with the US. (Taipei Voice of Free China, 6-11-92) 	3
Outcome	<p>US: TW's rice import market liberalized TW: refusal to open its rice import market O: Status quo, US keeps urging while TW keeps refusing 5</p>	5