Continuity in Discontinuity: The Domestic Political Economy of Trade Cooperation from 1860 to 1914

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Abstract
In the literature on international trade, the second half of the nineteenth century is generally characterized as one with two very different faces: trade was liberalized from 1860 until the mid-1870s and turned protectionist again thereafter. This discontinuity in the development of commercial relations goes along with much continuity regarding the domestic goals governments pursued in international trade negotiations. The French executives’ primary goal was to implement their trade policy in a way that created at least as many domestic political benefits as costs. One key instrument with which the French government pursued this objective was the form of cooperation, which is an often-neglected issue in the international relations literature. The comparative analysis of two cases of French trade policy making – the Anglo-French agreement of 1860 and the Méline tariff of 1892 – will highlight how bilateral cooperation was used as an instrument to accommodate the interests of domestic economic groups having contradictory trade policy preferences. Expanding this view to the twentieth century, it can be seen that the domestic political processes of 1860 and 1892 involve many elements that are considered basic to modern trade policy-making. It can be tentatively hypothesized that trade policy-making is characterized by a common logic of balancing societal support independently of the commercial policy that is implemented and the reasons for why it is sought.

Keywords
Negotiation, trade cooperation, bilateralism, MFN treatment, institutional choice

Introduction
The second half of the nineteenth century has been the focus of research on international trade for two reasons. First, the period from 1860 to the mid-1870s marks the first heyday of commercial collaboration and liberalization. Second, the time from the mid-1870s to World War I is considered an era of protectionism, which was a response to the economic depression that lasted from the 1870s to

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the 1890s. From a comprehensive perspective, the second half of the nineteenth century is generally characterized as one with two different faces (e.g. Bairoch 1989).

In this article, I will demonstrate that the discontinuity in the development of commercial relations goes along with much continuity regarding the domestic goals governments pursued in international trade negotiations.¹ Notwithstanding that many countries turned from liberal to protectionist around the 1880s, their overarching goal was to accommodate the interests of domestic economic actors that were positively and negatively affected by the national trade policy. In particular, from the perspective of the French, I will argue that the French executives’ primary goal was to implement their trade policy in a way that created at least as many domestic political benefits as costs. In France, political costs emanated from the protests of producers of cheap textiles who feared the import of British textiles. On the other hand, the French exporters of wine supported the government because they expected to benefit from enhanced access to foreign markets (Dunham 1971 [1930]). I contend that one key instrument with which the government balanced the costs and benefits was the form of cooperation, which is an often-neglected issue in the international relations literature (Odell 2000; Ruggie 1993). More specifically, bilateralism allowed the French executive to fine-tune concession-making in times of liberalization and protectionism alike.

The argument that the French government pursued similar domestic goals in both liberal and protectionist trade environments will be illustrated by a comparative within-case analysis of France around 1860 and 1890. I will compare two events that represent the cornerstones for France’s liberal and protectionist trade policies: the Anglo-French agreement of 1860 and the Méline tariff of 1892. My comparative within-case analysis of French decision-making shows that the governments were eager to accommodate the divergent interests of domestic economic actors in 1860 and 1892 alike. This finding is particularly striking for France in 1860 because Napoleon III was in a powerful position and formally independent of the French parliament and any other domestic actor.

The empirical analysis shows that the goals of cooperation and its form may be quite resilient to changes in the general environment. Moreover, it can be observed that trade policy-making in the nineteenth century exhibits many properties that are commonly seen as typical for commercial decision-making in the twentieth century. Thus, it appears that the interaction between political and economic actors has a persistent and consistent effect on decision-making across time and space. My contribution further suggests that more research is needed on how actors use the form of cooperation to control the domestic consequences resulting from cooperation.

¹ See Evans et al. (1993) and Milner (1997) for more general treatments of international cooperation and domestic politics. Analytical and practical perspectives on international negotiations can be found in Koremenos et al. (2004), Krasner (1983), Landau (2000), and Oye (1986).
The Development of Trade Cooperation in Europe since 1860

The year that is generally used to mark the beginning of large-scale trade cooperation and liberalization in Europe is 1860 (e.g. Brown 2003; Rogowski 1989). This is not to say that there was no cooperation in the first half of the nineteenth century, on the contrary (cf. Pahre 2007). However, up to 1860 commercial collaboration can be best described as “defensive protectionism” (Bairoch 1989). Countries were mostly protectionist and only decided to cooperate to import some essential goods that could not be produced within their own borders. The form of cooperation of defensive protectionism was bilateral cooperation without unconditional most-favored-nation (MFN) treatment. MFN treatment requires a country not to discriminate between importers of like commodities. Put otherwise, all countries entitled to MFN treatment always receive the best conditions the importing country grants to any other trading partner (Jackson 1997: 157). Historically, the MFN principle has a long tradition and can be traced back to the twelfth century, but was nearly absent during the first half of the nineteenth century (Hornbeck 1910).

The situation changed in the two decades before 1860, when many European countries started to liberalize their trade policies unilaterally (Kindleberger 1975). The breakthrough toward liberalization was the Cobden-Chevalier agreement, which was signed between France and Great Britain in 1860. This treaty was in line with Britain’s free trade policy, but represented a turn in French trade policymaking because it was the first time France concluded a liberalizing agreement with a major European country. This turn in trade policymaking was accompanied by a change in the institutional design of commercial cooperation inasmuch as France included an MFN clause in the treaty (Brown 2003: 56).

France successfully negotiated a series of MFN treaties with other countries in the following years. Many other European states followed suit and also started to conclude bilateral trade agreements covering MFN provisions with each other. The Cobden-Chevalier agreement thus became the cornerstone of a network of bilateral treaties that rapidly expanded in the years following 1860 (Lazer 1999). Most of the agreements lasted for ten years and were scheduled for renegotiation in the early 1870s. Many governments were satisfied with the rising prosperity that went along with trade liberalization, notwithstanding that there were domestic producers that protested against increasing imports (Bairoch 1989; Kindleberger 1975). Therefore, the network of liberal bilateral trade agreements remained in place until the mid-1870s.

Trade policy and trade cooperation were put on a different path in the late 1870s when an economic depression emerged, which is better characterized as a great deflation that lasted until the early 1890s (Gourevitch 1986: Chap. 3). All else being equal, decreases in prices made imports cheaper and led to higher levels of imports, which in turn created more pressure for a return to a protectionist
trade policy among domestic producers. This was the constellation many governments faced in the late 1870s and early 1880s when they again renegotiated their trade agreements. Most of the negotiations could be settled successfully, but the new tariff levels were generally higher than in the previous agreements. Compared to the situation before 1860, however, the new duties were still lower, so not all of the liberalization that was achieved since that year was reversed (Stein 1984).

Regarding the design of their trade policy, some countries continued adhering to the MFN principle in combination with bilateralism, while other European states decided to abandon it and installed a dual-tier system instead (Conybeare 2002). The key feature of such a system is that there is no bargaining over tariff levels because the country maintaining a double-tier system specifies a non-negotiable upper and lower duty for each commodity. The higher tariff is charged on the imports of countries that do not grant any favorable treatment for one’s own exports. Consequently, the lower duty is given to the countries that treat imports favorably, e.g., by the conferral of MFN treatment. This means that while there is no scope for negotiating about the tariff levels of the two-tier country, there still is bilateral bargaining about the conclusion of an agreement with which the lower tariff is exchanged for some form of favorable treatment by the treaty partner. In principle, a dual-tier system is compatible with a liberal trade policy when the upper and lower tariffs are set at reasonable levels. However, the double-tariff system was generally used for protective purposes by installing relatively high duties, which relieved domestic producers from their uncertainty about future tariff levels that is inherent to flexible tariffs and the MFN principle (Bairoch 1989).

The protectionist sentiment spread in almost all European countries in the 1880s because the deflation endured. The conditions for the next round of renegotiations in the early 1890s thus were worse than ten years before, which became manifest in yet another increase of tariff levels (Bairoch 1989). Moreover, the group of Western and Southern European countries with a dual-tier schedule increased because of a rising number of countries that abandoned the idea of bargaining and MFN treatment. With respect to the network of bilateral treaties, this meant that the Central and Eastern European countries became the new pillars of the treaty network. The trade policies pursued by these countries were less liberal than in the 1860s and 1870s, but the members of the treaty network leaned more toward liberal trade than the dual-tier countries (Marsh 1999: Chap. 8).

This is, in a broad and general perspective, the development of trade cooperation in the second half of the nineteenth century. The 1870s are conceived of as the dividing line between the first heydays of liberalization that started in the 1860s and a period of protectionism that lasted from the late 1870s until the outbreak of World War I. Because of this, trade cooperation after 1860 is consid-
ered an era with two markedly different faces. This classification of trade cooperation is correct inasmuch as it concerns the course trade policy took in many countries. However, it conceals the fact that there is one element that is shared by trade policy-making in the liberal and the protectionist period: the desire of the governments to accommodate the interests of domestic economic actors involved in trade cooperation so that no loss of political support occurs.

In the following two sections, I will present process-tracing evidence on French decision-making in the form of trade cooperation in 1860 and 1892 that empirically substantiates this argument. Methodologically, the empirical analysis takes the form of a structured focused comparison inasmuch as I take the same focus on the two cases and synthesize the empirical insights at the end of the analysis (George and Bennett 2005: Chap. 3). France is a suitable unit for analysis because it was a large country that was deeply involved in European commercial cooperation. It liberalized its trade from 1860 to the mid-1870s, became more and more protectionist after the 1880s and finally implemented a dual-tier system in 1892. In this view, the development of the French trade policy is typical for European countries in the second half of the nineteenth century. Afterward, I will detail some empirical and theoretical implications following from the two cases.2

The Anglo-French Agreement of 1860

The Prelude to the Anglo-French Treaty of 1860

At the end of the 1850s, France annexed several municipalities in Northern Italy with the goal of promoting Italian unity. France’s political and military counterpart was Austria-Hungary, which wanted to prevent the unification of the Italian territories. Great Britain was not directly involved in this dispute and supported Italian unity, but it was uncertain about the foreign policy aspirations of Napoleon III and his attitude toward Great Britain in particular (Marsh 1999: 8–16). In order to diminish uncertainty, Great Britain and France sought a trade treaty as a manifestation of the peaceful relationship between the two countries (Iliasu 1971). The chance to come to a trade agreement with Great Britain was endorsed by the French executive insofar as it provided the opportunity to implement a trade policy reform that could not be reached through unilateral action in the 1850s because of the opposition of protectionist groups (Ashley 1904: 302–303; Dunham 1971 [1930]: 19–27).3

2) The following evidence should be regarded as an empirical illustration and not as a systematic test of hypotheses that were in turn derived from empirical material.

3) The basis for trade liberalization by international agreement was the revision of the French constitution in 1852. It allowed the government to conclude trade agreements without the need for parliamentary ratification (Brandt 1896: 119).
Michel Chevalier, a leading French economist who supported liberal trade, was one of the driving forces behind the French move toward trade liberalization in 1859. He approached members of the French executive and lobbied for a commercial treaty after he had ensured that Great Britain was interested in a liberalizing trade agreement. Chevalier and Richard Cobden, a British free-trader with close ties to the British government, talked directly to Napoleon III at the end of October 1859 in order to gather his support for a treaty (Dunham 1971 [1930]: 56–57). In this meeting, Napoleon III indicated that he embraced the idea of free trade, but that he feared the reactions of the protectionist groups at home. Because of this domestic resistance, the French emperor argued that he needed concessions from the United Kingdom to get the necessary approval for tariff cuts at home. In addition, Napoleon III sought Cobden’s advice on how to counter the opposition of protectionist groups against a trade agreement. Cobden recommended proceeding like Britain in the 1840s, that is, by offering French domestic producers compensation through financial assistance. This idea was also generally supported by many liberal economists in France. Although Napoleon III was anxious about the domestic political response toward his commercial plans, he finally supported the idea of a commercial treaty (Haight 1941: 25).

The Start of Negotiations

The official negotiations started after Cobden had informed his government about his discussion with Napoleon and his requests in relation to Great Britain. The negotiations were kept secret to avoid resistance by protectionist groups as long as possible. This required keeping some members of the French cabinet as well as parts of the Ministry of Commerce in the dark. These safeguards proved to be necessary because Napoleon became somewhat more protectionist once he informed his protectionist-minded ministers about the ongoing negotiations with Great Britain. This change in position showed itself in new demands vis-à-vis Great Britain that were more protectionist than the original proposals (Dunham 1971 [1930]: 71–72).

Protectionist forces in France, most notably the producers of manufactured goods, quickly responded to the announcement of negotiations by organizing themselves and lobbying against the treaty. However, the activities of the protectionists lacked success because they could neither bring the commercial treaty down in the cabinet, nor convince Napoleon to submit the agreement to the parliament, where it was very likely not to get passed. Soon after this defeat, the protectionist ministers in the French government reminded Napoleon III that he had promised in 1856 not to change tariffs before 1861, and that he would install an enquête assessing the competitiveness of the French industry. The protectionists hoped that they could delay the negotiation with Great Britain and mobilize the protectionist forces in France in order to dilute the terms of the agreement. Napoleon, however, agreed to the enquête and installed it immedi-
ately, with the effect that the protectionists did not have sufficient time to organize. Moreover, Napoleon appointed the members of the *enquête*. He kept the committee small in terms of membership and the majority of the proponents were liberal-minded. The *enquête* quickly finished its business and was dissolved without achieving anything from the perspective of the protectionists (Dunham 1971 [1930]: 80–83).

After the protectionists in France once more experienced a defeat, Napoleon III turned to the public in the form of a letter. In this letter, he outlined his economic policy and prepared the public for the liberal turn in French trade policy. In particular, the letter says:

> In order to encourage industrial production we must free from all duties those raw materials which are indispensable to industry, and as an exceptional measure we must lend it at a low rate of interest capital to help it improve its equipment, as has already been done for agriculture with respect to drainage. [...] The encouragement of trade through the multiplication of the means of exchange will follow as the natural consequence of these measures. The progressive decrease of the tax on foodstuffs of general consumption will, then, be a necessity, as will the substitution of the protective duties for the system of prohibitions which restricts our commercial relations. Through these measures agriculture will find a market for its products; industry, freed from obstacles within the country, aided by the government, stimulated by competition, will fight successfully against foreign goods, and our commerce, instead of languishing, will have a new and vigorous growth (cited after Dunham 1971 [1930]: 83–84).

The public response to this letter showed that Napoleon’s strategy of mobilizing those who would benefit from liberal trade was successful. Many of the groups from all over the country that expected to benefit from the agreement, in particular producers of wine and luxury articles and the finance and transport sector, expressed their support for his plan through public announcements and in petitions sent to the members of parliament (Dunham 1971 [1930]: 124). However, the Emperor was not blind to the adjustment costs of a liberal trade policy. He announced that the government would grant loans aiming to foster the competitiveness of particular sectors and to temporarily compensate import-competing industries (Dunham 1971 [1930]: 84). The rationale for this step was partly political and partly economical. Politically, Napoleon III aimed to soften the opposition to trade liberalization. Moreover, he hoped that the general public would at least partially support his plan instead of aligning themselves with the protectionist producers, as was regularly the case in the previous decades. The loan, which was proposed by Chevalier, played a decisive role in Napoleon’s decision to pursue a change in trade policy (Dunham 1924). On the economic side, Chevalier and Napoleon believed that a liberal trade policy needed to be accompanied by financial assistance because the British producers were much more

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4 More detailed treatments of the interests of economic actors can be found in Dunham (1971 [1930]) and Smith (1980: Chaps. 2–3).
competitive than the French. In order to avoid severe disturbances of the domestic economy, it was considered necessary to dampen the economic impact of increased foreign competition (Dunham 1971 [1930]: 144).

One major problem to be overcome in the negotiations between France and Great Britain was the phasing-in of concessions. Napoleon III was bound by his pledge not to alter tariffs before July 1, 1861, which is why he wanted to alter duties only after this date. The French cabinet effectively wanted to sign two agreements, the first being a general treaty of commerce that was to be concluded in 1860. This treaty was meant not to include any specific commitments for France, since this would rouse much public opposition against concessions that could only be granted a year later. A second treaty would then have to be signed in 1861 in which concessions would be granted to Great Britain. The British cabinet was displeased with the gap between the implementation of its own and the French concessions. The government was anxious that the British parliament would refuse the treaty if it deemed the balance of concessions to be uneven. In the face of this constellation, the French cabinet finally agreed to implement concessions before July 1, 1861, on a couple of items that were not covered by Napoleon's pledge of 1856 (Dunham 1971 [1930]: 95–99).

The two treaty partners handled the extension of the concessions granted to each other differently: Great Britain unilaterally extended all concessions to all of its trading partners, while France agreed to include an MFN provision in the treaty (Ashley 1904: 303). For France, the adherence to the MFN principle represented a fundamental change in trade policy-making. It had pursued a non-discriminatory trade policy in the second half of the eighteenth century, but had abandoned the MFN principle in the first half of the nineteenth century (Moye and Nogaro 1910). In 1860, it was beyond any question for the French proponents of liberalization that MFN treatment should be an indispensable part of their future trade policy. They believed that liberalization could only be successfully pursued on the basis of non-discrimination because of the high probability that discrimination would be punished by foreign retaliation (Haight 1941: 36).

**Negotiation of the Complementary Convention**

The Anglo-French treaty was signed on January 23, 1860. It specified the general terms of trade relations between the two countries, fixed the upper bounds for French duties, and stipulated that the French ad valorem duties needed to be transformed into specific tariffs. Specific tariff levels were to be fixed in a complementary convention. The precise procedure by which tariff levels were set was as follows: The French government advised the *Conseil Supérieur du Commerce*, first,
to hold hearings with concerned domestic producers in France and Great Britain; second, to transform the ad valorem maximum duties into specific maximum duties; and third, to determine the level of protection the French industries needed and to recommend the corresponding specific tariffs (Brandt 1896: 124–125).\(^6\) The Conseil mostly contained liberal-minded members and the testimony was conducted in secrecy. Little information leaked outside and thus the protectionists could not exert any significant influence at this stage of the tariff reform. The negotiations on the tariff levels began after the Conseil had held the hearings and collected information. France agreed on duties that were mostly far below the maximum duties and that varied from item to item (Dunham 1971 [1930]: 136–139).

The concessions that France and Great Britain exchanged through the convention were tailored to the two countries’ demands for several reasons. First, Great Britain wanted to reap some commercial benefits from the treaty, which was achieved by concessions that were to the particular benefit of British producers, especially producers of textiles (Marsh 1999: 21–22). Second, the demand of Great Britain mirrored the intention of Napoleon III to grant concessions that were to the treaty partner’s exclusive benefit in order to encourage third countries to negotiate treaties on their own with France (Amé 1876: 311; Haight 1941: 34). Third, the liberal-minded members of the French executive aimed to keep control of British imports so as to prevent excessive competition for domestic producers. Since the stage of development varied from industry to industry in France and Great Britain, it was deemed necessary to set tariff levels with an eye on the relative levels of development. Related to that point was the objective of not raising too much opposition and unrest among French producers. The producers that benefited from a closed domestic market were totally opposed to any trade liberalization, and it was clear that their resistance would be stronger the more they were exposed to foreign competition (Amé 1876: Chap. 14; Dunham 1971 [1930]: 133).

The French executive started to grant loans after the convention was signed. The demand for the loan was greater than expected, and more money was requested than provided for by the French executive. In retrospect, the loan achieved Napoleon’s political objective more than his economic goal, because it somewhat appeased producers who were against the treaty. On the other hand, the economic effects arising from official financial assistance were modest compared to the consequences of trade liberalization (Dunham 1971 [1930]: 160).

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\(^6\) This enquête should not be confused with the one that was installed by Napoleon because of his promise of 1856.
The Méline Tariff of 1892

The Domestic Political Process

The tariff revision of 1892 was the third in a row of trade acts that were passed since 1860. In 1872, the French government failed to at least partially reverse the liberalization achieved by Napoleon, who ceded as head of state in 1870. A deflation hit the European countries in the mid-1870s, which also led to a strengthening of the protectionist sentiment in France. The deflationary pressures and lobbying by protectionist groups contributed to a protectionist turn in French trade policy in 1881. On average, the general and the conventional duties of the 1880s were higher than the tariffs that had been place in the previous two decades. The protectionist groups in France – in particular the producers of semifinished manufactured commodities and agricultural goods – additionally demanded a change in the form of cooperation by pushing for a dual-tier system. However, the government kept bilateral agreements – including MFN provisions – as the policy instrument in international trade cooperation (Dunham 1971 [1930]; Smith 1980).

This was different in 1892 when the so-called Méline tariffs and a protective double-duty schedule were installed. The political process resulting in the Méline tariff began in 1890 when the two advisory boards on industry and agriculture, the Conseil Supérieur du Commerce et de L’Industrie and the Conseil Supérieur de L’Agriculture, were asked by the executive to propose a design for a new trade system on the basis of an inquiry of French producers. The responses displayed a clear trend towards protectionism compared to earlier polls performed in the mid-1870s and the early 1880s. In the light of the inquiry, the two boards recommended installing a two-tier tariff system with high duties in order to meet the demands of domestic producers fearing import-competition (Ashley 1904: 339–340; Brandt 1896: 188; Smith 1980: 202–203).

This recommendation strengthened the protectionists’ position because it resembled their calls for a double-tariff system. However, the executive soon made it clear that it would not completely ignore the interests of the producers seeking liberal trade. In the 1880s and 1890s, the economic groups pushing for freer trade were the producers of finished goods like the weaving industry of Lyon and the construction industry of Paris (Smith 1980: 149). The minister of commerce, Jules Roche, declared in 1890 that “we [the executive] have not thought it wise to

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7) Figures on the French economic development and particular sectors can be found in Kindleberger (1964) and Dunham (1971 [1930]).
8) The general tariff is the duty applied to all imports from countries that have not signed a trade agreement. The conventional tariff is the tariff fixed in a commercial treaty and thus always below the conventional tariff.
9) The tariff is named after F. Jules Méline who played a central role in the development of the new tariff schedule.
pass abruptly from one extreme to the other in the matter of economic policy [...]. we think it possible to give satisfaction to the complaints raised against the present regime without renouncing the essential advantages that that regime assures” (cited after Smith 1980: 204). Another statement by Roche in a similar direction says that:

“For us [the executive], the words protection and free trade have no magical powers which allow us to dispense with the study of the facts themselves. To be sure, we are constrained in all cases to protect and encourage national enterprise, but we have never thought there was only one way to attain that end – that is, through the establishment of elevated customs duties on all products without distinction […] We have resigned ourselves in advance to attaining, in many cases, only compromise solutions, happy if we succeed […] in holding a balance among the diverse interests for which we are responsible” (cited after Smith 1980: 212).

In practice, this meant that the executive agreed to introduce a dual-tier tariff, but it also fixed the upper and lower duties at levels that were below those suggested by protectionist groups (Haight 1941: 343–345). Furthermore, the government introduced supplementary provisions mitigating the effect of tariff increases. These provisions included, for example, the temporary admission of imports below the fixed duties if they were used for producing commodities that were exported again, and direct subsidies for domestic producers that had to bear the costs of tariffs on raw materials (Smith 1980: 204–208). The whole-hearted protectionists opposed the measures with which the government sought to accommodate the interests of the liberal-minded economic and political actors. But the executive was supported by the moderate protectionists who found their interests sufficiently represented in the new tariff system, so these provisions became parts of the French trade system.

Notwithstanding that the government supported installing a double-tariff system, it wanted to keep the freedom to negotiate trade agreements as well, which were considered “avantages essentielles” by Jules Roche (Brandt 1896: 193; Devers 1892: 185). According to Roche, a pure dual-tariff system would expose “our country to the serious disadvantage of being placed in a state of complete economic isolation, which would furthermore cause a severe retaliatory response to the surtaxes that we will be the first to apply” (own translation of French quote in Devers 1892: 186). The executive gained parliamentary support for its plan and thus retained the opportunity to negotiate tariffs falling below the minimum tariff. Yet in contrast to the previous three decades, the duration of the agreements was left unspecified and the treaties could be denounced at any time on one-year’s notice. This new provision took account of the protectionists’ criticism that the old treaties constrained France too much in its trade policy-making autonomy (Haight 1941: 66–67).

In the course of the tariff revision, two additional instruments were introduced so as to foster the executive’s bargaining power in international trade negotiation.
First, the tariff schedule was redesigned and became one of the most diversified in Europe. This made it less likely that a concession granted to one country would benefit another country receiving the concession through MFN treatment. Second, the executive had emergency powers it could use to impose additional import barriers when French exports received unfavorable treatment abroad (Haight 1941: 52–56).

**International Negotiations after the Méline Tariff**

The years after 1892 showed that the dual-tariff system was an impediment to international cooperation and that flexibility in the form of bilateral trade agreements was necessary to maintain exports. Many of France’s trading partners were dissatisfied with the tariff levels of the dual-tier system and demanded reductions below the minimum duty (Brandt 1896: 198; Moye and Nogaro 1910: 51–52). Great Britain even intended to build an alliance of trading countries that could collectively retaliate against France, but these efforts failed (Marsh 1999: 177–178). Nevertheless, the French executive found it at the beginning very difficult to achieve its bargaining goals, namely, to conclude trade agreements in which the minimum tariff was exchanged for MFN treatment (Marsh 1999: 195). The executive realized that, just as it argued vis-à-vis the protectionists during the domestic political process, bilateral bargaining about tariff levels was necessary to keep foreign markets open and foster exporters (Haight 1941: 68–69; Smith 1980: 221). For this reason, the government decided to go below the minimum tariff on selected items when it received adequate concessions from the treaty partner in return (Smith 1980: 212).

The Franco-Swiss negotiations of the 1890s are a case illustrating the problems an inflexible dual-tier system creates in international cooperation. Switzerland considered the French minimum tariff too high. It refused to grant any reductions in its general tariff unless France cut duties on selected items below the minimum tariff. The French executive was prepared to do so, but the parliament rejected this plan. Switzerland responded by initiating a tariff war, knowing that the Swiss market was important for France. The Swiss executive applied the general tariff to French imports and additionally imposed retaliatory duties on a range of items. It took more than two years for the negotiations to resume. Both countries suffered from the war, but the French loss was more severe. Finally France gave in and reduced tariffs below the minimum tariff on 29 items. Switzerland in turn granted its desired conventional duty and MFN treatment (Brandt 1896: 199–203; Haight 1941: 346–347).

The Franco-Spanish negotiations are also particularly intriguing since they involved bargaining between two double-tier tariff countries. In this case, the French executive claimed that the Spanish minimum tariff was too high to grant their own minimum tariff on Spanish imports (Nogaro and Moye 1931: 62–63).
France insisted on additional concessions, in particular on textiles, which were accepted by Spain after a long and complicated bargaining process. The agreement was not ratified by the French parliament, however, because it didn’t want to reduce tariffs below the minimum tariff. Yet the French government was able to agree upon an arrangement with Spain that did not need parliamentary approval (Marsh 1999: 203).

The empirical record shows that France concluded agreements with most of its important trading partners. In most of the agreements, France was able to exchange its minimum tariff for MFN treatment, having the consequence that the minimum tariff was more often applied than the maximum tariff. However, bilateral treaties like the one between France and Switzerland undermined the dual-tier system because France adhered to non-discrimination in the form of MFN treatment after 1892 (Haight 1941: 67–68). The consequence was that the conventional tariffs established through bilateral bargaining were extended to all countries that formerly received the minimum tariff (Marsh 1999: Chap. 8). In effect, they created a new conventional tariff that was lower than the minimum tariff.

**Empirical and Theoretical Implications**

*Empirical Implications*

The comparison of France in 1860 and 1892 shows that the French government was strongly concerned about the responses of domestic political actors to trade policy-making. This is a particularly strong finding, given that the two cases differ from each other in two key dimensions. First, the political actors in charge pursued different trade policies: Napoleon III aimed to liberalize trade, while the executive was clearly protectionist in the 1890s. Nonetheless, both governments were eager to accommodate the interests of domestic groups that sought opposite trade policies. This finding is striking for Napoleon insofar as he was formally independent of the parliament, domestic lobbying groups, and the voters (McKeown 1982). Second, the desire of political actors to satisfy the interests of economic groups with contradictory trade policy preferences seems to be independent of the reasons for why a specific trade policy is pursued. The empirical evidence clearly shows that Napoleon confronted much domestic opposition (Iliasu 1971). On the other hand, the government of 1892 had no strong independent interest about which trade policy to implement and was more responsive to domestic interest groups among which the protectionists held a stronger position than export-oriented producers.

The analysis of the two cases further suggests that the common interest in domestic balancing led to similar decisions about the most appropriate form of
trade cooperation. The case of 1860 highlights the way Napoleon was particularly concerned about the fine-tuning of concession-making in order to keep tight control over the domestic effects of the Anglo-French agreement. Selective concession-making was accompanied by the careful granting of loans to domestic producers so as to diminish import competition and buy the producer’s goodwill to some degree at least. These observations show that the political actors aimed to cooperate bilaterally so as to make trade liberalization feasible on the domestic level.\(^{10}\) A bold move toward liberalization in the form of a multilateral treaty appears to have been impossible, as this does not allow one to fine-tune concession-making (Rixen and Rohlfing 2007; Schwartz and Sykes 1996).\(^{11}\) As a matter of fact, many bilateral treaties were concluded in Europe in the first years following 1860, which indicates that it would have been possible to conclude a multilateral agreement involving all the countries that had signed bilateral treaties. The fact that this did not occur underscores the importance of bilateralism for trade liberalization.

The case of 1892 deviates from the first case inasmuch as France installed a double-tariff schedule. The available evidence indicates that this change in the design of France’s trade policy is due to the massive pressure of protectionists for a dual-tier system.\(^{12}\) The strengthening of the protectionist sentiment in France can be attributed to the deflation that made exports cheaper and thus contributed to rising imports. While all countries aimed to benefit from cheaper exports, they aimed to prevent higher import levels and followed a beggar-thy-neighbor policy, which ultimately created higher tariffs in Continental Europe.\(^{13}\) However, one can also observe some continuity in trade policy-making, because the government insisted on the opportunity to negotiate bilateral agreements, including MFN treatment, after 1892. This behavior is remarkable because a double-tariff system and bilateral MFN agreements are fundamentally incompatible (Smith 1980: 209). A double-tariff schedule only makes sense when tariffs are fixed because domestic producers want certainty. Bilateral negotiations, on the other hand, are only meaningful when it is possible to negotiate duties that are below the minimum tariff. The French government actually was prepared to move below

\(^{10}\) See Bagwell (2005), Krugman (1991) and Yarbrough and Yarbrough (1992) for more general treatments of bilateralism and bilateral negotiations in the realm of trade.

\(^{11}\) See Crump and Zartman (2003), Hampson and Hart (1995), Pahre (1994), and Touval (1989) for more general treatments of multilateral negotiations.

\(^{12}\) It should be noted that I do not specifically seek to explain the determinants of the behavior of economic actors. The reason for this is that the three available economic models – factor endowment model, factor specificity model, and model of intra-industry trade (Alt et al. 1996; Hiscox 2002; Rogowski 1989) – all predict some conflict between import-competitors and exporters, which is the basis of my explanation.

\(^{13}\) Great Britain remained liberal throughout the deflation and did not contribute to the return of protectionism in Europe (Marsh 1999). Moreover, there is no evidence that the decline of British hegemony affected continental trade policy making, as is claimed by hegemonic stability theory (cf. Krasner 1976; McKeown 1983).
the minimum tariff in a couple of bilateral treaties, which highlights that it required bilateralism as an instrument to accommodate the interests of domestic economic groups.

MFN treatment seems to play a similar role, given that it had been an integral element of bilateral treaty-making since 1860 and even after 1892. The evidence on the first case suggests that the proponents of liberal trade considered non-discriminatory treatment an indispensable element of the future trade policy. More interestingly, MFN provisions were also included in bilateral agreements after the introduction of the two-tier system in 1892. I have explained above that bilateral bargaining (including MFN treatment) pushed a couple of French tariffs even below the minimum tariff. These observations show that the accommodation of those groups benefiting from liberal trade required non-discrimination between importers in combination with tariff bargaining even in times of protectionism. The reasons for the continued adherence to MFN treatment were concerns about foreign retaliation against discriminatory treatment by France. As a matter of fact, some countries such as Switzerland issued threats of retaliation or entered into a tariff war with France (Conybeare 1987). In sum, the two cases show that developments and changes on the level of trade policy-making went along with continuity on the domestic political level because political actors tried to balance the responses of economic actors to trade policy-making. Moreover, this commonality of trade policy-making contributed to a good deal of continuity regarding the form of cooperation that served as a vehicle for domestic interest accommodation.

Expanding this view to the twentieth century, it can be seen that the domestic political processes of 1860 and 1892 involve many elements that are considered basic to modern trade policy-making. In particular, the U.S. Reciprocal Trade Agreements Act (RTAA) of 1934, which is the cornerstone of U.S. trade liberalization in the twentieth century, is often described as a new phenomenon where the government used the support of export-oriented actors to counter the opposition of domestic producers (Bailey et al. 1997; Haggard 1988). While it is true that the Roosevelt administration balanced the support of different economic actors, my analysis of the two French cases shows that this political strategy was by no means new. In addition to the fact that this insight puts the common perspective on the RTAA in question, it can be tentatively hypothesized that trade policy-making is characterized by a common logic of balancing societal support independently of time, space, the trade policy that is implemented, and the reasons for why it is sought.

Moreover, the analysis of the nineteenth century can be set in relation to the current expansion of bilateral and regional cooperation in the world trade regime.

14 This strategy was indeed new for U.S. trade policy-making, but it often seems to be argued that the RTAA was a worldwide precedent for trade liberalization on the basis of balancing.
One may speculate that the rise of regional cooperation is a response to the problems of achieving agreement within the WTO inasmuch as regionalism enables political actors to fine-tune concession-making (cf. Mansfield and Reinhardt 2003). This strategy is largely infeasible within the WTO because of the expansion of multilateral procedures since the Kennedy Round in the 1960s (Winters 1990). If distributional concerns figure prominently anyway, then it may be appropriate to put more emphasis on bilateral negotiations, which played a central role in the early GATT rounds (Hoekman and Kostecki 2001: 101).

Theoretical Implications

The logic of balancing the support of economic actors is integral to the theory of domestic political support (Hillman 1982; Hillman et al. 1995; Pahre 1998, 2007). In a nutshell, the theory distinguishes two groups of economic actors in trade policy-making: those who benefit from liberalization and those who suffer from it. Both groups have in common that they seek a trade policy that maximizes their income. Since they cannot decide about trade policy-making, they try to influence the politicians in charge to implement their preferred trade policy. Politicians have an incentive to follow the demands of domestic economic actors because the latter will adjust their support for a political actor according to the effects of the implemented trade policy. Support is increased when the trade policy increases income and decreased when the income drops. Political actors are in turn interested in remaining in or getting into office and thus have an interest balancing the gain and loss in societal support deriving from trade cooperation.

This intuitively plausible argument has been hitherto applied to trade policy-making and the setting of tariff levels (Hillman 1982; Pahre 1998, 2007). My qualitative empirical analysis supports the theory’s basic arguments and delivers complementary evidence to Robert Pahre’s (2007) quantitative analysis of the domestic politics of trade cooperation in the nineteenth century. Moreover, the two cases of French trade policy-making suggest that the theory may also be applicable to institutional choice in terms of bilateralism, multilateralism, and MFN treatment, thus increasing the theory’s leverage. Admittedly, the two examined cases do not cover a decision in favor of multilateralism. However, I have argued above on the basis of counterfactual thinking that it was highly unlikely

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15 In fact, almost all regional agreements are bilateral (WTO 2003).
16 The political-economy literature on trade policy-making either distinguishes between exporters and import-competitors or import-competitors, exporters, and consumers. I subsume the latter two under the group of beneficiaries because of the benefit from reciprocal liberalization, which has been the rule in the history of trade (cf. Bhagwati 2002). Consequently, import-competitors are those who suffer from liberalization.
that France could have achieved trade liberalization through multilateral cooperation in 1860. A rigorous analysis of a case of multilateral cooperation, e.g., the Kennedy Round of 1963 to 1967 (cf. Evans 1971; Preeg 1970), is needed to empirically elucidate the conditions under which political actors decide for multilateral cooperation and how interest accommodation is then handled, given that concession making cannot be fine-tuned under multilateralism (Rixen and Rohlfing 2007).

Finally, my two cases indicate that one core claim of the theory of domestic political support may be unwarranted. Proponents of the theory argue that the type of trade policy that is pursued is endogenous to support-maximization. This means that political actors do not have any trade policy preferences of their own, but implement the trade policy that is expected to maximize support by economic actors. I do not claim to refute this argument on the basis of one case, but the analysis of French decision-making in 1860 indicates that support-maximization may not always be the driving force behind trade policy-making. Napoleon’s announcement to liberalize trade provoked much opposition among domestic producers, but received little support by those actors that would have benefited. From the perspective of support-maximization, continued protectionism would have been the better option for Napoleon.

This finding can be used to tentatively argue that political actors may not maximize support, but simply aim to achieve a neutral net effect between the loss and increase in support by economic actors. Empirically, a “neutral-effect strategy” would be easier to achieve for political actors than support-maximization. Theoretically, the assumption of a neutral effect is less restrictive and makes a modified theory more broadly applicable because it remains silent on the determinants of the implemented trade policy. Evidently, the modified theory cannot explain trade policy-making, but this is not important if one aims to explain institutional choice. Theoretically, the current theory of domestic support and my proposal for a modified account can be neatly distinguished. Empirically, however, it may be very intricate to discriminate between them. The case of 1860 is an instance of trade policy-making that speaks clearly in favor of the relaxed version. In other cases, it will be more difficult to tell whether political actors tried to maximize support or merely pursued a non-negative net effect. Process-tracing of particular instances of decision-making is needed in order to elucidate whether trade policy-making is endogenous to support-maximization or not.

Conclusions

I have examined trade policy-making in the second half of the nineteenth century, which is generally subdivided into a period of liberalization and protectionism. My analysis of two cases of the decision-making of France, one of which falls into
one of the two periods, shows that the discontinuity on the level of the trade policy is grounded on a great deal of continuity: the desire of political actors to balance the increase and decrease of support of economic actors affected by trade policy-making. Moreover, I have delivered evidence showing that political actors use the form of cooperation and MFN treatment as an instrument for achieving this goal.

Empirically, my study shows that trade policy-making in the nineteenth century bears more similarity to commercial decision-making in the twentieth century than is currently recognized. Taking a comprehensive perspective, one can develop the hypothesis that the interaction between economic and political actors shaped and still shapes trade policy-making in similar ways across time and space. This does not mean that one can explain commercial policies only by state-society relations. On the other hand, the neglect of this variable in any explanation of trade policy decision-making can be hardly justified.

More empirical research on the impact of private lobbying, in particular on the effects on the choice between different forms of trade cooperation, should be based on the theory of domestic support that models the relation between economic and political actors. However, I have shown that a modification of the theory may be necessary. One case of my empirical analysis highlights that political actors do not necessarily select the trade policy that maximizes domestic support, as is currently stipulated by the theory. An alternative hypothesis would be that the net effect of the national trade policy on domestic support should be neutral at least. Although it is difficult to distinguish the two competing hypotheses empirically, a thorough analysis of the motivations of political actors would vastly promote our understanding of trade policy-making in the present and in the twentieth century and nineteenth century alike.

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