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Opening Markets: Rules, Norms, and Bargaining in Trade Treaties

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The emergence of trade policy as a divisive political issue, both in the US and abroad, has led to a critical re-interpretation the practice of trade negotiation. At issue is the nature of trade agreements and whether or not one side, or the other, is the better negotiator. In the US, so-called “bad deals” have been rationalized as the cost of international leadership. But, is this defense of trade treaties justified or more fundamentally, a correct depiction of the content of the agreements? This paper focuses on the micro-foundations of trade treaties, explaining how and why particular products ended up as part of a tariff bundle. The analysis is based on newly available information on what was offered and given in the first Round of the General Agreement on Tariffs and Trade (GATT). What we find is scant support for the US having followed a ‘beneficent’ trade policy. Rather, we find that post WWII, the US neither offered, nor concluded, a trade agreement that put trading partners first, even those that had suffered during the war. This finding casts doubt on the conventional description and thus explanation for how and why the US created the liberal international order.

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1. Introduction

The emergence of trade policy as a divisive political issue, both in the US and abroad, has led to a critical re-interpretation of the practice of trade negotiation. At issue is the nature of trade agreements and whether or not one side, or the other, enters into an asymmetric deal. In the US, these so called “bad deals” have been rationalized as the cost of international leadership. Thus the US, the rising and dominant power in the 20th century, provided international public goods by supporting multilateral institutions, footing the costs of collective security and giving asymmetric access to the US market (Kindleberger, 1973; Krasner, 1976; Ikenberry, 2011). This is the lore of American global hegemony. But, is this defense of trade treaties justified or more fundamentally, a correct depiction of the content of the agreements? Below, we take a closer look at the origins of the contemporary trading system in order to answer these questions. What we find is scant support for the US having followed a ‘beneficent’ trade policy. Rather, we find that post WWII, the US neither offered, nor concluded, a trade agreement that put trading partners first, even those that had suffered during the war. This finding casts doubt on the conventional description and thus explanation for how and why the US created the ‘liberal’ international order. To defend this position, we unpack the rules and norms of the early trade regime and assess exactly who gained and lost in negotiations.

As preamble, scholars have long written about the hurdles the US and other democratic nations face in opening up market to foreign goods. Simply, it is difficult to balance the interests of exporters and import competing groups and there is the fear that those on the losing end of the bargain will cause the deal to unravel. As critics have noted, agreements are about trade-offs, and the task of the negotiator is to assemble a winning coalition that benefits from the deal¹. Market opening creates competition and a reallocation of resources as a result of shifts in prices. Everyone may benefit from lower prices but some groups are going to find that their wages and jobs are undermined.

We argue below that to facilitate the creation of a bundle of acceptable tradeoffs, the US adopted a specific set of negotiating rules, aimed to mediate between domestic constraints and international opportunities. These rules allowed the creation of bundled bilateral ‘swaps’ in

¹ See, Riker (1962), for a recent review, see McLaren (2016).

market access; tariff reductions were understood as a chit to be traded in exchange for improved export markets.² The products offered in a swap would be those for which the partner was the low cost producer. Under these rules, a deal was sustained by the mutual political effect of export interests in the low cost producing state that enjoyed the benefits of lower tariffs, and the governments overall interest in promoting trade volume.³ These exporters became “hostages” to the agreement, deterring governments from backing out of the deal. Nations could renege on a deal by pulling out a product from the ‘bundle’ but if not replaced, the other nation was empowered to remove a product of similar value of the other’s choosing. In this sense, the tariff reductions in the ‘bundle’ generated hostages for both sides.

One immediate and perhaps underappreciated consequence of this mechanism for trade cooperation was that the negotiations often concluded successfully without having lowered tariffs. Rather than lowering tariffs, and thereby disrupting local producers and garnering criticisms from domestic political opponents, negotiators ‘bound’ their tariff at the preexisting rate. Acquiring assurance of not raising tariffs is only advantageous if tariffs are expected to rise, but given the past behavior of trading nations, this expectation was not unreasonable. In any case, the commitment to not raise tariffs still allows governments to hold exporters hostage, sustaining the concessions abroad.

Fundamentally, these swaps worked because of the treaty partners’ commitment to reciprocity. Reciprocity ensured the feasibility and stability of the deal, and left open the pathway by which governments agreed on the composition of a particular bundle. Governments could, for example, demand a small amount of market access in many products or deep cuts in just a few products. Governments could alternatively, make specific demands, differentiating rates across products, or they could focus only on the number of products in the bundle and not the depth. These decisions, we argue below, are a function of domestic political pressures, both at home and abroad.

To illustrate why these rules were successful in assuring balanced and stable treaties, we look at the micro-foundations of trade treaties, that is, what was in the bundles, and explain

² See Gilligan (1997).

³ INRs or initial negotiation rights was the monetized concession held by each nation. These were akin to ‘chits’ that were owed to each side in case one or the other was forced to raise a tariff because of domestic pressures.

how and why particular products ended up as hostages. Our analysis is based on newly available information on what was offered and given in the first Round of the General Agreement on Tariffs and Trade (GATT). This unique data provides the basis for not only a deeper explanation for the success of the early GATT but also, insight into why particular rules and procedures became institutionalized into all subsequent trade treaties. To better understand what happened at the negotiating table, we look closely at the US tariff schedule and then the French tariff schedule. In the US case, we are able to compare treaties pre and post GATT; in the French case, we look at both sides of the negotiations and isolate the effects of post-war reconstruction.

We begin in section two with the exposition of our approach to understanding tariff setting and then how that is consistent with the particular rules that the US institutionalized. We follow in section three with data on how these rules functioned and the outcome of the GATT47 negotiation. We then turn to a more comprehensive explanation for product choice and depth of tariff cuts. In section four, we focus on the US choice of what products to reduce, and we examine a number of possible explanations, ranging from import patterns, the partners' bargaining strategy, the previous history of trade talks with the US, and the political and economic stability of the partner regime. We then, in section five, take up the question of post war security concerns and ask whether or not the US gave special benefits to war torn nations. We do this via an explicit analysis of the US-French negotiations, tracking whether or not the US gave access to help rebuild areas of France that had been disproportionately destroyed in the war. We exploit data on regional bombing of industrial locations to better identify whether or not competition, or lack of competition, explains US and French choices. Section six draws some conclusions from the study.

Foreshadowing the data, we find first, that the negotiating strategy of the partner with the US was a key determinant of treaty outcome. Specifically, when countries came to the table with an open-ended or under-specified requests for tariff reductions, they were more successful than if they came with particularistic requests for a cut. Second, we find that the modal US strategy was not to provide deeper access to the US market but rather, to provide assurances that the US would not renege on the tariff levels found at the end of the war. In

practice, this meant that the US more often bound their tariff rate than reduced that rate, even while asking other nations to provide access in return for the commitment. Third, the rules of the negotiations were far more mercantile than 'liberal' in that all deals were balanced and there was no third party free riding. Overall, we find that the cuts in the US tariff schedule reflected hybrid interests, incorporating both domestic support for particular products and the more national goal of increasing trade volume.

2. Why a trade agreement?

Trade agreements have been credited with performing multiple functions. Among political analysts who worry about time inconsistency problems, treaties enable governments to commit to a particular course of action, whether economic reforms or tariff liberalization (e.g.:Staiger and Tadelini, 1987; Baccini and Urpelainen, 2014). For others, treaties are important because of domestic politics -- a treaty can commit a government to follow through on its domestic program and protect governments from their own irresolution (Mansfield and Milner, 2012). And for still others, public treaties directly affect the political capacity of domestic political actors, enabling the organization of exporters or enable accountability to domestic constituents (Bailey, et al., 1997; Grossman and Helpman 1994). While these approaches provide important insight into when and why a nation comes to the bargaining table, none focus attention on the details of the treaty and an explanation for specific changes in market access.

As opposed to scholars of politics who offer a number of reasons for the existence of trade treaties, economists have found their existence more puzzling. According to economic logic, governments should not need a treaty to reduce tariffs—they could do so unilaterally—if they were driven by standard consumer welfare concerns. Yet they do not. One reason that has been offered to explain the lack of liberalization is that these governments can use tariffs to leverage their national market power and improve their terms of trade.⁴ Improvements in a country's terms of trade, or the relative price of exports to imports, are valued by exporters as foreign market access and desired by the government for its effect on tariff revenue. This

⁴ See Bagwell and Staiger (1999, 2002a); Bagwell, Mavroidis and Staiger (2002).

mercantilist interest tempts governments to unilaterally adopt higher tariffs, despite the mutually immiserating effects on national welfare. Nonetheless, tariff policies have been reduced, and Kyle Bagwell and Robert Staiger (2002) argue that reciprocal agreements, such as those in the GATT, help governments reduce tariffs in concert so that neither party faces a loss in relative market access. Once signed, if a government succumbs to temptation and reneges, their partner is legally authorized to retaliate by imposing tariffs on the offending party's exports.⁵ The heart of the trading system is not the elimination of mercantilism, but rather the mutual deployment of mercantilism to enforce cooperation.

If we assume that the potential for retaliation stabilizes the deal, we are still left with the puzzle of exactly who and why some industries, and not others, have landed in the tariff reduction bundle and available for retaliation. We need to better understand 'bundle' creation. To that end, we begin with the observation, often not appreciated by scholars of trade policy, that whether or not a producer is subject to import pressures may be as, or more, a function of interests in the partner nation as those at home. In practice, negotiators weigh different bundles of cuts, making trade-offs between import competing and exporter interests in both the home and partner country. Scholars need to account not only for why a nation is willing or unwilling to lower rates on particular products but also, why those products are sought after by others and the process by which both sides agree to a final tariff schedule.

Why is this important? Accounting for the composition of the tariff swaps reconciles Bagwell and Staiger's insight that a feasible and sustainable deal will be reciprocal, along with the political understanding that any commercial policy generates domestic winners. With regards to the former, product swaps are reciprocal and balanced, offering mutual hostage taking of exporter interests. Regarding the latter, which exporters are included in such a deal is fundamentally connected to the political influence of those groups over governments. The choice to add or drop a product from a deal, and whether a government adheres to the provisions of an treaty, depends on the influence that exporters of those products have over national politics when they act as hostages to the agreement

⁵ See also Carnegie (2014).

Prior research on how governments can sustain cooperation when exposed to protectionist pressures has emphasized the costs that retaliation would impose upon exporters. These arguments, however, assume that these exporters are going to be part of the deal, an outcome that is endogenous to political constraints among the negotiating governments. Theories of escape clauses, for example those developed by Rosendorff and Milner (2001), predict that governments can obtain deeper concessions when the costs to temporary derogation of the agreement are lower.⁶ However, both the depth of the concession, and the costs of derogation, are both functions of the exporter interests held hostage in the bundle of products included in agreement. The full explanation of trade treaties must account for product choice and it is the nature of these product ‘hostages’ that is at the heart of both the ability to craft a deal with another nation and whether or not that deal is stable.

3. GATT 1947: Norms, Rules and Procedures

We start with a query about the origin of the ‘rules of the game’ and how treaty ‘balance’ was hard wired into the post-World War II trade liberalization. As with many accounts of US trade liberalization, we begin with the implications of passage of the Smoot-Hawley Tariff in 1930. That tariff raised US tariffs to their 20th century pinnacle and was followed by the onset of the Great Depression (Irwin 2011). As a result of economic hard times, the Democratic Party won control of government. In order to undercut legislative log rolling on individual products, thought to be a cause of the tariff, congress delegated authority to the Executive Office to set tariff rates.⁷

The new Democratic majority, long advocates of lower tariffs, could have, but did not, grant powers to the Executive office without constraint. Rather, congress’ role remained central, with the legislature setting tariff reduction procedures and forcing the Executive to return regularly to congress to renew authority to continue to negotiate trade treaties. Congress mandated that tariffs reductions were to be mindful of their constituents’ interests;

⁶ See also Bagwell and Staiger (2005).

⁷ Congress continued to legislate lowered rates for particular products at the end of the tariff schedule. The 1930 tariff act was the last complete overhaul by congress of rates that for the most part, increased rates over their prior amount.

products subject to negotiation had to be pre-authorized, had to be negotiated with the principal supplier of the good and reductions could not exceed a specified amount.⁸ And all agreements needed to be reciprocal and balanced to protect US interests.

These rules were expedient given the interests of elected officials. The principal supplier rule, which dictated that negotiations occur only with the low cost producer of a good, provided transparency. Congress knew *ex ante* whether or not products in their district would be in the reciprocal bundle. MFN, not in discussion because it had been adopted into law in 1923, merged America's multilateral aspirations with the principal supplier rule that focused on trading dyads. The reciprocity rule assured equity and legitimacy and importantly, motivated exporters to political activity.⁹

These congressional rules translated directly into negotiation procedures, both in the bilateral agreements that were concluded with major trading partners in the interwar years and

⁸ The principal supplier rule maintained support for trade liberalization, first, because it provided information to representatives about whether or not producers in their district were likely to be cut in a particular dyadic treaty, and second, because it gave the president information about which members of congress would potentially resist an agreement. The principal supplier rule was offered as a compromise by then Secretary of State Hull to congress to assure continued support of MFN inclusion in the treaties. While Hull did get agreement to universalize agreements by including MFN language, the compromise actually undermined his intent by protecting many highly tariffed products. The reason was that many producers were excluded from the liberalization forces simply because the principal supplier and often tertiary suppliers were from nations with whom the US did not enact a trade treaty. For example, in 1934, a large number of highly protected products came from Germany, a country conveniently ignored as a potential treaty partner in the bilateral years and in the early GATT. The result of the omission was that a significant number of highly protected products were untouched until the 1960s. While this may seem counter-intuitive give the administration's support for wide-spread trade liberalization, the absence of these products in tariff "bundles" actually facilitated program support by dampening interest group mobilization.

⁹ The 1934 Act and subsequent renewals stipulated very clear procedures for vetting potential product cuts. According to legislation, the President needed to seek advice from the Tariff Commission, the Departments of State, Agriculture and Commerce and from all other appropriate sources before lowering a tariff. To accommodate this mandate a series of committees, the Trade Agreements Committee, country-specific committees and the Committee for Reciprocity Information, were assembled to give interested parties the opportunity to present views. They took briefs and held public hearings. Until 1937, a formal announcement of intent to negotiate was accompanied by a list of the principal producers who could potentially get a tariff cut; afterward, this was later replaced by the 'public' list, which signaled all items that were under consideration in any negotiation. The 1934 Act also dictated the form of tariff setting. All agreements were bilateral with some foreign government and although treaties had only two signatories, their effect extended beyond the two nations. After 1923, the US was bound by Executive Order to grant Most Favored Nation privileges to our trading partners. Also, the Executive was bound by law to negotiate *reciprocal* agreements, extending to parties withdrawing from the treaty.

post WWII, in what would become the General Agreement on Tariffs and Trade (GATT47).¹⁰ Whether with one nation or many sets of dyads, participants simultaneously provided each other with a list of products open for negotiations and a preferred reduction amount. Although the GATT47 negotiations were never made public, today we can see that lists varied dramatically across dyads in number, product content and level of demanded cuts. For example, both France and England specified products but not the extent of reductions; they chose to focus on the extensive margin. The US, however, had a much more detailed request list of desired cuts, focusing on the intensive margin or the depth of a cut in a particular product. Reciprocity did not mandate one or the other. From the perspective of the negotiations, small reductions in a larger number of products were no different than large reductions in fewer products.

After receiving the product list from each nation, countries responded with a list of bilateral offers. These were available to all the participant nations but, again, not the general public. Offers were followed by bilateral negotiations. The offers were not binding in any respect and a review of the negotiations reveals that counter offers were changed substantially, both up and down. In principal, they could have also been supplemented by offers on new items but in practice that almost never occurred. We return to this observation below and suggest that for the US, change on the extensive margin was difficult because of administrative and political constraints. More often, offers were withdrawn.

Overall, the negotiation stage was messy and the secretariat labored to get nations to not only meet but to simply report at least twice a month on the status of talks and what products were still open for possible cuts. The target date for completion of this process was August 15th of 1947; the first negotiations began on April 23rd. It went slowly. By mid-June 1947, 298 meetings had been held by the 93 pairs of countries that entered negotiations. Some countries met often (5 pairs met over 10 times) but most met only sporadically. By the close of the

¹⁰ Even the timing of the first GATT Round was an artifact of congressional oversight—the talks were spurred by the impending expiration of the President’s negotiation authority and the upcoming debate on its renewal in 1948.

negotiations, however, almost all dyads did conclude an agreement. The exception for sovereign states all involved Cuba: Benelux and Cuba, France and Cuba and UK and Cuba.¹¹

Of course, not all dyads of negotiations were equally important. If we use trade volume in 1938 to organize the group, 25 dyads accounted for 87% of all trade of the group. Canada-US trade alone was about 11%; UK-US trade was another 10%. The next seven were either among UK and current or ex-colonies or between European nations. The US trade profile with Europe was small—US-Benelux trade was about 3.6% of total trade among all the negotiating countries and that was the highest for the US. Progress toward agreement was not necessarily associated with the amount of trade. The first completed negotiation was between Canada and Norway, which ranked 55th in trade importance. Every other set of talks dragged on. Still, the US footprint at the talks was significant, with a bilateral trade proportion of almost 39%.

Looking at the US dyads, there was considerable variation on both the scope and outcome of talks. The US' two top trading partners, Canada and the UK, had previous bilateral deal which had reduced many of the easy tariffs. Talks now were more difficult and occurred in the shadow of the UK's preference system. Talks with Australia were difficult not only because of the interaction with UK preferences but also because of US duties on wool products, butter and beef. Australia's original offers were taken off the table due to the perception of US unwillingness to reduce rates. Talks with the Benelux countries were easier for the US although the depth of cuts were less than in the Australia case. Finally, US talks with Latin American nations were completed early on with little fanfare.

Outcomes

The bargaining rules in the early GATT Rounds forced nations to make decisions about requests with limited knowledge of the politics of their trading partner, both in terms of what the partner would accept and in terms of what the partner would demand in return. If a nation was unable or unwilling to open their own market, they were limited in what they could demand of others. Unsurprisingly, the aggregate data reveals significant differences in participant behavior. Some nations asked for specific reductions and others for just the

¹¹ Some of the UK colonies participated in the early stages and did not complete negotiations.

deepest cut possible. Participant requests varied both on the number of items specified and on the nature of the reduction request. In the US negotiations we observe that some nations asked for bindings; other for sharp reductions; other listed a small group of products; other nations listed almost the entire US tariff schedule.

The purpose of a request to reduce an American tariff is to either enable entry by a new foreign exporter into the US market, or to enhance the market position of existing exporters. Insofar as tariffs are the binding constraint on exporter activity, we would expect that governments would seek lower tariffs to the largest extent possible, but value any concession. If, however, the tariff is so high as to exclude trade and even a marginally lower tariff would not enable export, we would expect governments to only value concessions large enough to enable entry. Governments so constrained may have an interest in signaling that constraint through the negotiating strategy.

The review of *requests* provides information both about the interests of exporters as well as the perception of government leaders of exactly how import competing interests would respond to a concession. A nation requesting a reduction from the US would have been wise to consider the Congressional charge to American negotiators. According to the 1934 legislation that allowed the US president to negotiate reductions, products needed to be vetted by a series of domestic committees and industries were given time to respond to their being considered as part of a tariff reduction bundle. Given that constraint, a rational bargaining strategy would include as many products on the request list as possible. This would allow the constrained partner to make choices about where to make concessions. Of course, reciprocity precluded that strategy.

What was offered and what were the responses? Table 1 lists the US bargains with other GATT participants, organized by how much GATT trade was contributed by the US and the other nation. Viewed this way, Canadian trade was most important to the US, representing about 11% of all its GATT trade. Canada asked the US for concessions on 686 products and the US responded positively on 263 of those requests. This was not Canada's first bilateral trade negotiation with the US—they had an existing bilateral that was concluded before the war. We see that trade dependence alone cannot explain the pattern of requests and concessions. For

example, France asked for the most products, 1194, from the US yet that dyad was only 2.9% of GATT trade. Likewise, if trade flows alone explained the pattern, France would not have received as many concessions as they did. We look more closely at the relationship between import flows and negotiations in the next section.

Table 1: Requests and concessions by percent of all GATT trade by US and partner nation, GATT47

No. of Requests to US	No. of Concessions Granted by US	Partner Nation	% of total GATT trade (1938)
686	263	Canada	11.4
442	559	UK	10.0
212	156	Benelux	3.6
1194	148	France	2.9
NA	44	Cuba	2.8
153	34	Brazil	2.5
NA	119	China	1.5
36	24	India	1.4
29	4	S. Africa	1.3
48	18	Australia	1.3
30	15	Chile	0.9
218	31	Czechoslovakia	0.8
30	17	Norway	0.6
47	9	New Zealand	0.5
NA	6	Lebanon/Syria	0.1

Countries' strategies at the bargaining table varied on another dimension. Some nations sought security in current rates, focusing more on the threat that the US could potentially raise rates in the future. Others focused on market access. Some nations focused on their major trading partners; others had a less specific policy. Table 2 provides data on the variation in requests and outcome with the US and compares that with other negotiating partners. The first column, *Total Asks*, sums the total listed requested tariff changes by each country of all other countries in the first round of negotiation. Canada, for example made 1,030 product level requests. The second column, *Average Ask*, shows that the average number of requests varied across dyads, with states concentrating their effort on particular countries. The third column, *Total USA*, lists the number of tariff line changes asked of the USA. The next column, *% US Ask*, computes the percentage of the average country's request relative to the number asked of the US. This is a measure of how focused a nation was on the US market. Some countries were

completely focused on the USA, such as Chile, and some countries were focused elsewhere, like Norway. The final column, *% Average Asks*, is the ratio of the requests of the US to the average request, showing that some countries demanded much more of the US than other countries, such as Canada, and some countries demanded the same amount, such as Benelux.

Table 2: Asks of US relative to other GATT members, GATT47

Country	Tot. Asks	Aver. Ask	Tot. USA	% US Ask	% Aver. Ask
Australia	105	26.25	48	46%	183%
Benelux	567	189.00	212	37%	112%
Brazil	290	20.71	153	53%	739%
Br. Colonies	28	28.00	28	100%	Only US
Canada	1,030	44.78	686	67%	1,532%
Ceylon	49	9.80	12	24%	122%
Chile	30	30.00	30	100%	Only US
Czechoslovakia	430	35.83	218	51%	608%
France	1,506	251.00	1,194	79%	476%
India	85	17.00	36	42%	212%
Leb. /Syria	25	12.50	18	72%	144%
N. Zealand	384	29.54	47	12%	159%
Norway	108	12.00	30	28%	250%
South Africa	90	18.00	29	32%	161%
UK	759	189.75	442	0.58	233%

Finally, Table 3 illustrates that there was considerably variation in the type and number of concessions the US granted across product groupings. Here, the first column indicates the percent of asks that were refused, the second the number of products in that category that were bound and the third, the number reduced. The number of possible products that were requested by group is listed in the last column. The US refused a significant percentage of requests. In particular, almost 3/4s of the requests in nonmetallic minerals were rejected and almost half of those in chemicals. There is similarly significant variation in whether or not the outcome was a reduction of a binding. Textile products were bound but not cut; the largest number of cuts was in animal products and the highest percentage of cuts was in vegetable products. Overall, primary products were more often in the final tariff bundle than were final goods.

Table 3: Specific US cuts, by product category

	No Cut	Bound	Reduced	Tot. Products
Animals and animal products	24%	49%	27%	533
Vegetable food products and beverages	40%	43%	17%	386
Vegetable products	44%	23%	34%	231
Textile fibers and manufactures	15%	72%	13%	288
Wood and Paper	32%	46%	22%	161
Nonmetallic minerals	72%	13%	15%	54
Metals and manufactures	37%	49%	15%	189
Machinery and vehicles	27%	56%	16%	128
Chemicals and related products	49%	25%	26%	265
Miscellaneous	48%	41%	11%	214

What explains this pattern of US responses? We now consider a range of possible explanations rooted in the negotiation process.

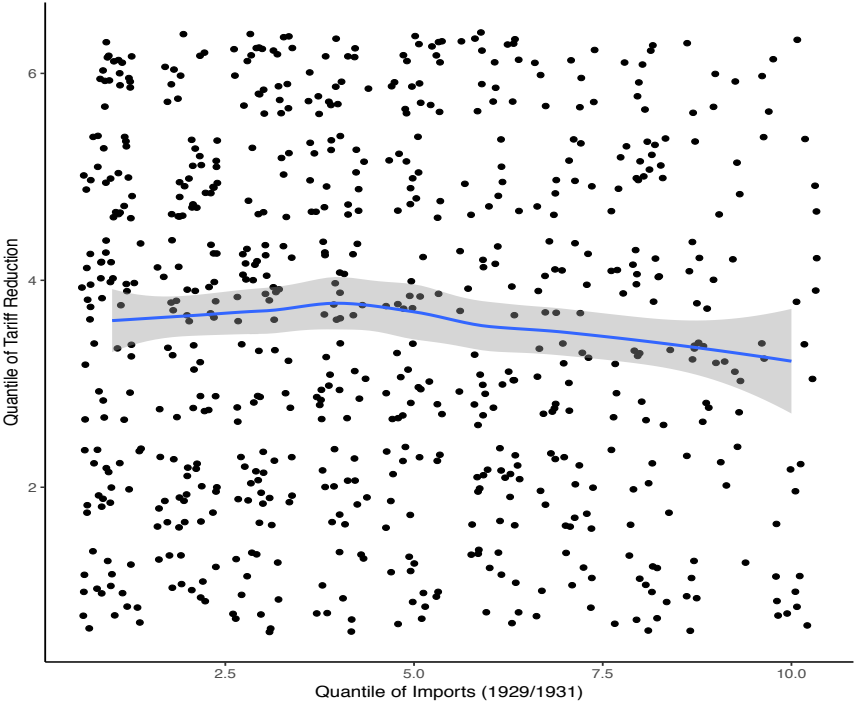
4: The US Pattern: Negotiators' Asking for Import Access

US tariff rates vary dramatically across products and product groupings. Even under Smoot Hawley, rates were not uniformly high. Rather, the high average reflected the 500 or so products that had a duty of over 50% ad valorem. Other products entered the US with a variety of rates and many products came in free. To explain variation in the changes post-Smoot Hawley, we examine highly protected products, those with a greater than a 50% *ad valorem* rate under Smoot Hawley, which we assume would be a logical target for exporters during a trade talk and are those that we expect to see reduced if the US were driven to support its trade partners. Using tariff data and import flows, we can ask when and if cuts were made in response to these interests.

Import flows are not a good predictor of negotiation activity. Figure one displays deciles of 1930 import levels against quintiles of tariff reductions. Here tariff changes is transformed into ad valorem reductions and summed between 1934 and 1963, by level of imports. Counter our expectation, the path of US tariff liberalization did not appear to counter domestic pressures from import sensitive products; the more a product was imported, the less was the tariff cut. This is not to say that the US did not shift its policy over time and grant access to the market for these products, but rather, that simple measures of import volume appear to be a

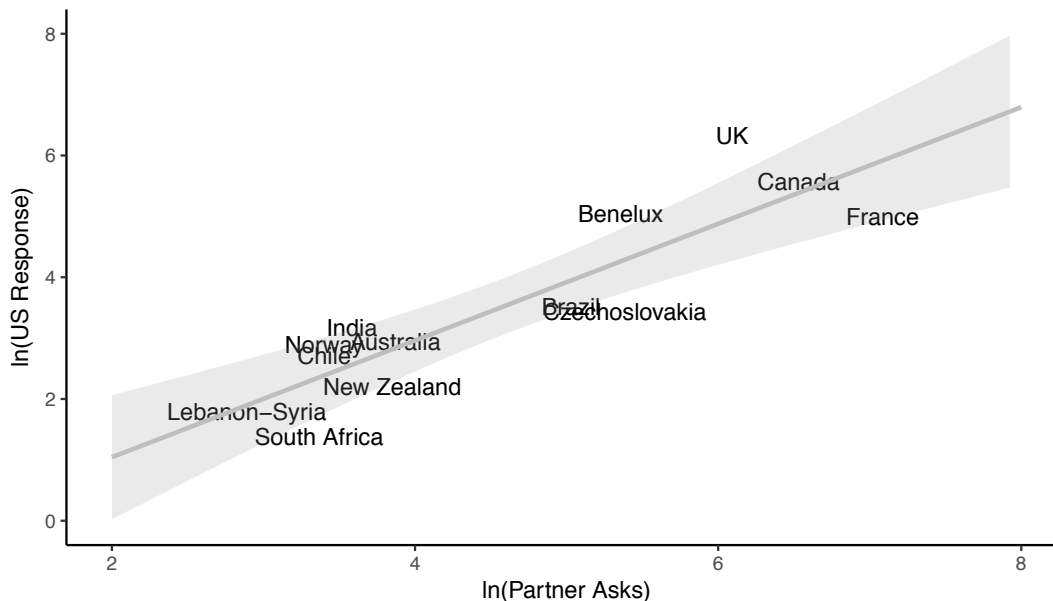
poor predictor of early treaty outcomes. To explain who gained access and when, we need to unpack the politics of treaty negotiations.

Figure 1: Analysis of tariff reductions by import volume



What does explain outcomes? And how are outcomes related to requests for access to another market? To better understand the relationship, we look more closely at the negotiation process itself, examining all the US dyads requests and offers made during the 1947 negotiations. Figure displays the relationship between asks and results; Figure looks at the variation in types of requests and success; Figure 4 adds trade flows.

Figure 2: Reciprocity in the Extensive Margin of Offers

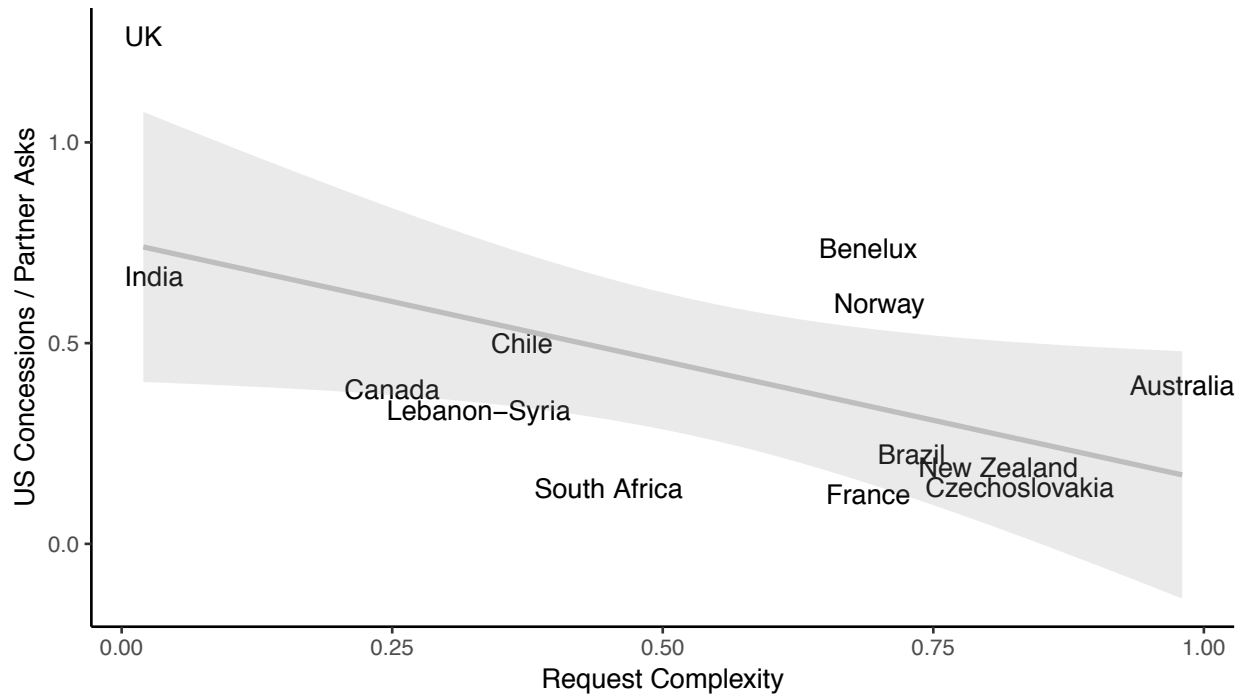


Beginning with Figure , we see a clear relationship between the number of products on the ‘ask’ list and the US response. The X axis is the natural log of the number of US tariff line changes that were asked of the US; the Y axis is the number of US tariff lines commitments the US gave in response to those asks. The plot indicates that the more products the US partner asked for, the higher, in general, was the concession that the US gave. France underperformed on this front, and the UK over performed.

Was there a better, or worse, strategy available for gaining access to the US market? The next figure, Figure 3, depicts the ratio of US concessions to the partner requests as a function of the type of requests that were made. Here we organize request type by *complexity*, that is, did a country ask for specific reductions as a strategy in all their relationships with other nations in 1947 or were they more likely to simply provide a long list of products and a general request for a reduction. The former we coded as a complex request strategy and the other an open-ended strategy. In this figure, the X axes is a measure along the complexity continuum and the Y axis is a ratio of how many concessions were granted, given the demands of the other nation. A high ratio indicates that the US gave a higher share of concessions for every reduction or binding that the partner requested; a low ratio indicates that the US gave fewer concessions than the partner asked for. The plot shows that the more complex the request, the less the US

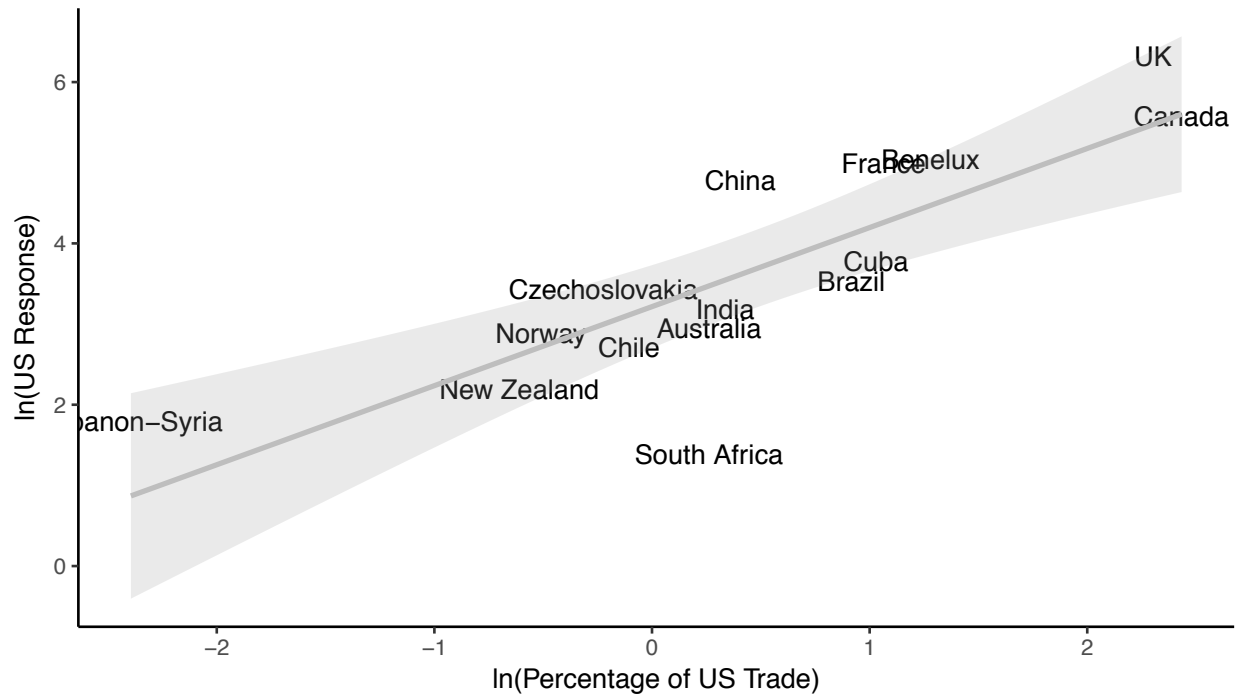
conceded. It appears that the US schedule changed most often when countries listed many products but without specifying a variety of different reduction requests.

Figure 3: US Response to Complex Requests



Finally, we consider whether or not the relationship we see above is simply a function of trade flows. To do that, Figure provides the natural log of the percentage of US trade taken by each country, and the natural log of the number of products reduced by the US. As we can see, US negotiations did focus on our principal trading partners although that does not explain all the variation we see above. In summary, we now see that the ratio of the number of concessions granted vs what was asked for is higher for countries with either complex requests, a high portion of trade with the US, or both.

Figure 4 Bivariate relationship between number of reduced tariffs lines and US trade



What other factors, outside the negotiation process, would explain this variation in tariff outcomes? Partner strategies in the complexity of requests, the number of requested reductions, or even the percentage of trade are endogenous to prior experiences in negotiations with the US. By 1946, many of the partners in the GATT had negotiated prior agreements. To test whether or not nations who had engaged earlier with the US were more successful subsequently, we compare strategies and responses for those with and without bilateral agreements with the US pre-GATT. However, we find no evidence that nations with bilateral treaties received more of what they asked for than new negotiators, controlling for trade flow. This is somewhat unexpected given that the choice of early treaty partner was endogenous to a set of relationship the US had developed prior to the creation of the GATT.

Of course, examining the US response in terms of concessions alone may miss variation in the intensive margin of tariff concessions. In addition to the number of bindings, the US varied in its response in terms of either binding at the existing rate or offering an outright reduction of the tariff. The fact that the former was treated as a concession reveals the importance of the US market, and the desire to reduce the risk associated with future US

protectionism. Partners that could extract outright concessions from the US, on the other hand, benefited from both a reduction in risk and an improvement in market access.

To capture this variation, we use the share of bindings relative to reductions as a measure of the value of ‘certainty’ vs access for foreign governments. Some nations may not have political support to reduce rates or alternately, may have a preference for a certain outcome, such as a binding over a reduction. To account for the fact that proportions are restricted to the interval [0,1], we follow Cribari-Neto and Zeileis (2010) and use a beta regression with a logistic link function. We use this model to examine the role of domestic political uncertainty and international economic uncertainty in determining binding vs reductions in the US negotiations.

First, to test whether domestic political uncertainty matters, we examine the behavior of different types of governments – those with and those without significant communist party presence in the legislature. Second, we know that exchange rates will influence the value of a tariff reduction. If a nation has an unstable exchange rate, and/or their price levels are shifting out of synch with the US, their interest in tariff cuts versus a binding may well also vary. Thus our second hypothesis tests how exchange rate volatility influenced the 1947 trade talks.

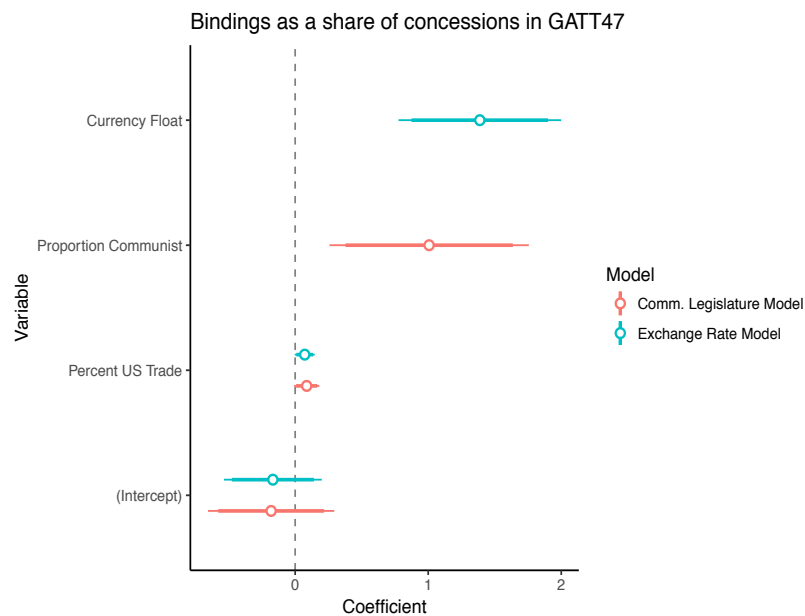


Figure 5 Coefficients of share of concessions as bindings on country level characteristics

Domestic Political Contestation: influenced the 1947 trade talks.

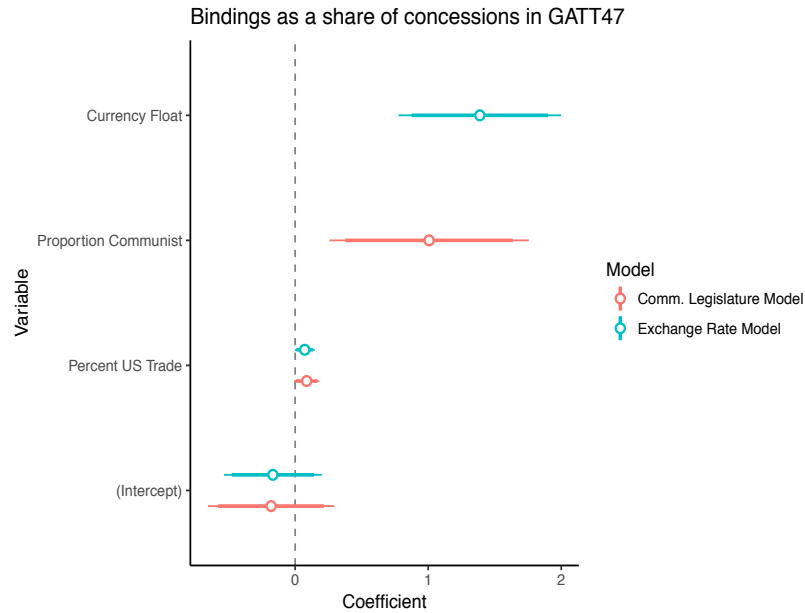


Figure shows the estimates of a model that assesses whether government type is a predictor of trade outcomes. As a way to measure the constraints faced by many of the post-war regimes who were party to the GATT, we measure the size of the communist party as a proxy of contestation levels.¹² Why this measure? First, we assume that nations with large Communist parties would be more constrained and would ask for and offer fewer concessions. Second, we think it logical that they would focus on bindings from the US out of fear that the US could use tariffs to sanction strong CP presence. We then look at both reductions and bindings as outcome variables.

To assess the choice of binding vs tariff cut, we regress the percent of negotiated tariff lines with a binding on the proportion of Communist to non-Communist party seats, as well as the percent of US Trade. We find that governments with more Communist Party representation in 1946 are more likely to receive bindings rather than reductions in tariffs. What is not clear from this correlation is whether this is a consequence of the Communist Party

¹² Our measure is the share of Communist seats relative to the largest non-Communist party in the lower house of each US negotiating partner as of 1946.

legislators or the social and economic conditions that enabled the election of these politicians.¹³

Exchange Rates Finally, we look at whether or not currency shifts and resultant changing price levels influenced bargaining. In 1947, the exchange rate regime was in flux and there was considerable uncertainty about the type of regime and the role of the dollar in the future. To capture this uncertainty, we examine whether or not the US partner's currency was recently devaluated via a float, again displayed in Figure 5. It does appear that the percentage of US concessions that took the form of a binding are higher among countries with a floating exchange rate. We return to both these findings in our discussion below.

5: US-France Negotiations

Our observational data illuminates the variables that are associated with a product ending up with a lowered tariff rate but we still cannot eliminate the possibility that some other factor co-varies with product choices. To better unpack the causal relationship between *asks* and *offers* during the 1947 GATT Geneva Round, we now leverage variation in Allied bombing during World War II and industrial geography in its immediate aftermath. Below, we describe our measurement strategy for industrial geography as well as the trajectory of industrial development prior to the war. We connect these estimates of the geography of wartime destruction, drawn from recent digitization of the US Strategic Bombing Survey THOR project, which provides a systematic account of the location and extent of Allied Bombing through the war. Insofar as employment patterns are related to wartime destruction rather than expectations of trade, we can estimate the effects of producer pressures on offers and concessions exchanged by France and the US.

After the UK, France was both the US main partner for negotiations and a lynchpin to US security strategy after the war. France was a both an industrial power and highly protected. Its industrial base, even devastated by war, was the principal supplier of hundreds of US imports,

¹³ Western European Communist parties had a strained relationship with labor. In France the spring 1946 Congress of the Communist dominated General Confederation of Labour saw pushback against worker's economic grievances and the lifting of the prohibition of union officers from active participation in politics (Wall 1991 p. 99).

including chemical products, textiles, and machines. By 1931, the average tariff in France (38%) was slightly higher than that of the US (35%) and below that of Germany (40%) (Irwin 2002p. 153).

We begin with the examination of the specific trade swaps between the US and France post WWII focusing on the French tariff schedule. Again, any reductions in France would be a response to some US demand. France's decision is thereby not to choose which products to consider, but rather, among the requests, which to grant. Our data from the France-US negotiation on 758 French tariffs; for 744 of these products we were able to code the *ad valorem* rate pre-negotiation, the US asks, and the French responding counter-offers.¹⁴

The vast majority of US requests consisted of reductions—the US only requested a binding at the prior rate on 36 of the 744 products, and half of those 36 requests were requests to bind at 0 tariff. The remaining offers and responses are displayed in the figure 6. The US demands are displayed on the x-axis, and the y-axis depicts the French responding cuts, both in terms of the nominal ad valorem rates, which are bound below at 0. The 45 degree line indicates a French response of exactly the requested reduction, the points above indicate that the French tariff was higher than that requested by the US. As shown in the figure, the French tariff schedule generally applies rates ranging from 10 to 50 percent. The French counter offers range between 10 to 25 percentage points higher than the US demands, and it is rare for France to offer a rate below the US demand.

¹⁴ In the course of negotiation France also listed 52 separate tariff lines for a silent films, impressions and soundtracks. These were excluded from the following analysis.

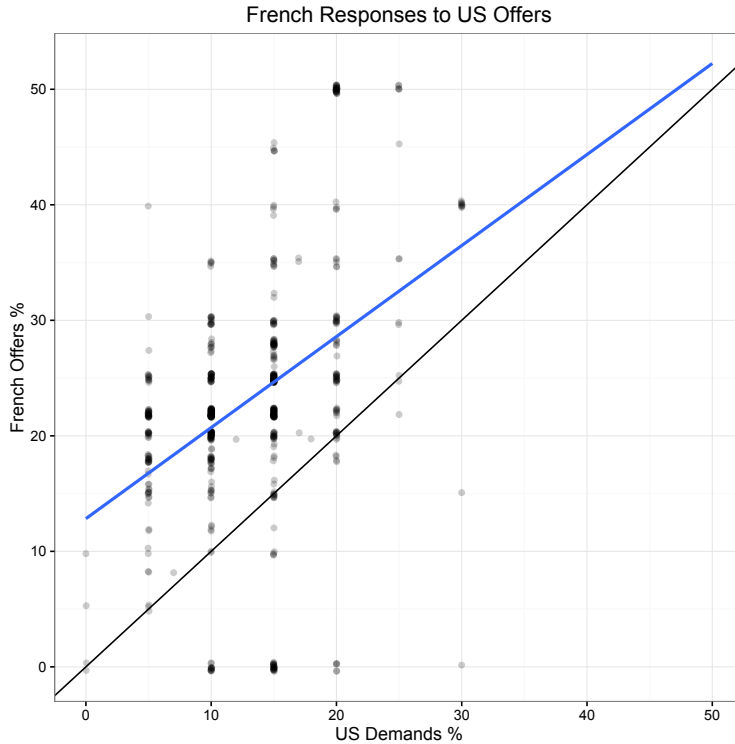


Figure 6: French responses to US demands (%)

To explain the variation in the composition of these swaps, we examine the geography of production within France immediately following the war. Using the 1946 Census, we divide French industrial activity across its 90 *départments*.¹⁵ This geography will allow the joint analysis of industrial geography, tariff negotiations and wartime destruction.¹⁶ Table 1, in the Appendix, provides the industry employment and concentration from that census across 31 industries.

¹⁵ Created in the late 18th century, these *départments* are further divisible into *arrondissements*, *cantons*, and *communes*. Each *départments* has a radius of roughly one day's travel to a geographically central city (by horse), varying in size between 4 and 8 thousand square kilometers, approximately half the size of Connecticut. The 1946 census, reported Table XII of *Recensement Generale: 1946 etat civil et activite professionnelle*, provides employment data across each *departement* in 31 industries. These counts include both men and women at all levels of employment, management, employees, and workers.

¹⁶ At the end of the war, the largest employer was agriculture, which includes fishing and forestry; the smallest was the oil sector. The industry with the highest concentration (HH) index was the fuel/ coal sector, located in the northern *départments* of *Pas-De Galais* and *Nord*, coal production was exposed to extensive bombing. The most dispersed sector was agriculture, which is located in many provinces across France.

The data on the bombing sorties between 1941-1945 provides a unique means to assess whether or not the French choice of products to protect was influenced by the need to protect fledgling industries or whether the destruction of the industry provided negotiators with flexibility to use these producers as hostages for a deal.¹⁷ To illustrate, Figure 7 displays the Allied bombing data superimposed upon the 96 modern departments of France. The size of the circle depicts the number of bombing runs in a single reported latitude and longitude target in France. Figures 8 and 9 then display the effects that bombing had on overall employment in each *département*. The left figure displays the change in the number of workers by department between 1936 and 1946. The right figure displays the changes in employment between 1931 and 1936, indicating that bombing was not associated with the overall industrial changes before the war.

Our identifying assumption is that the extent of bombing in an industry is exogenous from the 1946 tariff negotiations. Are there any third factors associated with both the wartime bombing exposure and the post-war negotiations that undermine this assumption? We consider two potential omitted factors. First, the competition that industry poses on American producers may be associated with wartime bombing. Second, if sector happens to be large in France, it may be more exposed to disruptive bombing, but independent of that bombing, employ a sufficient number of workers that would affect French negotiators. To account for these interests among French negotiators, we control for the US demands for tariff reductions as well as contemporary measures of employment.

¹⁷ During the process of liberalization, the US sponsored a large and systematic survey of the effectiveness of bombing, the US Strategic Bombing Survey. This Survey includes qualitative accounts of the damage, interviews with bombers, and now with the THOR project, includes an effort to exhaustively identify the latitude and longitude of each bombing run over the course of the war. The THOR dataset is maintained by Air Force Research Institute and is available at <http://afri.au.af.mil/thor/>

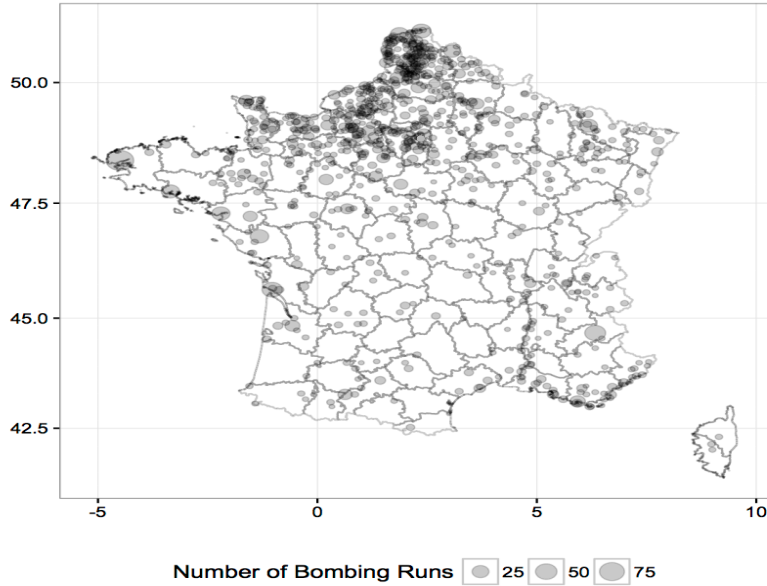


Figure 7: Allied bombing of France in World War II

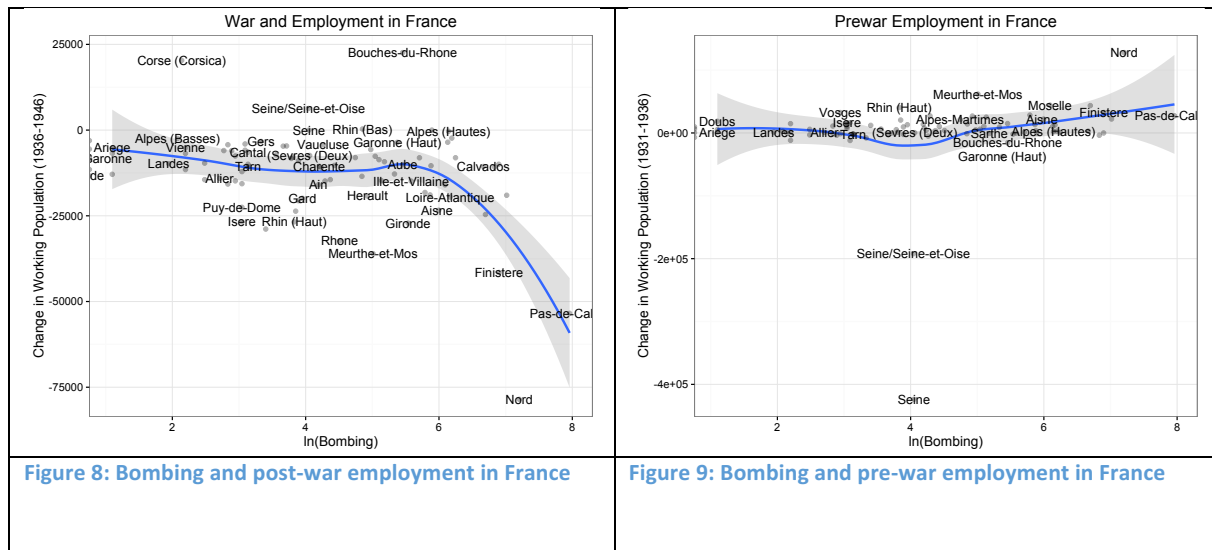


Figure 8: Bombing and post-war employment in France

Figure 9: Bombing and pre-war employment in France

To calculate French industrial exposure to bombing during World War II we calculate industrial activity and bombing at the level of the 1946 *départments*. The share $\mu_{jk} = \frac{W_{jk}}{\sum_k W_{jk}}$ of workers in industry represented in each department is measured by the French Census where $j \in \{1 \dots 31\}$ indexes industries and $k \in \{1 \dots 90\}$ indexes the 90 *départments*. The Bomb

Share index for each industry j , displayed in the last column of Appendix Table 1 is calculated as follows:

$$Bomb\ Share_j = \sum_k \mu_{jk} * Bombs_k$$

We assume that the workers in each *département* were unable to switch industries, an assumption motivated by the absence of systematic changes in the share of workers in agriculture, commerce and industry respectively between 1936 and 1946. This is to say, we assume that places with a high portion of workers in a sector immediately after the war reflects the presence of that industry *during* the war. We do not observe massive migration of industry across *départments* during the war, despite the Vichy industrial policies and the German occupation.

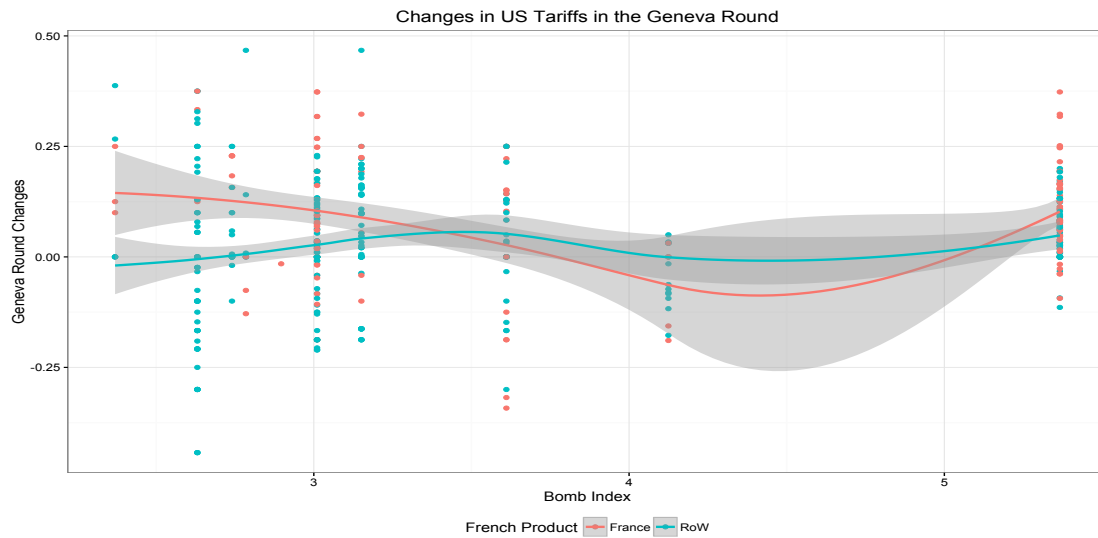


Figure 10: Bombing and US tariffs

Using this *Bomb Share* as the independent variable, we can now ask about the relationship between tariff outcomes and the state of the industry. First we look at how the loss of French industry influenced US willingness to allow French products into the US market. Figure 10 reports the estimates for 495 highly protected US tariff lines, indicating a strong negative relationship between exposure to allied bombing and reductions in the US tariff

binding. In particular, the industry with the median exposure to bombing is associated with 17 percentage points **more** protection than the least exposed industry.

It is possible that products whose industries were damaged were less likely to benefit from an increase in US market access, so the France did not make requests, and so the US did not lower its tariffs. Looking at the data, however, the most damaged industry, textiles, asked for and received significant reductions. We suspect that the US made concessions on textiles knowing that the increase in market access would not be damaging to US industry, as France was unlikely to be competitive in that sector. The fact that fewer concessions are made on more bombed sectors may reflect the absence of organized industrial export interests within France, particularly in the immediate aftermath of the war.

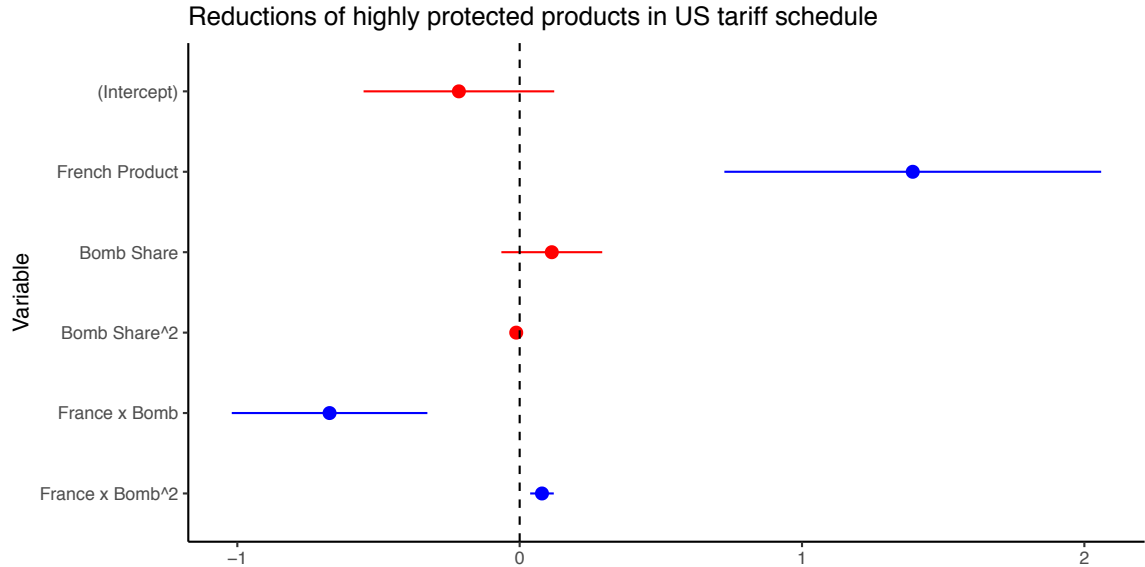


Figure 11: Coefficient estimates from regressing US tariff changes on French domestic constraints

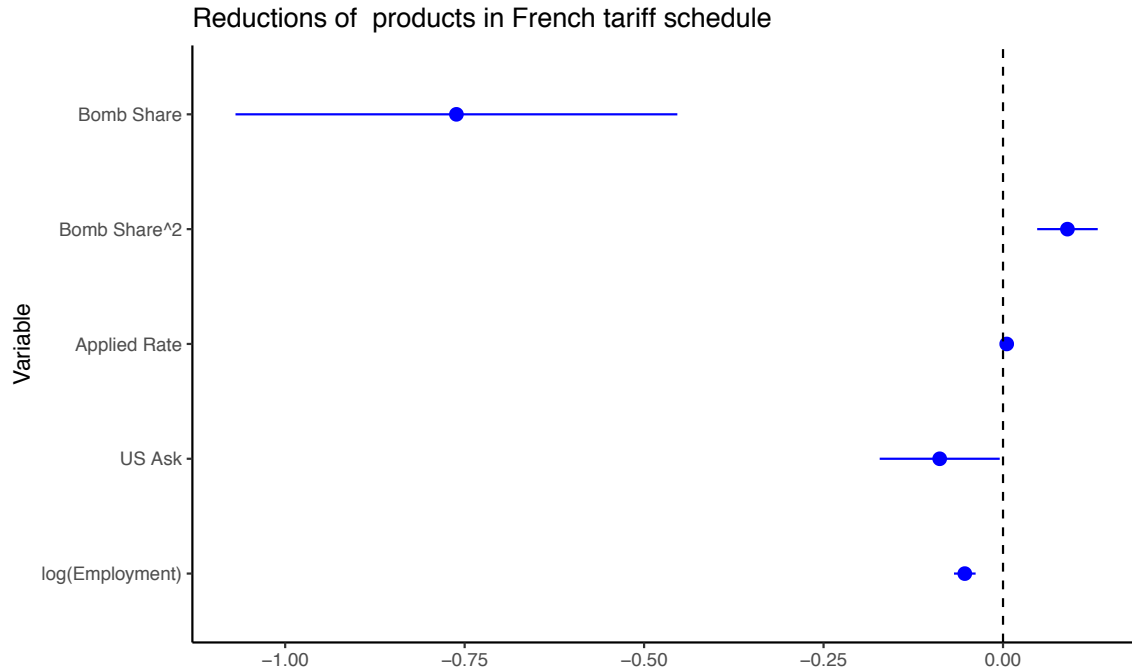


Figure 12: Coefficient estimates from regressing French tariffs on French domestic constraints

Looking in the other direction, that is, at the French tariff schedule, allows us to examine the French response to American requests for tariff reductions. Again, we observe a strong negative relationship between bombing and the willingness to make concessions. The more the product was associated with a bombed French industry, the less willing the French are to make concessions, even when controlling for US demands. This bivariate relationship is displayed in Figure 13, suggesting that for all but the most bombed industry, bombing reduces the likelihood of a tariff change by the US. Higher values on the y-axis corresponding to a larger gap between the US request and the French response.

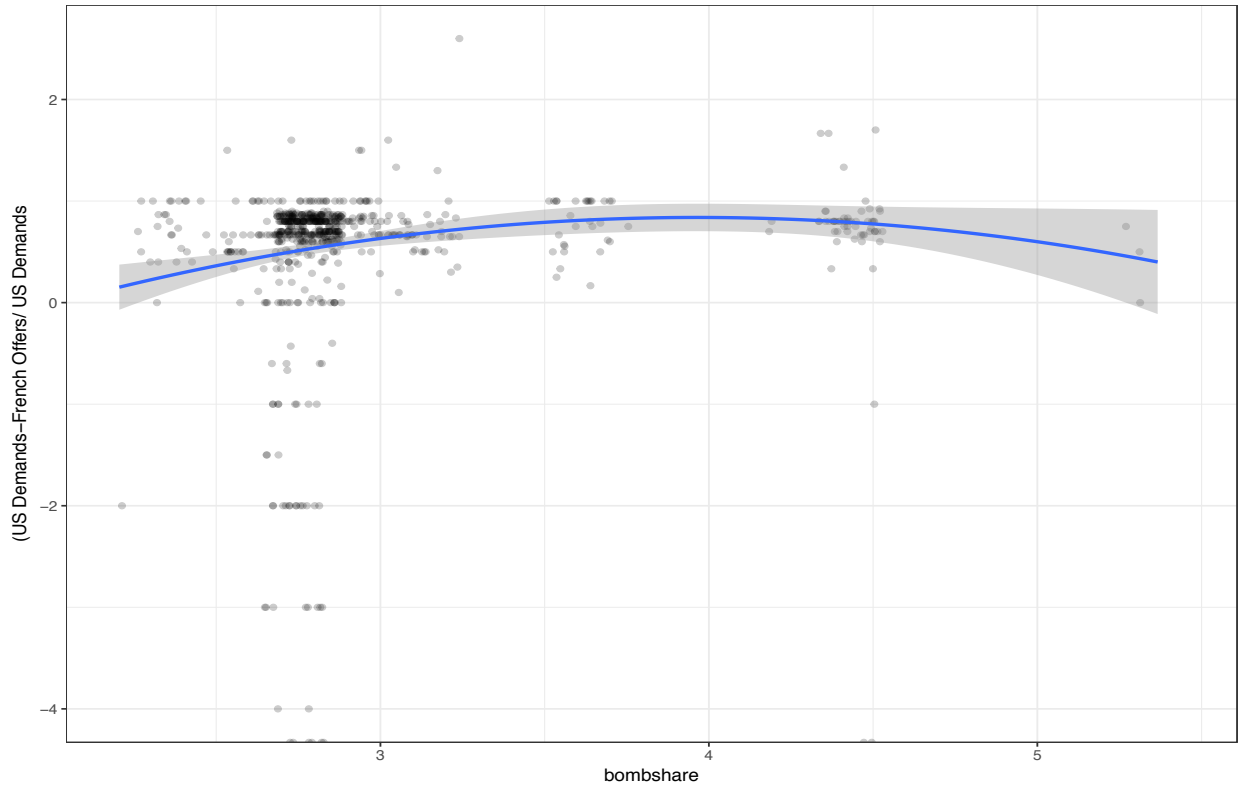


Figure 13: Bombing and French tariff holdout

We now have a somewhat better guess about motivation. The data suggests that the French strategy in tariff talks was to refrain from opening its markets to allow a flow of products into its war-damaged sectors. While war damage did not cause France to raise protection, we observe both lower demands by the US, and lower willingness of France to give in to the demands that are made by the US. Apparently, the French post-war response to having lost industry as a result of bombing was to protect the potential infant industries while the US response was to be more favorable to those industries, most likely because they were less of an import threat.

6: Creating Open Borders: What we learn from America's early negotiating policy

Tariff negotiations are a moment in which the negotiators are asked to make an almost existential trade-off between the aggregate welfare of their nation and the particularistic needs of geographically located producer groups. Analysts have offered a bevy of theories about how

and when the negotiations go in favor of one or the other, but few have examined the specific deals themselves, a reflection of the lack of data on the micro-processes of negotiations. The data and analysis we present begins to fill in that lacunae and provides some novel insights into why some products and not others may be targeted in trade agreements.

To begin, we found that the outcomes of the tariff bargains were not in line with the conventional wisdom. First, we were surprised at the vast differences in strategy employed by nations who participated in the first GATT Round and how success varied with strategy. We had assumed that domestic production would influence demands for, and agreements over, access. Yet, as was evident in the case of US-French negotiations, production alone was not a good predictor of asks or responses. Our conclusion is that the mandate of reciprocal access was a substantial constraint, even in the “ask” stage of the process. Further, when we looked at the US ‘bundles’ we found that the other side was most successful when they asked for a large number of products but the depth of the cuts was open ended, a reflection of the constraints of the US negotiating team. This was the case across all of the US bargaining pairs, even when we control for the size of the partner’s market.

Second, the case of US-French negotiations suggests not only that the US did not give asymmetric benefits to war torn nations but also, that France acted in the interest of certain producers, even when they had a limited production profile. Overall, instead of being liberated from group pressures as a result of the war, we found that the French resisted trading the interests of producers who had suffered. They neither opened up nor sought access in the US market for these industries. As a result, the US retained high barriers to the same industries that they were protecting. If there were export interests in France, they appear to have been stifled at the negotiating level.

Third, while the traditional metric used for the success of the early trade Rounds was the reduction in overall tariff levels, the more important outcome may have been less about increased access and more about security of access. In fact, the majority of US concessions in 1947 were not cuts in a tariff at all but a commitment to not raise the tariff in the future, reflecting the very uncertain political and economic era in which these talks occurred, both in the US and abroad.

Are there general insights from these specific findings on the tariff setting process? We suggest four. First, focusing on formal negotiations, the GATT data highlights that the rules that guide trade talks must align with the underlying political constraints faced by politicians at home. This may seem obvious but if the rules at the table are out of synch with politics at home, treaties will fail. The US case here is instructive. Why a principal supplier rule? In intent, the rule was thought to assure that there would be no free riding by a foreign producer, i.e., if you negotiated with the low cost producer, you could predict the competition on the market. But the rule had a political function –it provided information about whether a particular product from a particular nation should be considered for a trade swap. In the US, representatives were well aware of producer interests in their districts and supported those interests for many reasons, spanning from fundraising to assuring local economic growth. In order to support tariff cuts, they needed to have knowledge of whether or not a producer in their district would be effected in the bilateral deal. The rule was functional, in that the representative, if necessary, could attempt to pull products off the negotiating list.

Second, the outcome on the US side of the table was far less influenced by foreign policy goals than is often suggested. While the US supported post war reconstruction via both World Bank aid and IMF loans, the US *did not* provide asymmetric access to the US market. At best, the US provided secure access. Such access was constrained by a system of pre-vetting products, which opened the door for domestic producer groups, and their representatives, to undercut the weight of tariff reductions and the principal supplier rule, which made potential swaps transparent. While serving a domestic purpose, the principal supplier rule undercut potential tariff cuts in products produced by nations with smaller export footprints. Since American negotiators were unwilling to offer deeper reductions on the fewer products that they traded, the less trade intensive nations obtained more limited access to the US market than did larger exporters.

Third, when bargaining did occur, the US more likely altered its offers but rarely changed its requests; bargaining on the intensive margin was of a take it or leave it nature and the US was more likely to engage in offers and counter offers on the extensive margin. From other work, we know this pattern repeated in in the Torquoy Round (Bagwell, et al. 2015). Is

this something fundamental to all trade negotiations, reflecting how export and import interests are evidenced in bilateral talks? We think so. In bilateral negotiations, the range of product trade-offs in the treaty bundles is constrained. Nations come to trade talks with specific demands and for nations with a trading history, social pressures obviate the strategy of using deeper cuts as a way to balance an offer.

Fourth, the GATT tariff history forces us to re-think the argument that the US was willing to provide market access as a collective global good. Instead the US pursued a policy of specific reciprocity. What about MFN? While we agree that MFN was a provision in all trade talks, and is in theory, the guarantor of diffuse, as opposed to specific, reciprocity, the principal supplier rule meant that concessions were limited to those that paid. Students of US trade policy history should be unsurprised about this mercantilist behavior. For most of the 19th century, the US negotiated trade treaties based on a principal of “conditionality”, that is, the provision that tariff concessions be extended only to countries that gave the US the same concession. The effect was, in intent, discriminatory, in that the bilateral terms of access into the US varied across trading partners. It is unsurprising that in their measurement of post RTAA trade flows, Gowa and Hicks (2014) find that product level trade flows increased *only* among the signatories of a US negotiated trade agreement and not to other parties.

This bilateral focus on specific reciprocity did not change with rising US power, even into the 1950s and the beginning of the Cold War. Bagwell et al. (2015) who look at the trade negotiations in the 1950s, provide an instructive example of US-Italy negotiations, where both countries added a number of products at the last moment – increasing the extensive margin of the agreement. While this could have been a case of a third party benefit to the bilateral deal, they instead find that “these ‘add-ons’ corresponded to tariff concessions that were already agreed to in other bilaterals” to Italy (Bagwell: 37, ft 21). Under MFN these concessions would have been extended to Italy at the end of the negotiations in any case, raising the question of what value these add-ons would have to either party – these add-ons were valuable because offers made explicit in bilateral negotiations grant additional rights to retaliation in the legal

dispute settlement process, that is, they became potential 'hostages'.¹⁸ Negotiators did not want to grant any party any 'free' rights that had not been reciprocated but rather, wanted to make explicit just what products could be held hostage in case of renegeing.

If there was no bargaining failure, what explains contemporary differences in access that have become political fodder for anti-globalization policy makers? We suggest four possible routes, each of which requires further investigation. First, the process of accession to the GATT did not totally equilibrate benefits of membership to the new entrant. Bagwell and Staiger (2011) find evidence of country-level free riding in the accession process. This was not just a failure on the part of the GATT to demand deeper liberalization but a recognition of the difficulty of gaining domestic support for liberalization in the absence of a process of iterated reciprocity (Davis and Wilf, 2012). Second, the US not only allowed ex-colonies to receive MFN privileges as non-member participants but did not veto the inclusion of part IV of the GATT that provided non-reciprocal preferential treatment to the developing world (Goldstein et al. 2007). Third, the US did not dissuade the creation of free trade areas, even when they were inconsistent with the GATT rules (Barton et al, 2007). And finally, as the nature of international production changed, MFN had a multiplier effect and the benefits of access to the US market spread to nations who were not the low cost producer at the time of the negotiation (Imai, Kim and Liao 2017). None of these events needed legislative approval and none created the visibility that would lead to the mobilization of producers. In fact, as supply chains multiplied into more nations, the interests of producers themselves became attenuated.¹⁹

Returning to our initial question, was the US party to 'bad' trade deals because of participation in the early GATT regime? The simple answer is no. In the period covered, we find

¹⁸ Instead of diffuse reciprocity, they suggest that the GATT members followed 'multilateral reciprocity' – a generalized notion of bilateral reciprocity, which includes the possibility of a balanced agreement between three or four countries. In this later Round, several countries could together act as the principal suppliers of the product, and jointly experience an equal increase in the volume of exports and imports after the exchange of tariff concessions. With this modified notion of the bargaining unit, concessions are paid for in kind, just not always by one partner.

¹⁹ In 1982, reflecting on post war policy, Stephen Krasner noted that scholars should differentiate post war monetary and trade policies by the level of interest group involvement. He argued that the former was more malleable for foreign policy goals than was the latter, a result of legislative involvement. It appears that policy shifts in trade that occurred outside of trade Rounds and isolated from legislative oversight may, in fact, be the arena in which scholars can find global trade leadership.

little to fault in GATT treaties. The early GATT created an iterative bilateral bargaining system that assured balanced concessions. The creation of equal trade bundles was assured by the vetting of products *ex ante* and the agreements were sustained, *ex post*, by each holding the products of the other hostage. Reneging could occur but it was costly, and required one side of the other to either offer a concession on another product for the bundle to maintain balance or to pull out of a concession and thus hurt an exporter in the other nation. The diffusion of trade across the entire membership was not the goal of the early GATT. Rather, its rules pushed participants to agree to deeper access for specific low cost exporters; other nations had little to benefit from the overall reduction in the tariff on products they did not trade. Those who see the early GATT as anything more are mistaken.

Appendix: Data Collection

1947 GATT Negotiation history has recently become declassified. The new public record includes all offers, responses and final concessions. The product lists are tiff documents and not searchable in current form.

For this project we hand coded the initial requests, the counter offers for all parties and the final concessions by the US.

Requests: All the bilateral requests to parties to the GATT 47 were coded by product, request type and request amount. Benelux countries were coded separately but for most of the analysis they were merged into one negotiating unit. In total, 16 countries' offers to each other is included in the data set.

Offers: All bilateral offers were coded by product, offer type (reduction or binding) and amount, of the nations coded for requests.

US Tariff Schedule

The US tariff schedule post-GATT (the US' Protocol) was coded by individual negotiating rights (INRs) from the Round. This includes all products that were negotiated during the GATT 49 Round and which now were available to nations with MFN benefits.

A separate tariff schedule was compiled of all products that had a 50% AV tariff in 1929-30. This tariff schedule included reductions from the bilateral treaties in effect before GATT as well as the GATT reductions. INRs, or the negotiating nation that lead to the lowered rate was coded along with the amount of reduction. See [AUTHORS], 2014, for a further explanation of the coding rules.

French industrial employment and concentration in 1946

Industry	Employment 1946	Herfindahl- Hirschman Index	WWII Bomb Share
AGRICULTURE	7589621	0.01	2.63
HEALTH	2282771	0.03	2.80
METALLURGICAL	1774087	0.05	2.78
TRANSMISSIONS	1460207	0.03	3.32
CONSTRUCTION	1190124	0.02	4.01
HYGIENE	897125	0.03	2.84
Grocery Stores	796860	0.02	3.19
SHOPS	759794	0.05	2.77
IRREGULAR Commerce	709215	0.02	3.02
ASSORTED	669817	0.05	2.43
CLOTHING	557316	0.03	3.01
HOSPITALITY	542403	0.04	2.91
MANAGEMENT	526619	0.08	2.26
OTHER	504011	0.05	3.15
FOOD	498446	0.02	3.61
TEXTILES	496563	0.08	5.37
COMMERCE	366599	0.04	3.14
LEATHER	324135	0.02	2.55
CHEMICAL	292112	0.05	2.74
FUELS	279478	0.23	15.20
WOOD	270333	0.03	2.35
PRINTING	195987	0.07	2.21
STEEL	183903	0.06	4.43
WATER	155105	0.04	3.25
LUXURY	113038	0.05	2.04
CERAMIC	101380	0.03	3.99
PAPER	93367	0.05	2.90
EXTRACTION	84939	0.05	2.37
BROADCASTING	63970	0.1	1.92
GLASS	48381	0.05	4.12
OIL	20353	0.06	3.68

Regression of US product level tariffs on French domestic factors

	French Products	Highly Protected
Bombshare	-0.559*** (0.141)	0.114 (0.091)
Bombshare ²	0.067*** (0.017)	-0.012 (0.011)
France		1.392*** (0.340)
Bombshare *France		-0.673*** (0.176)
Bombshare ² *France		0.079*** (0.021)
Constant	1.177*** (0.273)	-0.215 (0.172)
Observations	154	495
R ²	0.095	0.090
Adjusted R ²	0.083	0.081
Residual Std. Error	0.124 (df = 151)	0.133 (df = 489)
F Statistic	7.882*** (df = 2; 151)	9.730*** (df = 5; 489)
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01	

Regression of French product level tariffs on French domestic factors

	<i>Dependent variable:</i>		
	French tariff concessions as a proportion of requests		
	(1)	(2)	(3)
Bomb Share	-0.44 ^{***} (0.16)	-0.76 ^{***} (0.16)	-0.76 ^{***} (0.16)
Bombshare ²	0.05 ^{**} (0.02)	0.09 ^{***} (0.02)	0.09 ^{***} (0.02)
Applied Rate		0.005 ^{***} (0.001)	0.01 ^{***} (0.001)
US Ask			-0.09 ^{**} (0.04)
log(Employment)		-0.05 ^{***} (0.01)	-0.05 ^{***} (0.01)
Constant	1.03 ^{***} (0.28)	2.23 ^{***} (0.31)	2.26 ^{***} (0.31)
Observations	729	729	728
R ²	0.03	0.14	0.14
Adjusted R ²	0.03	0.13	0.14
Residual Std. Error	0.23 (df = 726)	0.22 (df = 724)	0.22 (df = 722)
F Statistic	12.99 ^{***} (df = 2; 726)	28.99 ^{***} (df = 4; 724)	24.06 ^{***} (df = 5; 722)

Note: * p<0.1; ** p<0.05; *** p<0.01

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