CHAPTER V
ECONOMIC SANCTIONS AND RESPONSES OF DOMESTIC INTEREST GROUPS

The interdependent nature of the present day world has made international relations more complex and fluid, where there is need for an effective and coherent foreign policy.

In America, the principle of separation of powers has not only been applied to the government structure but to the informal political substructures as parties, pressure groups too. Consequently, the responsibility of political socialization is diffused among these substructures whereby every group has a partial claim on an individual.

The implementation of sanctions involve many layers of society from individuals to international organizations. George shepherd, an American scholar argued that non-governmental organizations (NGOs) like churches, trade unions, corporations and pressure groups constitute a form of coercion on societies and states which have greater impact than official policy.¹

The development of a country's foreign trade and commerce affects its national interests and a country like the United States have considerable economic power to coerce the target as the latter cannot readily redirect its exports to make up for the losses.

The American system is vulnerable to pressure group influence partly because of the large number of potential office holders require financial resources to fight elections.

Those pressure groups who defend and promote the interests of their own members are known as interest groups. Such groups have important economic power and comprise the most influential pressure groups in the United States. They tend to have a clearly defined clientele that is restricted to specific occupations, financial interests, e.g., the National Association of Manufacturers, a politically conservative group of business association the US Chamber of Commerce, the AFL-CIO (American Federation of Labour/Congress of Industrial Organizations). There are professional bodies that are prominent among the interest groups as the American Medical Association, its political committee AMPAC had spent millions of dollars both in helping with candi-
dates' election expenses and in fighting state and federal regulatory legislation.

America's three million farmers also have considerable political influence working through the American Farm Bureau Federation and the National Farmers' Union. There are also many trade and business associations and the American Petroleum Institute speaks for over 350 major oil companies has been recognized as one of the most powerful interest groups in Washington.

The second category of pressure groups are, those who try to secure political objectives which are often known as 'promotional groups', e.g., American Cancer Association, Common Cause, a national citizen's lobby that advocates liberal reforms in the governmental and electoral system, the National Association for the advancement of Coloured People and the National Urban League, actively participate in civil rights and racial desegregation.

Other groups are 'hybrids' in the sense that some join to defend economic interest while others advocate the same cause on ideological grounds.

The interest group representation in the political
process are diverse in nature. They include not only the well-known Washington based professional lobbying staff of such organizations as the National Association of Manufacturers, the AFL-CIO and the veterans of foreign wars but numerous Washington law firms, public relations firms and individual free-lance lobbyists.

Since the early 1970s, one of the most striking developments has been an increase in the number of 'public-interest' organizations, whose focus on foreign policy issues were marginal, e.g., Common Cause worked for such congressional reforms as War Powers Act that affects Congress's role in foreign policy making. Another organization, New Directions, was formed specifically to be 'a citizens lobby' on such foreign policy issues as nuclear proliferation.

There are individuals, law firms, public relations firms and other organizations that represent foreign governments and other foreign groups and organizations in Washington. Many of them represent the governments of South Korea and Israel which are highly dependent on continuing American support.
Some organizations represent transnational interest groups, e.g., the United States-Japan Trade Council, made up of 900 American and Japanese corporations including the General Electric, standard oil of California, Japan Airlines and Bank of Tokyo.

The targets and tactics of these organizations and other interest group representatives vary. The targets of their activities include not only the members of the Congress but also officials in executive agencies, the public and even other interest group organizations. Their tactics include providing information and contribution. During the Senate consideration of the Panama Canal Treaties in 1977-78, a coalition of organizations urged voters in the states of ten undecided senators to write to their senators asking them to vote against the treaties. One of the organizations, the American Conservative Union, spent over a million dollars and sent out over 200 million pieces of mail in an effort to block the treaties.

Interest group organizations often form ad hoc coalitions with other interest groups, with members of the Congress and with executive agencies to support or oppose particular policy alternatives.
Despite considerable shifting, there is some stability across in foreign policy issues. This mixed pattern of partly shifting and partly stable coalitions is documented by a tabulation of lobbying actively on selected foreign policy legislation in Congress. (Table 1) In this table one can see, for instance, that several citizens' organizations - common cause, New Directions, and the Americans for Democratic Action supported the Carter Administration on Panama Canal, the Ford Administration on the embargo against Rhodesian chrome and the Nixon administration on detente and trade with China. But those organizations were on the opposite side from the administration on other issues, such as funds for B-1 Bomber, the M-X missile and the sentinel antiballistic missile system. On those issues, the administration was joined by manufacturing organizations and other citizens' organizations.
TABLE 1: Party Coalitions on Select Congressional Votes on Issues Relating to Economic Sanctions

<table>
<thead>
<tr>
<th>Congressional Vote</th>
<th>Coalition Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Liberal</td>
</tr>
<tr>
<td></td>
<td>Citizens' Organizations</td>
</tr>
</tbody>
</table>

**General Diplomatic Relations incl. War/Peace Issues:**

- El Salvador aid (1983)  
  - 0 (supported); S (supported); S (supported)
- Panama Canal Treaties (1978)  
  - S (supported); S (supported); S (supported)
- UN-Rhodesian embargo (1974)  
  - S (supported); S (supported); S (supported)
- Detente and trade with China (1971)  
  - S (supported); O (opposed); S (supported); S (supported)
- Withdrawal from Vietnam (1970)  
  - S (supported); O (opposed)
- War Powers Act (1973)  
  - S (supported); S (supported)

**Weapons Issues:**

- MX missile (1984)  
  - O (opposed); S (supported); S (supported)
- B-1 bomber (1984)  
  - O (opposed); S (supported); S (supported)
- Anti-ballistic missile (1969)  
  - O (opposed); S (supported)
- Arms sales law revision (1976)  
  - S (supported; some organizations supported; others opposed)
  - O (opposed)

**Trade Issues:**

- Automobile domestic content (1982)  
  - S (supported); O (opposed); O (opposed)
- Lower tariffs (1974)  
  - O (opposed); S (supported); S (supported)
- Lower tariffs (1970)  
  - S (supported); O (opposed); S (supported)
- Lower tariffs (1962)  
  - S (supported); S (supported); S/O (supported); S/O (supported)
- Lower tariffs (1962)  
  - S (supported); S (supported); S/O (supported); S/O (supported)
- Shoe imports (1978)  
  - O (opposed); S (supported)

a Some organizations supported; others opposed
(S = supported; O = opposed)

Sources: National Journal 15, 19 (May 7, 1983).
On the trade issues at the bottom of the table, we find an even more complex pattern. The citizens' organizations were not so active here. Instead, those issues engaged commercial organizations such as the Chamber of Commerce and the retailers of specific commodities and the administration which supported lower tariffs on the other side, opposing tariff reductions and actively supporting automobile domestic-content legislation, that would have severely reduced trade in automobile components as well as fully assembled automobiles.

Finally throughout the table, there are indications of relative clue when organizations were not sufficiently motivated to actively support or oppose particular piece of legislation.

Thus, the special interest groups by organizing, stand a better chance of controlling the political system or at least manipulating it in their favour. If the group is successful, it can impose protective tariffs, subsidies, legally protected cartels or any other law in favour of the group.

But rarely are the interests of any one group is con-
sistent with the interests of the society as a whole. For example, import quotas on Japanese cars may enable American automobile manufacturers to earn larger profits and the members of the United Auto workers to obtain higher wages. But the American economy as a whole is worse off import quotas because, firstly, a typical American must pay more for a car and secondly, in the long run, investment patterns will be distorted towards enterprises that appear profitable but actually are not.

Consequently, to evaluate the role played by the various interest groups (both in the protagonist and the target countries) to maximize their pay-offs in the form of goal-achievement from the imposition of economic sanctions, necessitates to look into some significant sanctions cases. For a list of lobbying organization refer Appendix-IV.

5.1 Countries

5.1.1 Cuba

When in 1960 following the installation of missiles on Cuba, the United States imposed a set of export controls, Cuba reacted strongly by intending to intervene and seizing the American companies of Sears Roebuck Woolworth and Coca
Cola. Moreover, many Canadian companies which were controlled by US parent companies were compelled to cooperate in enforcement of the export embargo. For example, a subsidiary of Continental Can in Canada, which after being learnt that a Canadian Steel Company had an order for tin plate from Cuba, told the steel company that if it filled the order, it could expect no business from Continental Can for the indefinite future.

Cuban industry primarily of US design could not get maintenance and operations supplies from any other source. US machinery and vehicle shipments to Cuba declined from $189 million in 1957 to $101 million in 1959 and to $28 million in the first eight months of 1960. There were a number of reasons for this decline including Cuban import and exchange controls, the reluctance of US firms to advance credit, reduced orders by management because of the uncertain situation and the reluctance of US suppliers to make shipments to Cuba.

Some of the large claimants were represented by the Joint Corporate Committee on Cuban Claims (JCCCC) that demanded Cuba should reimburse former owners for expropriated property, before the United States began any process of
normalization. But a majority of large claimants did not support JCCCC such as Coca Cola and General Motors, who believed that future business with Cuba would provide enough compensation.2

Citrus and Sugar companies supported US embargo from the fear of competition with Cuban produce. Cuba has approximately 60% as much acreage under citrus production as does Florida. US cane and beet sugar interests already suffer from inroads made by corn and artificial sweeteners and they actively protect themselves from all foreign competitors. In 1977 they were successful in thwarting even modest attempts by some members of the Congress to relax the embargo.

Thus opposition of groups present an obstacle to a change in U.S. policy but their significance has been overestimated only because the groups that favour a relaxation in tension are much weaker.

The most prominent organization that represented Cuban Americans, who favoured a change in policy, was the Cuban-

American Committee. It has a small office in Washington and maintained a close contact with non-Cuban Hispanic groups. In the late 1970s, it made an effort to open a "dialogue" with Cuba. One result of that was the decision by the Cuban Government in 1979, to permit the visits by exiles.

Some companies had sought to lift the embargo in order to benefit from the renewed commerce. But their ardour was diminished by several factors. Firstly, most of them had a concern of appearing unpatriotic and official hostility towards Cuba had made business executives shy. Secondly, the Reagan administration's posture made the exploration of markets in Cuba - a futile effort. Finally, conditions in Cuba appeared to reduce the size of the likely market for U.S. business.

The most ardent anti-Cuban interest groups are located in Florida and New Jersey, though with their campaign funds collected through their political action committees may help them to gain some footing elsewhere. But much could be accomplished in reducing tension without even relying on the Congress. The President has the authority to relax or even end the embargo without congressional approval. Moreover, such endeavour would have some support in the legislature as
well as public. Thus a new policy towards Cuba was not a visionary proposal but in consistence with the domestic political reality of the United States.

5.1.2 Latin American Countries

U.S. business interests throughout the Caribbean basin are quite substantial. Virtually every major corporate sector in the U.S., be it agricultural business, manufacturing, banking, mining, petroleum or the service industries, has a significant stake in the Caribbean basin.

There are large number of small firms and investors that only have holdings in the Caribbean, unlike the Multi-national Corporations and for them the region is extremely important as they develop their investment strategies and future plan for international expansion.

Among the big corporate interests in this region, the Rockfellers clearly predominate. They are involved in tourism, in petroleum (through Exxon and earlier through Basic Resources International) and in banking (through Chase Manhattan which has offshore facilities in the Caribbean and has but hundreds of millions to governments in the region.

These findings lead to the question of what role US
business plays in shaping the US policy making in the Caribbean basin. Since the US business interests there are substantial, do we see that they are actively involved in supporting or advocating an aggressive, counter-revolutionary strategy in Central America? But if this is so then the assertion that the US national security interests are at stake is merely propaganda designed to mobilize a reluctant US public to support an interventionary policy, that is merely designed to protect US business interest.

Several of the business organizations act in close concert with the interventionist policies of the Reagan administration. The Rockefeller family has been specifically active in linking the business community and the Government together over Caribbean issues. US business Committee for Jamaica set up in 1981, where Rockefeller was instrumental in getting Reagan to purchase large quantities of Jamaican aluminium for the US strategic stockpiles.

Another special project of David Rockefeller is the American Society, 1981, concerned with political issues and believed that relationship between the US and other countries in the America, is "not exclusive by economic but rather is based firmly in similar political aspirations"
asserted that the administration believes the private sector has a vital role to play in the hemisphere" and "we are pleased that the American society has been found and we heartily endorsed its objectives.\textsuperscript{3}

Of the organizations that affiliated with the American society - the Council of the American has been mostly consistently involved in shaping U.S. business and political relations with Latin America and Caribbean. It sends business delegations abroad, encourages new investments, holds special forums or meetings between business and government leaders and has directed its attention to the major problems confronting the US in Latin America, ranging from the election of Salvador Allende in Chile in 1970 to the recent attempts to deal with the debt crisis of the leading Latin American governments.

The American government intervened in countries where American corporations' interests were threatened. In 1954, the United States helped to overthrow the Guatemalan government, an action that was strongly favoured by the United Front Company which operated extensive banana plantations in

Guatemala. In 1970, American covert activities in Chile were intended first to prevent the election of Marxist candidate Salvador Allende and then bring about his downfall once he was elected President. These were precisely the objectives of ITT which feared expropriation of the Chilean investments. Even it (ITT) offered a million dollars to American government to find anti-Allende activities. It also maintained close contact with the CIA, through ITT board member John McCone, who had been director of the CIA a few years before.

In the case of Caribbean basin, the Council of America has deferred to another organization which it helped found in 1980 - the Caribbean/Central American Action or C/CAA. Today the C/CAA is unquestionably the key business organization dealing with the Caribbean basin. More than any other organization the C/CAA reveals the growing collaboration of the government and business communities in the effort to halt the revolutionary forces. The C/CAA is directly involved in providing support for Reagan's policy objectives in Central America. Its ambitions and operations is strengthening this, between the U.S. Chamber of Commerce and similar business organizations throughout Central America to
link together the local business interests and the US corporations with investments in the region.

5.1.3 Others

Interest group politics has received generous amount of attention in the 1980s. There are numerous ways in which foreign interests intervene in domestic politics and thereby influence policy decisions.

Many foreign policy issues involve clear cut economic stakes for American Trade policies are perhaps the best example. Most analyses of trade policies find that interest groups are very active although industries seeking protection have been largely unsuccessful in fighting President's commitments to low tariffs. President Reagan ultimately had to agree to a quota on Japanese cars after being pressured by American auto makers and automobile unions. The dramatic increase in oil prices in 1973-74 radically changed American perception of energy policy. Before 1973, energy decisions were made strictly according to the domestic

politics of specific fuels. Again, when President Carter forbade grain sales to the Soviet Union following that nation's invasion of Afghanistan in 1979, he met widespread criticism in the Midwest. Reagan made the embargo a key issue in his 1980 quest for the presidency and in 1981 announced the termination of these sanctions, even as he continued to criticize Carter for not being tough enough on the Soviets.

Since the Vietnam war, interest group participation on foreign policy has become legitimatized. Americans no longer automatically accept the existence of a single correct foreign policy that commands bipartisan support.

Church groups, branched out into concerns for nuclear disarmament, the conflicts in El Salvador and Nicaragua, the ending of apartheid in South Africa; secular organizations formed for each of these policy areas as well, most prominently the nuclear freeze. Groups advocating a more aggressive foreign policy toward the Soviet Union, also formed. The Ad Hoc Congressional Committee on Irish Affairs was formed for an American policy toward Northern Ireland that

5. David Howard Davis, Energy Politics, 3 ed. (N.Y. St. Martin's, 1982).
would be more favourable to the Catholic population. The programme of these caucuses indicate that, foreign policy formation in the United States, is becoming increasingly similar to the politics of domestic policy.

Following Turkey’s invasion of Cyprus in 1974, which led a partition of Cyprus into Greek and Turkish communities and massive population dislocation, the Greek lobby successfully argued for an embargo on arms sales to Turkey. The embargo was repealed in 1978, when the Carter administration argued that Turkey was an important military site for western alliance.

For countries such as El Salvador and Nicaragua, where American policy is more controversial, foreign policy lobbies are dominated by religious organizations such as the Washington Office on Latin America with few ties to the indigenous communities.

The sudden thrust of the black ethnic lobby into foreign policy prominence indicates, just how important the role of public opinion is to any group, attempting to influence international affairs. The major oil companies which are among the largest American investors in the Middle East,
have shied away from the open alliance with the Arab Cause (Arabs are portrayed as terrorists or exploiters of the American economy through their oil weapon)\textsuperscript{6} most of the time because they fear the public impact of such a tactic.

5.1.4 South Africa

South Africa is an unusual case in the history of the use of sanctions, as the economic penalties imposed on the country had been peoples sanctions rather than the result of government calculations of national interest.

The government lobbyists tried to persuade, that the ban on U.S. pension fund investments in companies that do business with South Africa would hurt the Americans, because the value of the pension funds would decline if blue chip stocks were sold. Washington based lobbying group called Buthelezi, highlighted the integral role played by the U.S. companies in lobbying on the South African issue. Because of the apartheid controversy, the companies had become unusually active in attempting to maintain their business

activities in ways that did not contribute to the racial problem, i.e., by observing the Sullivan principle which required equal pay for all employees. More than hundred companies were following this principle, out of which fifty companies were debating over economic sanctions. Paul T. Murphy, the director of the National Foreign Trade Council said, that the companies oppose economic sanctions because they believed that it would hurt the government and would not produce any change. Instead, these companies argued that they could do more to further black rights by remaining in South Africa and operating under the Sullivan principle: "Our only leverage is in our presence", he said. Moreover, in repeated speeches, two Senators, Helms and Lugar warned that the sanctions would not force a change in South Africa's racial policies, which was the result of intensive lobbying of these two farm senators by South African Foreign minister P.K. Botha, who said that South Africa would retaliate against U.S. sanctions by refusing to buy US farm foods and barring shipment of these products to neighbouring black states whose transportation links were controlled by Preto-

ria. Botha told reporters in Johannesburg, "If you rob us of our markets, we have to look out after the interests of our farmers".

The anti-apartheid lobby's campaign was particularly successful in the United States where 33 cities, 19 countries and 25 states took some action to withdraw their business from banks and companies with links to South Africa.\(^8\)

In the United States, early protest was focused on the consortium of ten banks led by the Chase Manhattan (N.Y.) that provided South Africa with $40 million in rescue loans, thus making available funds to compensate for capital leaving the country because of political brutality. There were few easily identifiable consumer products to boycott, but a lively campaign was developed against the South African gold coin, Krugerrand. The Polaroid Corporation workers waged an early, dramatically successful campaign, risking their jobs to stop their employer from continuing to supply the South African government with films for its notorious

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identification card system.

The movement focused on ending U.S. corporate and financial engagement with apartheid South Africa. The divestiture movement sought to wake institutions like churches, unions, municipalities and states to sell their holdings in all corporations with direct investments in or with loans, to South Africa.

By the end of 1981, 28 states, 25 countries and 91 cities had taken economic action against corporations with investments in South Africa. One economic lever was the use of selective purchasing, i.e., preference was given to companies not doing business in South Africa.

By 1982, the General Electric pulled out of a $138 million joint venture with a South African oil company, admitting that public pressure in its Connecticut home base had influenced the decision. By 1989, key companies like Mobil, were pulling out. At the end of the decade, some two hundred companies had eliminated their investments in South Africa. In mid-1985, when Chase Manhattan of New York refused to renew South African loans, other major banks followed the suit. Although the oil companies had not supported the oil embargo, South Africa had to pay a premium
of up to $2 billion a year to evade the ban by OPEC and other oil producing countries.

Thus many American companies and several South African firms had helped to change the face if not the core structure of apartheid.

American companies had been on the forefront in removing radically discriminatory practices within the workplace in South Africa along with the active minority of U.S. firms that challenged Pretoria's restrictions on training and advancing of blacks into more skilled positions in the late 1970s.

5.1.5 Middle Eastern Countries

During the 1973 oil embargo, the oil companies suffered tremendously when a number of U.S. multinational properties were nationalized because of the US government's support and air-lifting of materials and supplies to Israel especially when Iraq announced the nationalization of the Near East Development Corporation owned jointly by Exxon and Mobil. Consequently, the oil multinationals became the more vulnerable targets for which the Chairman of the boards of Aramco's parent companies sent a memorandum to President Nixon
urging support for settlement in the Middle East and warned that the official American policy towards the Middle East pose a threat to its own interest. "The whole position in the Middle East is on the way to being seriously impaired with Japanese, European perhaps Russian interest largely supporting United States' presence in the area to the detriment of both our economy and our security." 9

The pro-Israel lobby, headed by the American Israel Public Affairs Committee (AIPAC) served to enhance the relationship between the two countries and tried to quell criticism of Israeli policies that emanated from the Congress.

The Arab lobby, on the other hand, had tried to strengthen U.S. tied to pro-Western Arab governments and to persuade policy makers to change U.S. politics toward Israel. Instead, Reagan became sympathetic to Israel's problems and increasingly distrustful of the Arab regimes.

5.1.6 Multinational Corporations

In any case, the multinational corporations (MNCs) and the Government have often been at direct odds with one another. At least until 1970s, the United States unequivocally supported Israel in its conflict with Arab countries, even though the American oil companies with investments in Arab countries would have preferred otherwise. In 1976, the administration supported the imposition of an embargo on Rhodesian chrome imports, the directly affected American corporations disapproved. In 1982, a British subsidiary of an American firm shipped turbines for the Soviet gas pipeline in spite of Reagan administration sanctions that prohibited sales for that project.

It is useful in weighing the impact of the lobbies on the judgement of Congress in the foreign relations field, to distinguish among foreign governments lobbies ethnic, interest, public interest and interest groups. Foreign governments also hire public relations specialists who, through the mass media, try to establish the public image desired by the client country. This activity is equivalent to 'grass-roots' lobbying.
5.2 Impact of Foreign Governments on Congress

With increasing frequency, foreign governments now address themselves directly to Congress. The Turks communicated by deed when they closed US bases in protest against the Congressionally imposed embargo on arms export to their country. In the summer of 1978, the Senate Foreign Relations Committee conditionally lifted the embargo. On August 25, 1975, during the height of Congressional opposition to a proposed sale to Jordan of 14 Hawkish missiles batteries, all 100 Senators and 50 key representatives were started to receive a personal letter from King Hussain of Israel. Hussain felt he had good relations with the United States and many Israeli supporters in the Congress. After some modifications of the weapons' specifications, Congress did vote Hussain his missiles. On balance, the latter did more good in influencing undecided votes.

Perhaps the most fruitful visits of friendly persuasion by a foreign Head of State were those of President Anwar Sadat of Egypt. In 1977 and 1978 Sadat met both House and Senate Committees, which played an important role in turning Congressional opinion to accept the sale of US jet fighters to his country and in preventing Congressional opposition to
the Carter administration's increasingly tough line toward Jerusalem. On the other hand, Israeli Defense Minister Moshe Dayan in April 1978 convened, what the participants described as a private rump session of the Senate Foreign Relations Committee to discuss strategy for blocking the sale of fighters to Arabia, proved effective.

But the present day world is embarking upon a new techno-economic paradigm in which the main factor of production is knowledge or information. The United States Government Interagency working group in its report has recognized that "America's leadership in high-technology lies and it has been a matter of concern that the transfer of biotechnology abroad might jeopardize America's scientific and commercial leadership and national security interests." Therefore, the concept of intellectual property has taken on special urgency in high-technology areas, especially in electronics, telecommunications, biotechnology and pharmaceuticals.


Consequently, the protection of intellectual property rights has become one of the most important items on the trade policy agenda of the United States. An important aspect of intellectual property laws is that they are national in character.

5.3 Intellectual Property Right and Special 301 of U.S. Trade Act of 1974

So the International Intellectual Property Alliance (IIPA) urged that the identified 32 countries should be either (a) identified as Priority Foreign Countries pursuant to the Special 301 mechanism for having "the most onerous or egregious acts, policies or practices" that deny adequate and effective protection or intellectual property rights or deny "fair and equitable market access" to US persons that rely on such protection\(^{12}\) or (b) placed on, or maintained on, the Priority Watch List or (c) placed on or maintained on the Watch List (refer Appendices V and VI). The trade losses due to piracy in these 32 countries (not including Special Comment Countries) breaks out as follows:

\[\text{\textsuperscript{12}}\text{ 19 U.S.C. 2242 (a), (b) (i) and 2242 (b) (i) (B) and (C).}\]

182
<table>
<thead>
<tr>
<th>Industry</th>
<th>Loss (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Software</td>
<td>3,346,000,000</td>
</tr>
<tr>
<td>Motion Pictures</td>
<td>1,219,400,000</td>
</tr>
<tr>
<td>Music Publishing and Sound Recordings</td>
<td>1,146,500,000</td>
</tr>
<tr>
<td>Books</td>
<td>556,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,267,900,000</strong></td>
</tr>
</tbody>
</table>

Source: Refer Appendix V: Special 301 recommendations and US Trade Losses due to piracy.

### 5.3.1 India

Thus the U.S. government's move to place India in the priority watch list of special 301 provisions of the United States Trade Act was mainly prompted by the mounting pressure from its pharmaceutical lobby. According to the ex-United States Trade Representative Carla Hills "India had been targeted because it provided an inadequate level of patent protection including too short a period of production and overtly broadly compulsory licensing provision. As a result of total lack of protection of certain classes of invasions, particularly pharmaceuticals many US patented products are widely pirated",\(^\text{13}\) for which the pharmaceutical industry suffers a loss between $123 to $244 million per year.

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India has been subjected to relentless pressure, particularly since 1985. Indian business firms linked to foreign multinationals, tried to prevent and lobbied vigorously against it, because the patent policy has helped considerably to step up bulk drug production by medium and small companies which helped it to achieve self-sufficiency in more than fifty-four drugs.

A strong global standards for intellectual property protection are of vital importance to the United States research based pharmaceutical industry. Despite many successes worldwide, the industry still faces many difficulties in markets outside US, most notably from unlawful infringement or piracy of US companies products which costs approximately $5 million a year.

5.3.2 Japan

Japan had asked for an exception from General Agreement on Tariff and Trade (GATT)'s comprehensive tariffication plan, on the rice issue on grounds that it is already a huge importer of agricultural products and thus must avoid becoming dependent on foreign imports of its staple grain. Japanese farmers took their tractors to streets of Tokyo on
December 15, 1992 to demand that the Government should stand by its ban on rice imports and not to bow to international pressure. Insecurity among farmers arose since United States European officials agreed on December 1992, to phase out export subsidies for agricultural products. That more indirectly pressurized Japan to compromise by partially opening its rice market to save the ongoing worldwide talks under GATT, so United States gets a new rice market. Again on December 1993, the United States warned Tokyo on Software copyrights. One group of major US computer and software firms, including International Apple Computer Inc: feared that decompilation would allow any one to look at the code of a computer programme without being prosecuted for a copyright violation, that would severely cripple the rights of the software makers, for which Washington is gravely concerned.

In addition, the Asian Pacific Economic Cooperation (APEC) forum - the 18 nation body Clinton has embraced as the vehicle for strengthening the ties between United States and the dynamic economies of East Asia is in trouble due to the recent US clashes on trade issues with Japan and China.
5.3.3 China

The Clinton administration's policy to link trade with Beijing's human rights performance is seen as counterproductive and thus Douglas H. Paal who directed Asia policy on National Security Council under ex-President Bush said, "If you find a policy is not serving U.S. interests, then you sacrifice somebody and get rid of the policy. That's how we do it in Washington". Consequently, the Clinton administration which is under pressure from the American business community to continue China MFN trade status, is virtually pleading the Chinese to for signs of human rights progress so it can avoid a trade war. Further, complicating the US position is the fact that even many Chinese pro-democracy activists oppose the rescinding of trade status. On the other hand, China is planning to gear up its lobbying to secure the extension of its MFN trading status by targeting companies dependent on Chinese purchases. The most prominent target is to be civilian aircraft manufacturers in US. So more than 300 US companies demanded that China's MFN status be extended without politi-

14. Ibid.
cal conditions, as its huge market cannot be ignored that touches $103.95 billion in 1993. Consequently, Clinton's economic advisers are worried that a break in trade with Chian would harm American companies, so Clinton should divorce trade from human rights issue, which could be handled in forums like the United Nations.

5.3.4 Pakistan

In 1991, when US imposed sanctions for two years on two Chinese defence industries and Pakistan's Space and Atmospheric Research Commission (SUPARCO) under the Missile Technology Control Regime (MTCR) Category 2 on items as rocket propellants, mechanisms for separating rockets stages, rocket motor cases, instruments, teaching systems and certain types of computers and software and several other items, there was industrial lobby pressure on Washington as it would cost a few thousand highly skilled jobs in the USA which may compel the revision of the sanctions. If imposed, trade to the tune of about $3-4 billion annually may be affected. Simultaneously, willingness of the US government to impose such strict sanctions at considerable cost to itself, is a testimony to its determination to come out strongly against missile proliferation.
5.4 Conclusion

Thus it may be concluded that numerous and diverse interest groups are concerned about the effects of American foreign policy on their interests. Those interests are represented by hundreds of organizations which lobby for special interests and the general public; labour, and business, energy producers environmentalists, food producers and food consumers and even foreign governments and corporations. Some of them are concerned with American foreign policy toward one particular country or region; others are concerned with more general policies. These organizations lobby in the executive branch as well as in the Congress. They try to exercise influence by contributing to Congressional candidates, election campaigns, by stimulating public meetings to government officials, and by providing information to policy-makers on detailed technical questions.

But to understand the real motivations behind US actions one needs to go beyond the stated factors. Today it is the only superpower left after the collapse of the Soviet Union.

In the emerging unipolar context, the US is in a position to 'discipline' those countries who do not comply with
the US priorities. It is evident that the US is engaged into turning its advantages into economic gains: Super 301 trade law is an classic example of this kind.

An interest group of particular significance is large multinational corporations whose interests transcend national boundaries. Their size and transnational character suggest their potential political and economic significance. They have an impact on government policies and an independent impact on other countries through their business activities.

The interests of big business are sometimes ambiguous and diverse. Individual corporations have encouraged military intervention and covert operations in other countries on many occasions. But the available evidence on attitude and stock market behaviour suggest that as a whole, big business executives and other capitalists are not highly supportive of war as an instrument of policy. Nevertheless, political resources, activities and impact of big business generally far greater than any other interest group in American society. There may be some counterveiling power because US is a pluralist society with a pluralist political system. But the political resources are not distributed
among all the interest groups.

But the unilateralism of Super 301 goes beyond the post-war trend of multilateralism and increased liberalization of world trade raises the ugly spectre of protectionism that proved to have such dire results in the 1930s.\textsuperscript{15} In the current economic climate, the President of the Business and Industrial Council, John P. Cregan urged the U.S. President to take a more aggressive role in trade negotiations and seek specific numerical results from its talks with countries like Japan.\textsuperscript{16}

Taking "firm stands" against "unfair" foreign competition appears among influential pressure groups. The decline of US companies competitiveness in foreign market places is a result of the inflation of the dollar in relation to foreign currencies which in turn, is caused by the need to finance the budget deficit through borrowing.\textsuperscript{17} A stronger

\textsuperscript{15} P. Gadbaw, "Reciprocity and Its Implications for US Trade Policy", 1.4 Law and Policy International Business 691 (1982).

\textsuperscript{16} "Conservative Groups Urge Trade Sanctions, Warn Bush's Policy May Hurt Election Bids" 8 International Trade Representative (BNA), 4 December 1991, at 1770.

\textsuperscript{17} G. Corden, "The Revival of Protectionism" (1984); Holland, "Bashing, Bullying, mBlaming Japan, U.S. deals with a Deficit", Los Angeles Times, 7 May 1989 at 1 col.1.
Super 301 would cause the United States to violate GATT which would further antagonize the main U.S. trading partners.

Retrenched internationalism differs from isolationism in that it recognizes that the US has external security interests even without the Cold War, in an increasingly interdependent world that the U.S. cannot completely opt out of. As an overall objective, the U.S. should decide, what its core external needs and interests are (primarily in territorial sense) and which aspects are peripheral to American national interests.

Neither is the Administration sure how to marry economic weapons with foreign policy priorities as has been noted in its dealings with Chian but also in a different manner with Japan. If military intervention is, to become less favoured by the White House, how will it ensure non-military methods, such as economic sanctions achieve its goals given their checkered record to date?

The enforced retreat from New International will not lead to a more assertive unilateralism either in the deployment of military or monetary resources.
Foreign policy after 1993 will display an acquired and enforced scepticism about the political advisability of multilateralism especially through the vehicle of the UN.18

The world economy has become too important for a country not to have a world economic policy. What is needed is a deliberate and active - aggressive policy - that gives the demands, opportunities and dynamics of external economy priority over domestic policy demands and problems. We do not usually ask whether domestic decisions will hurt American competitiveness, participation and standing in the world economy. The reverse must become the rule - will a proposed domestic move advance American competitiveness and participation in the world economy?19

In this connection the cost effectiveness of Economic sanctions as a policy instrument is of vital importance. The next chapter takes into account this aspect.
