

Agricultural Trade: A Glass Half Full

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Food Fights over Free Trade: How International Institutions Promote Agricultural Trade Liberalization. By Christina L. Davis. Princeton: Princeton University Press, 2003. 416 pp., \$39.50 (ISBN: 0-691-11505-2).

Most scholars and practitioners who write about agricultural trade look at the slow pace of liberalization in this area and see a glass half empty. In the Tokyo Round of the 1970s, which saw great progress in reducing tariffs on manufactured goods, agriculture was treated as a side issue. Europe refused to modify its trade distorting Common Agricultural Policy, and Japan kept in place a large number of quotas on goods ranging from oranges and rice to canned pineapples.

Similarly, the conclusion of the Uruguay Round of 1986–1994 was delayed for several years, largely due to difficulties convincing developed nations to accept limited market opening and subsidy cuts. Japan agreed to convert its agricultural trade barriers into tariffs. But when it finally got around to setting a tariff on rice, it set the tariff at a prohibitively high level of about 450 percent. The Europeans agreed to modest changes in the Common Agricultural Policy but continued to subsidize exports. The difficulties that plagued the Uruguay Round are again delaying progress in the latest Doha Round, with the most recent meeting in Cancun ending without progress largely because developing nations, seeking expanded export opportunities for their farmers, were frustrated by the unwillingness of the developed nations to offer concessions in this area.

In *Food Fights over Free Trade*, Christina Davis surveys this record and, in contrast to most observers, sees a glass half full. Her focus is on the liberalization that *has* been achieved, despite powerful opposition from producer groups in Europe and Japan. The Japanese quotas, for example, were eventually eliminated, and Japan now imports so much beef that the interruption in supplies of US beef after the recent mad cow scare forced a large restaurant chain to discontinue sales of its signature dish. Even the Europeans have made concessions, accepting reduced import duties on citrus products and export subsidies on pasta.

Davis explains the progress that has been made in this area by pointing to two ways in which international institutions facilitate liberalization: by *linking* agricultural trade deals to progress in other areas like manufacturing and services, and by shaming violators of trade rules in the GATT/WTO dispute settlement process through a process of *legal framing*. As she puts it, “rules persuade more than power—whether the power of politically influential interest groups or US pressure” (p. 15).

This position puts Davis clearly at odds with two schools of thought on agricultural trade in particular and international political economy in general. First, she challenges realists like Stephen Krasner (1991) who argue that trade partners give in to US pressure because they depend on access to its market and on its military protection. Davis shows, by looking at a wide variety of cases in which the United States has exerted strong pressure, that the pattern cannot be explained by looking only at the US’s leverage and demands. The US pressure translates into much greater trade concessions when it is exercised through international institutions.

Davis simultaneously challenges the extensive literature on agricultural trade that has emphasized the domestic political power of producer interests (Keeler 1996; Mulgan 2000). Analysts in this tradition argue that agricultural trade concessions are only likely if domestic actors concerned about the budgetary costs of protectionist policies mobilize in favor of reforms. Davis grants that the power of producer interests explains the slow pace of market opening. Yet, she argues that the features of the international negotiation context, which she emphasizes, better explain when and why Europeans and Japanese made concessions than any political concerns about the budgetary costs of protectionism.

Davis's focus on the negotiation context puts her firmly in the neoliberal institutionalist and constructivist camps. Her work is clearly inspired by Robert Keohane's (1984) analysis of how international cooperation is facilitated by the role regimes play in linking issues and reducing transaction costs. Her hypotheses also build on works that point to the influence of international norms (Chayes and Chayes 1995).

What is most impressive about *Food Fights over Free Trade*, however, is not the theoretical terrain Davis maps but rather the way in which she systematically compiles evidence to support contentions by using a mix of quantitative and qualitative approaches. First, she employs an original dataset covering all negotiations over agricultural trade issues between the United States, on the one hand, and Europe and Japan, on the other. Other quantitative analyses of trade bargaining have tended to focus exclusively on GATT dispute panel outcomes (Busch and Reinhardt 2002) or US Section 301 trade demands (Bayard and Elliott 1994). But as Davis notes, the reality is that the same product is often the subject of negotiations in several different contexts. It may start as a bilateral dispute, then become the subject of a GATT dispute panel, and finally end up being the subject of multilateral negotiations as part of a GATT round. Davis's dataset allows her to test what difference these shifts in negotiation structure make on bargaining outcomes.

Her finding, in brief, is that rules do make a significant difference. Multilateral rounds with tight linkage between agricultural deals and issues in other sectors yield the greatest liberalization, but "legal framing" through dispute panels also facilitates liberalization. One of the most interesting findings from her quantitative analysis, however, is the contrast between the Japanese and European Union (EU) responses to dispute panel losses. Both nations are likely to liberalize somewhat if the United States takes a case before a dispute panel and seeks an early settlement, ahead of a panel ruling. The countries diverge, however, in their responses to actual rulings against protectionist policies. Japan liberalizes significantly in response to a negative ruling whereas Europe has refused to liberalize, despite hefty retaliatory sanctions authorized by the World Trade Organization.

This perplexing finding provides a topic for further investigation in the second half of the book, which is comprised of a series of case studies. The case studies are also designed to examine whether the specific causal mechanisms that Davis identifies in her hypotheses about negotiation structure actually show up if one looks closely at the bargaining process. The cases studies she selects are important in their own right, but they are also well selected to yield comparative inferences. Chapter 5, for example, looks at how Japan became more willing to concede to US demands for an end to its agricultural quota policies as the negotiation context became steadily more legalistic.

Her case studies of the differential impact of dispute panel rulings (that is, Japanese agricultural quotas and European prohibitions against importing hormone treated beef) point toward a more complex understanding of how negotiation structure interacts with domestic politics to produce concessions. Japan has been more willing to yield because international law is given precedence over domestic law in the Japanese constitution and because the public is broadly supportive of following international law to settle trade disputes. The European Union has been

less willing to give in when faced with a very similar situation because dispute panel rulings do nothing to broaden participation in the policymaking process beyond the recalcitrant Agricultural Council.

The only shortcoming of *Food Fights over Free Trade* is one that Davis openly acknowledges. Her focus on the effects of negotiation structure leaves her open to the charge (principally from realist critics) that the choice of negotiation structure is itself a reflection of the power and interests of states. Her case studies clearly show that states bargain hard over structure. During the Tokyo Round, for example, the European Community worked hard to secure a deal that separated agreement on industrial tariffs (which Europe wanted) from a deal on farm trade (on which it did not want to make concessions). This deal essentially guaranteed that it would not have to make significant modifications to its Common Agricultural Policy. The ability of the United States to insist on tighter linkage during the Uruguay Round reflected its aggressive bargaining tactics, supported this time by the Cairns Group of agricultural exporters. If negotiation structure reflects shifts in power of this type, realists will not find Davis's findings too challenging.

Davis addresses this challenge in her conclusion by arguing that negotiation structure does matter because structures endure once they are established, and because states spend so much time arguing over them (p. 361). Her claims would be stronger, however, if she could show that the chosen negotiation structure in her various cases was determined by factors other than power. Such a finding would leave us more likely to join Davis in seeing agricultural trade as a glass half full, for which the choice of "better" negotiation structures for future rounds of negotiation might hold the potential of yielding even more liberalization.

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