

**Trade Threats, Trade Wars: Bargaining, Retaliation, & American Coercive Diplomacy.** By Ka Zeng. Ann Arbor: University of Michigan Press, 2004. 312 p. \$57.50.

This book examines bilateral US trade diplomacy during the 1980s and early 1990s. Zeng advances (and generally sustains) an important thesis: that in trade disputes, US policy has been tougher and more effective toward advanced industrial democracies (Europe, Japan) than nondemocratic nations (esp. China). The reason, she argues, lies in the structure of the economic relationships. Trade between the United States and the democracies is largely competitive, with industries and sectors going head-to-head for markets. The trade pattern with autocracies (and less advanced economies like India and Brazil) is more complementary, with imports from these countries largely in product areas US producers have abandoned.

To test this thesis, Zeng examines market access cases brought under Section 301 of the Trade Act of 1974, as amended. Drawing substantially on ratings provided by Thomas O. Bayard and Kimberly Ann Elliott (*Reciprocity and Retaliation in U.S. Trade Policy*, 1994), she finds that among nine major trading partners, US negotiators had the greatest success with Japan and the least success with India. Overall, responsiveness to US pressure was greater in the nations that have the more competitive trade structures: Canada, EU, Japan, Taiwan, and South Korea in descending order of competitiveness.

This linkage of trade conflict with trade structure is an important finding, backed by a domestic political explanation. In cases where a trade relationship is competitive, US domestic interests will reinforce one another: in the Japanese semiconductor case, for example, companies threatened by Japanese competition at home backed the threat of sanctions aimed at securing

greater access to Tokyo's market. If trade relations are mainly complementary, as with China, Americans benefitting from imports will be a more important relative force and will oppose actual implementation of sanctions, thus undercutting US negotiators.

Zeng supplements her statistical analysis with a structured, focused comparison (per Alexander George) of US trade bargaining with Japan and China. On the former, she examines the bitter semiconductor conflict of the mid-1980s (involving US sanctions) and three so-called "Super-301" cases initiated by the George H.W. Bush administration. In all four, she finds that US negotiators achieved much of what they sought. She applies her framework effectively, and tells the conflict stories credibly though without the deep understanding of US politics exhibited by John Kunkel in *America's Trade Policy Towards Japan* (London: Routledge, 2003).

But staying within the boundaries of the cases has costs. The reader will NOT learn here that United States Trade Representative Carla Hills's implementation of the "Super 301" law in 1989-90 was much softer than the language Congress enacted in 1988 seemed to demand she named Japan as a priority foreign country not for the number and pervasiveness of its acts, policies, and practices that impeded US exports (Section 1302, Public Law 100-418), but for restrictive practices in just three product areas. Nor will the reader learn that the economic importance of DRAM (commodity) semiconductors was wildly exaggerated by both countries in the 1980s in fact their cheapness, wherever produced, fueled the US ability, in the nineties, to exploit its competitive strengths in more sophisticated products and systems, and enhance productivity economy-wide.

The China chapters, by contrast, show sophistication in recognizing the broader context (geo-strategic in particular), together with the fact that a primary US threat, withdrawing MFN trading status, was too great a sanction to be credible. Still, the author might have explored other explanations for differences in US outcomes with China and Japan, such as Tokyo's peculiar dependence on external pressure, or *gaiatsu*, to achieve internal policy change. (Schoppa, *Bargaining With Japan*, 1997) This sometimes made reform-minded Japanese officials *want* to yield to US pressure. (She recognizes, in her conclusions, that her framework focuses mainly on the politics of the sender of threats, not the target. [p. 241])

The weakest element of the book is Zeng's effort to draw parallels between the democratic peace literature and so-called trade wars. The apparent paradox was obviously tempting (democracies fight *mainly* one another on trade), and one can only applaud, in principle, any attempt to build analytical bridges across the security-economic policy divide. Moreover, Zeng carefully limits her trade wars to a small number (ten) of cases featuring trade intervention by both sides, and she shows good understanding of the democratic peace debate. But her claim that these wars are comparable to military conflict is simply not persuasive. For example, it strains credibility to argue that because an agricultural subsidy war cost the United States and the European Community . . . approximately \$2.5 billion over three years, the two should have as strong an incentive . . . to avoid trade wars as to avoid military ones. (p. 10)

Not only were the stakes in late 20<sup>th</sup> Century trade wars minuscule compared to those in (now mercifully unthinkable) military conflicts between the same adversaries, but these trade fights

took place within a broad cooperative context a global trade regime featuring low and declining import barriers which these democracies were themselves constructing even as they bickered over specifics. In fact, the very creation of the GATT-WTO regime by countries with competitive trade structures seems an anomaly within Zeng's framework. She might well address it in future research.

The WTO has also changed the nature of trade conflicts, as Zeng recognizes in her concluding chapter. Before 1995, the United States was relatively free to impose trade sanctions; now, doing so invites the target nation to launch a challenge before that organization's Dispute Settlement Body. This process has taken the teeth out of Section 301, and as long as it remains in effect, unilateral American trade diplomacy will not be as aggressive as it was in the period Zeng treats.

But bilateral trade conflicts remain with us, so Zeng's analysis remains relevant. The central distinction between competitive and complementary trade relationships is an important contribution to our understanding of trade diplomacy. And if her reach occasionally exceeds her grasp, Zeng's overall analytic sophistication makes this book an important contribution to the literature of trade policy.

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