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FEATURED BOOK REVIEWS

Lamenting Weak Governance: Views on Global Finance

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International Financial Governance under Stress: Global Structures versus National Imperatives. Edited by Geoffrey R. D. Underhill and Xiaoke Zhang. Cambridge: Cambridge University Press, 2003. 410 pp., $75.00 (ISBN: 0-521-81732-3).

International Financial Governance under Stress by Geoffrey Underhill and Xiaoke Zhang is too obviously a conference volume. The seventeen chapters, plus introduction and conclusion, are uneven. Nonetheless, the volume does contain worthwhile analyses and interesting stories, accessible to those who are familiar with the major contemporary debates about international finance. The book is organized thematically but not rigorously. The sections deal respectively with (1) concepts and arguments, (2) country case studies of emerging markets during the Asian financial crisis, (3) country case studies of "private-public interactions" in national financial regulation, and, finally, (4) norms and global governance. An alternative organization for the volume, focusing on the kinds of questions each contributor asks, might have helped clarify the ways these essays speak to one another. This review considers, instead, the contributions offering (1) prescriptive policy advice, (2) analysis of the political sociology of financial reform, and (3) theoretical perspectives on the "democratic deficit" in global financial governance.

The policy-oriented economists who contribute to *International Financial Governance under Stress* want to know what works and what does not. For example, John Williamson examines a series of policy variables—including opaque public and private accounting, moral hazard in the domestic banking system, fiscal or monetary excess, the wrong exchange rate regime—in Asian countries that faced currency and banking crises in 1997–1998. He finds that the common experience of countries that suffered crises was recent capital account liberalization. Vijay Joshi views the Indian experience through a similar lens, and both authors recommend limited capital controls. Manmohan S. Kumar and Marcus Miller evaluate the technical feasibility of various institutional alternatives proposed to compensate for the absence of a global lender of last resort. Along the way, they provide some clues to the bargaining strategies of actors including the International Monetary Fund (IMF), the US government, and private multinational lenders and investors. These user-friendly chapters are helpful and should have been grouped together. Unfortunately, they provide only a partial introduction to the several overlapping financial policy issue arenas touched on in the remaining chapters, which have a more direct political focus. For example, the Williamson and Joshi recommendations presumably apply to emerging markets only. Why did the editors omit a complementary summary of concrete policy options for advanced industrial countries afraid that financial globalization will inspire a regulatory race to the bottom or an end to the Western European social welfare state? These questions seem especially pertinent given that they clearly motivated the project as a whole. A quick

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tour of similar contemporary debates on domestic banking deregulation and re-regulation in developing countries, corporate governance reform, and exchange rate management (each of which is a distinct arena of contemporary financial regulatory policy) would have rendered the remaining chapters more accessible to a general international political economy audience.

Most of the country studies in *International Financial Governance under Stress* venture into policy prescription only incidentally, if at all. Several chapters attempt to articulate a political sociology of financial policymaking in one or a few countries. In general, they ask who supports which alternative policies, and why? For example, Vladimir Popov warns against overvalued exchange rates, which he identifies as a key precipitator of financial crisis in Russia in 1998 and a source of weakness in other transitional economies. Popov draws an explicit parallel between Latin American economic populism and economic governance in the former Soviet Union and Eastern Europe today. He observes that overvalued exchange rates help weak postcommunist governments maintain mass consumption without having to tax newly wealthy and vastly influential capitalist oligarchs directly. Unfortunately, this fix is both temporary and risky for the national economy.

The chapters on Indonesia, China, and Japan see market-oriented domestic financial reform as necessary. Although more guarded, they also see the role played by the international financial community in pressing for these reforms as generally positive. For example, Richard Robison is deeply skeptical about how much Indonesia's crony capitalism has been transformed as a consequence of the deepest and longest postdevaluation banking crisis in East Asia, not to mention the fall of President Soeharto. The problem is at least twofold. First, the judiciary, tasked with pursuing cases of egregious white collar crime, is too corrupt and politically compromised to pronounce judgment and mete out punishment. Second, Robison asserts that the old conglomerates in practice can hold any government to ransom. Specifically, unless the domestic oligopolists are allowed to operate freely and profitably, private foreign investors will lack confidence in Indonesia's recovery and will not return. This thesis is strong and controversial, and it cries out for explicit comparative analysis. On the other hand, Andrew Rosser, also writing about Indonesia, identifies the resistance to greater corporate transparency and regulatory "good governance" as largely residing in the clientelistic parts of the vast state bureaucracy. Rosser reports on beleaguered orthodox technocrats elsewhere in the state, who hope that pressure from the international financial institutions and mobile foreign capital will push forward stalled reform. Shaun Breslin's chapter on Chinese domestic financial reform, or the lack thereof, is largely about relations between the center, on the one hand, and provincial and local governments, on the other. He pointedly assesses the national political leadership's justified fear that the social costs of market-friendly, efficiency-oriented financial reforms may lead to social upheaval. Clearly, these three contributors see the mix of opportunities and constraints from financial globalization differently. It is a pity the volume makes little effort to compare their visions more systematically. For example, Robison and Breslin seem to assume that private global investors hold most of the cards, whereas Rosser gives more weight to the influence of the International Monetary Fund.

The authors of the chapters on South Korea and Thailand, each of which experienced a serious crisis but has since substantially recovered, are more dubious about the consequences of neoliberal reforms, especially those insisted on by foreign actors. In harmony with the chorus of criticism of the IMF's prescriptions for Thailand (see especially Stiglitz 2002), Pasuk Phongpaichit and Chris Baker argue that the IMF's immediate postcrisis recommendations worsened outcomes for Thais. Although they generally support efficiency-oriented reforms, Phongpaichit and Baker point out that private foreign banks and investors have supported Thailand's domestic banking and corporate governance reforms for entirely self-interested reasons. In the end, the goals of multinational capital are seldom closely aligned with those of ordinary citizens in emerging markets. For example, they note that the International Monetary Fund and the US Treasury insisted that the Thai domestic market be opened for inward investment by foreign, especially US, banks, but that "American finance, in the form of Goldman Sachs and GE Finance, showed interest only in Bottom-fishing—buying and selling distressed assets" (p. 109). The Phongpaichit and Baker analysis of the activities of private international finance capital resembles that of Benjamin J. Cohen, author of one of the "concepts" chapters in the volume's initial section. Echoing the analysis of Williamson and Joshi, Cohen observes that waves of academic economists have rethought their previous resistance to capital controls as a viable option for emerging markets. Given that capital account liberalization continues to be the hegemonic ideology in intergovernmental institutions concerned with finance, Cohen concludes that power and interests must be driving this outcome, including both multinational finance capital with ties to the US government and internationalized sectors within developing countries.

A somewhat different weighting of the role of private US financial interests emerges in the volume's chapters on South Korea and Japan. Stephen L. Harris notes US and Organization for Economic Cooperation and Development (OECD) pressures on South Korea to open its external capital account as a good faith gesture to speed up its admission to the rich countries' club, but he interprets this less as an instance of inappropriate external influence than as a case of an excessively autonomous Korean bureaucracy, formed under an authoritarian state and habitually indifferent to public needs and preferences. (Note that this assessment contrasts sharply with Rosser's conceptualization of Indonesian technocrats as the good guys.) Interestingly, Masayuki Tadokoro locates the main source of international financial outcomes involving Japan squarely within the domestic political arena. He notes the US's refusal to share international financial leadership with Japan during the Asian crisis (for more colorful accounts see Blustein 2001; Laurence 2002), but he implies that it is Japan's inability to pursue domestic banking reform that has robbed it of both the moral authority and the cash that might have allowed the country to play this role.

The scholarly community concerned with the comparative and international political economy of finance should make a greater collective effort at cumulation and comparison. Even a brief taxonomy of financial issues, actors, and alternative policy solutions—such as the introduction to T. J. Pempel's (1999) book on the Asian crisis—would have helped the reader of this volume. The recent work of Jeffry Frieden and Ernesto Stein (2001) and Carol Wise and Riordan Roett (2000) provides hypotheses about the sectoral political economy of exchange rate politics, with several contributors beginning from the "liquid asset holders" versus "fixed asset holders" dichotomy. Stephan Haggard, Sylvia Maxfield, and several of their collaborators have attempted to model the politics of domestic financial reform and structural adjustment in developing countries (Haggard, Lee, and Maxfield 1993; Haggard and Kaufman 1995; Maxfield 1998). In their more recent work, they have each sought to understand how political democratization alters, constrains, and multiplies societal interests. Haggard (2000:219–222) has been willing to conclude that mass political democracy probably aids in the recovery from financial crises. Even if tentative, this hypothesis is significant. In contrast, the country chapters in *International Financial Governance under Stress* are mostly silent on the implications of democratization, except to note that it complicates policymaking by including new domestic actors, who make new demands, and by weakening a previously authoritarian state, which they seem to imply was more competent. For example, in their own case study editors Zhang and Underhill observe that the early stages of political democratization in both Thailand and Korea may have increased opportunities for the private sector to capture the regulatory process. Does their analysis have implications for the other stories being told here about regulatory conflicts in China, Indonesia, or Russia?

The third and final set of chapters, again scattered throughout the volume, are those that focus on international financial governance. These chapters include essays by Underhill and Zhang (introduction and conclusion), Jonathan Story (diverse ideological and theoretical perspectives on globalization), George Vojta and Marc Uzan (private sector involvement in international standard setting), Jean-Marc Coicaud and Luiz Pereira da Silva (generic global governance), and Andrew Baker (the Group of 7 and financial governance). These contributors frequently mention the "democratic deficit" at the international level, where financial policymaking is largely technocratic and dominated by those schooled in orthodox (that is, neoliberal) assumptions. As a result, for example, the international financial institutions routinely privilege inflation-fighting over stimulating growth or maintaining employment (see especially the chapter by Andrew Baker). These authors, mostly from western Europe, distrust US dominance of global financial policymaking—across the range of functions (from crisis management to standard setting) and across the policy venues they consider (in particular, intergovernmental and international public–private venues such as the Bank for International Settlements or the International Organization of Securities Commissions). The contributors are also concerned to preserve national capitalisms, along with variations within the OECD in democratically mandated social welfare benefits. Given this concern, several authors might have been clearer if they had focused more directly on relative power relationships in the interstate system. Coicaud and Pereira da Silva, for example, see the problem as one of a lack of legitimacy for international organizations, and they urge states to "become less protective of their sovereign powers" (p. 319). The reader might be forgiven for doubting that gentle exhortations to global policymakers will remedy the problem. Only Story's contribution attempts to analyze the relationship of power and interest driven ideologies at the global level. Commendably, he includes both the power of states and that of firms in his analysis.

The muted discussion of global power politics in most of these essays raises more than stylistic issues. Much of the contemporary literature on global governance presumes a global commonality of interests and values. Yet, the perception that interstate interactions are essentially competitive and that the job of national leaders is to pursue relative power rather than absolute gains, is clearly alive and well in the world's sole military—and financial—superpower: the United States. A view of preserving US security that requires maximizing US decision-making autonomy, free from entangling alliances, has dominated the George W. Bush administration. This view is attested by the continued US wrangling with both Europeans and the UN Security Council over policies in Iraq and by the Bush administration's declaration of the need for an offensive military capability. Why should the global monetary and financial arena be different? Both insider and journalistic accounts of recent international financial diplomacy and policymaking (as in Blustein 2001; Stiglitz 2002) highlight the structural power of the United States in this arena and US policymakers' willingness to use this power. Liberal institutionalists such as Michael Mandlebaum (2002) might prefer to stress commonalities of interests among the Western democracies and the ways in which mutual trust can assist in overcoming dilemmas of collective action (Olson 1971). Yet, in the financial sphere, in which the technical complexities of the issue arena have greatly limited wide public debate domestically and internationally, the more cynical analysis of the realists, or at least the neorealists, may be closer to the truth (on the US dominance of financial governance see Brawley 2002).

A more direct analytical focus on power and conflicts of interest at the interstate level is preferable for another reason as well. Underhill and Zhang define the democratic deficit in global financial markets largely as a consequence of the loss of authority and resources by all sovereign states in the face of increasingly wealthy, influential, and footloose global private capital. They note (Ch. 4:80–81) correctly that:

> [Although] financial integration tends to benefit mobile asset holders and enhances their ability to hedge against market volatility, it generally leads to welfare losses of internationally immobile factors of production, such as domestically oriented firms, labour and agriculture. This, together with reduced government intervention in market activities, has contributed to growing income inequality among different social groups within countries. . . . The traditional concept of democracy has therefore been rendered problematic by the fundamental mismatch between the national dominion of democratic politics and the global scope of markets which limit the competence and effectiveness of national political authorities . . . . Governments in most advanced countries have begun to lose credibility with the majority of the population as they experience increasing difficulty acting in the interests and on the desires of their citizens. . . . In many developing countries, the accentuation of already intolerable economic and social inequalities under the impact of financial globalisation has led to dangerous pressures on emerging democratic governance.

Consequently, Underhill and Zhang recommend "a change in the balance of power between public authority and private market interests and the accompanying transformation in the notion of 'public interest' that defines the financial order" (p. 83).

At one level, one cannot help but agree. Multinational bankers and hedge fund operators ought not to determine levels of inequality or employment in a national or a global context. But in painting the principal conflict as one of private versus public national interests two other conflicts of interest may be analytically buried. The first such conflict is that within the Atlantic Community, or more explicitly, between the United States and Europe. This division receives some attention in the volume, although it is not the primary focus of any chapter. A second critically important, although much overlooked, conflict of interests inheres in relations between the North and South globally. The legitimate demand of the advanced industrial democracies other than the United States for greater participation and representation—that is, democracy—in global economic policymaking is, in this volume and elsewhere, too often casually conflated with the equally legitimate desire of developing countries to have a greater say in global governance. Unfortunately, it is not clear that expanding the participation of the former easily leads to an increase in participation of the latter. Even though North–South economic bargaining should not be perceived as zero-sum, real differences divide their needs, values, and especially their preferred distribution of global resources (financial and otherwise).

Global governance of agricultural trade is an obvious case in which most Western European governments and Japan find themselves aligned against most developing country governments. But many similar instances are found in the financial and monetary realm as well (see Kitching 2001). For example, increasing numbers of activists and scholars in the wealthy industrial democracies understand "corporate governance reform" to mean encouraging institutional investors to divest of their emerging-market holdings to protest labor or environmental exploitation. But reasonable, and equally high-minded, observers might differ on this interpretation of reform, which reduces overall investment and employment in poor countries. Moreover, many of the intergovernmental bodies set up to study post-Asian crisis reform of the global financial architecture exclude developing countries or offer them only token representation, as Andrew Baker's essay recognizes. By this logic, enhanced cooperation within the North around the goal of regulating increasingly mobile private financial capital would be laudable, but it would not greatly reduce the global democratic deficit.

Interdisciplinary research agendas—which bring together political scientists, economists, business school professors, and the occasional international technocrat and which combine international/global and domestic/regional/national analytical foci—are to be encouraged. *International Financial Governance under Stress* represents such an agenda. But absent a greater collective effort at mutual listening and the drawing of explicit comparative lessons, we will not learn as much as we easily could.

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Keeping the Peace: Regional or Global Responsibility?

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The United Nations and Regional Security: Europe and Beyond. Edited by Michael Pugh and Waheguru Pal Singh Sidhu. Boulder: Lynne Rienner Publishers, 2003. 309 pp., $49.95 cloth (ISBN: 1-58826-207-3), $22.50 paper (ISBN: 1-58826-232-4).

The explosion of international peace and security operations after the Cold War has led to some complex changes in the ways in which the international system seeks to contain conflict and rehabilitate societies devastated by conflict situations. The institution of choice for these purposes has been the United Nations (UN), which has had decades of experience with peace and humanitarian operations. Since the 1990s, however, the UN has not always been the lead institution in these operations. By choice or by political necessity, other multilateral mechanisms have come to the fore—including a variety of regional institutions. *The United Nations and Regional Security: Europe and Beyond*, edited by Michael Pugh and Waheguru Sidhu, examines these cases. Commissioned by the International Peace Academy, the contributions to the volume look at how these post-Cold War regional arrangements have functioned, either instead of the UN or as part of larger UN-led operations.

The United Nations and Regional Security is the latest of several studies over the past decade that have tried to draw lessons from the experiences of United Nations peace and security operations (see, for example, Diehl 1994; Ratner 1996; Otunnu and Doyle 1998). Many of these studies have been internal reports of the UN, such as the Brahimi report (Panel of Experts 2000), and most, including those sponsored by the United Nations University (Thakur and Schnabel 2002), have focused on the operations undertaken by the UN itself. Regional peacekeeping, in part because it has been less frequent, has been given less attention, (see, for example, Mackinley and Cross 2003). By comparing operations involving nonuniversal institutions and by documenting the functions performed, *The United Nations and Regional Security* helps fill the gaps.

Although regional arrangements were foreseen in the UN Charter, their application is relatively recent. In fact, there have been relatively few cases in which regional arrangements have been used. Most commonly they result because action by the UN itself was impeded by a lack of consensus on the Security Council regarding intervention, or because of a lack of agreement on financing. In some cases, the armed nature of the conflict made it difficult for classical peacekeeping. In these cases, peacekeeping troops were required to fight, and the United States—one of the only military powers with a rapid reaction capability—is prohibited by domestic legislation from putting its troops under UN command.

The three chapters in part 1 of *The United Nations and Regional Security* outline the framework for analyzing regional arrangements, noting that the UN Charter provides for them in chapter 8, which allows the Security Council to delegate peacekeeping and enforcement responsibilities in specific situations. The main reason for regional arrangements, as noted by Louise Fawcette, is that the UN is simply not good at using deadly force (peace enforcement) because the organization lacks a standing military, cannot respond quickly, and—as was demonstrated in Bosnia and Herzegovina—is reluctant to launch combat operations. Regional arrangements like the Economic Monitoring Group in Liberia and Sierra Leone, the Australian initiative in East Timor, and the North Atlantic Treaty Organization's (NATO) involvement in the former Yugoslavia clearly enabled peace enforcement actions that were not possible through the UN at the time, as both Michael Pugh and Ian Martin's chapters note. This reluctance to authorize deadly force is not surprising given that the UN operates on the basis of consensus rather than command, which is better for peace building than for peace enforcement.

A key issue in all peacekeeping and peace enforcement missions, however, is legitimacy. The regional arrangements that were studied were in fact authorized by the UN Security Council, either before or after the fact. However, as the peace process continued, the weaknesses of nonuniversal implementing institutions seemed to grow and, eventually, they were replaced by operations under direct UN leadership. One reason for the erosion of legitimacy was that regional actors were not perceived as neutral in the particular conflict situation whereas the UN was. The critical role of neutrality for peacekeeping and peace-building operations has received even more confirmation in the US experience in Iraq.

The issue of legitimacy underlies the analysis in the second part of *The United Nations and Regional Security*, which focuses on European organizations—especially NATO and the Organization for Security and Cooperation in Europe (OSCE). The dilemmas faced in using these institutions are described in the chapters by Dirk Lieurdijk on NATO, by Anita Graeger and Alexandra Novosseloff on the OSCE and the European Union, and by Emily Metzgar and Andrei Zagorski on the relationships among Russia, the United Nations, and NATO. As a defense alliance that is transregional (including Canada and the United States), NATO is not the kind of regional arrangement foreseen in the UN Charter, but it has begun to undertake assignments outside Europe in what Lieurdijk calls "subcontracting." The role of the European Union is even more complex. That institution is not only nonuniversal within the region, it is gradually taking on attributes of sovereignty, which is quite different than the type of regional arrangement envisaged in the UN Charter. More apposite is the OSCE. But as a regional arrangement, the OSCE clearly lacks a peace enforcement capacity, and it therefore has been involved exclusively in postconflict security situations. Finally, the chapter by Metzgar and Zagorski deals with the Russian Federation. Because it is part of neither NATO nor the European Union but has been responsible for the failure of the Security Council to achieve consensus in some conflict situations, Metzgar and Zagorski argue that Russia weakens the capacity of European regional arrangements to work. They suggest that new regional arrangements must be developed that involve Russia directly.

In the end, the success of peace and security operations really depends on the success of the post-conflict peace building. Less literature addresses this aspect of peacekeeping (see, for example, Cousens and Kumar 2001) than the question of whether more muscular peace enforcement matters (see, for example, Morrison, Fraser, and Kiras 1997). A first step in successful peace building, as the current experience in Iraq attests, is to establish internal security. The four case studies presented in section 3 on peace operations in Europe highlight the difficulties faced by regional institutions seeking to work in the security sector. These chapters constitute the richest contributions in the volume. John Cockell's analysis of the participation of NATO and the OSCE in the missions in the Balkans shows how planning and coordination both helped and hindered the operations. A key factor in the success of these missions was how the regional institutions coordinated with the UN operations of which they were a part.

Peter Viggo Jakobsen's chapter focuses on how military forces that are part of operations can effectively be used for public security. This issue is now being faced in Iraq and Afghanistan and will clearly be a major issue in future conflict situations. Jakobsen's conclusion that "muddling through" will be the way of the future underscores the difficulties that will be faced in practice. It also demonstrates the importance of ensuring that the experiences are recorded so that lessons can be more effectively learned.

Similarly, David Marshall analyzes the revival of the judicial and penal system in Kosovo, a task undertaken by both the UN and the OSCE under the UN Mission to Kosovo (UNMIK) operation. Marshall shows how difficult, but important, it is to establish an acceptable rule of law if missions are to reduce conflict. He focuses primarily, however, on the processes that were essentially under UN control. On the other hand, Annika Hansen's analysis of strengthening indigenous police capacity in the Balkans looks at a function performed by both the UN and the OSCE. The results she reports were mixed.

Taken together, these four chapters are important discussions of a central issue of peace building. In all four cases, however, a key factor was close coordination of the effort under the UN, with a supporting role played by the OSCE or NATO. A lesson that could be drawn is that the regional institutions can function most effectively if they are part of a larger, and perhaps more legitimate, UN operation.

The fourth part of *The United Nations and Regional Security* deals with regional institutions outside Europe. Mely Caballero-Anthony's analysis of Asia focuses on the Association of Southeast Asian Nations, a growing regional arrangement mostly concerned with economic development. It shows the difficulties of using this kind of institution for peace and security operation by showing how the ASEAN Regional Forum (ARF), which was created to deal with political and security issues of common interest and concern, has had difficulties getting off the ground. Monica Herz's analysis of the Organization of American States shows how that institution, almost the classical regional arrangement foreseen in the Charter, has increased its role in the 1990s, often in collaboration with the UN. Finally, Funmi Olonisakin and Comfort Ero's analysis of the Economic Community of West African States (ECOWAS) and its monitoring group (ECOMOG) shows the real difficulties faced by using an exclusively regional group to deal with peace operations. The problems faced in financing a regional operation in a developing region are clear, as are the political neutrality issues of having peace enforcement from nearby countries. In the end, the experiences of ECOMOG have shown the value of incorporating the efforts of regional institutions into a larger UN operation.

The concluding chapter by Cyrus Samii and Waheguru Pal Singh Sidhu raises more questions than it answers. Samii and Sidhu argue that the demand for regional operations is increasing, but that, even though some improvement in supply of regional institutions has occurred, in the end the problems are more political than managerial. In essence, when the political will to use the regional approach has existed, forces have been deployed fairly effectively (what they call the "supply side"). But obtaining the political will (what they call the "demand side"), with an attendant conferring of legitimacy, has proven to be much more difficult. Samii and Sidhu's final questions deal with how to match demand with supply using the UN as the cover for engagement.

As a whole *The United Nations and Regional Security* is, in many ways, an argument for a much stronger UN approach to peace and security. The regional operations were created because a consensus could not be obtained for a universal response, but they were only successful if the responsibility for overall coordination passed to the UN. The unanswered question is how, in the absence of a consensus to act, particularly if conflicts have reached such a level of violence that coercive force must be applied to stop them, an institutionalized multilateral solution—other than an ad hoc "coalition of the willing"—can be found. The Iraq and Afghanistan cases are not particularly encouraging examples. One conclusion that clearly emerges is the importance of establishing the legitimacy of the operation, both in the eyes of the international community and the people living in the places in which the conflict occurs. The value of the UN in providing that legitimacy is clear.

A question answered in part in the volume is whether, under a UN-coordinated postconflict peace-building operation, cooperation with regional institutions can be valuable. The answer, drawing on the experience in the Balkans, is positive, but the issue remains whether it might have been better to have a completely UN operation rather than subcontracting part of the operation to regional bodies. To the extent that cooperating regional institutions can provide a cost-effective way of mobilizing resources for peace operations, their contribution can be significant. It is in this context that regional institutions can play the greatest role in the future.

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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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