Next, Feenstra proposes some research ideas on how offshoring can affect productivity. The first is based in the idea of supermodularity of production, which means that different tasks within a firm are complementary. Offshoring allows firms to narrow the skill distribution of their workers, for instance if they systematically offshore low-skilled labor. In this case, the marginal product of high-skilled workers would increase because of complementarity in effort with coworkers with similar skills.

The second research idea puts together supermodularity of production and the endogenous choice of effort by workers. Feenstra presents a theoretical model in which trade endogenously increases product variety and, consequently, the level of effort exerted by workers and their productivity.[8] The idea that trade is associated with productivity gains is not new: it is the new source of gains from trade identified by Melitz (2003). What is new, and very interesting, here is the underlying mechanism. While in Melitz (2003) trade is associated with selection and share-shifting effects towards more productive firms, in the model sketched by Feenstra it is associated with an increase in workers' effort. In this respect, the only criticism that I would make is that the model is not specific to offshoring. In fact, trade liberalization is equivalent to an increase in country size.[9]

As a concluding remark, I believe that the book under review will be extremely useful for academics interested in understanding the offshoring literature and/or looking for research ideas. But more importantly, it can serve as an authoritative guide on the topic for policy-makers, whose decisions contribute to shape the extent and deepness of trade integration and, consequently, the potential impact of offshoring on the economy.

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Protection for Exporters: Power and Discrimination in Transatlantic Trade Relations, 1930–2010

by Andreas Duer

Ithaca: Cornell University Press, 2010

Much has been written about transatlantic trade liberalization over the years, and yet *Protection for Exporters: Power and Discrimination in Transatlantic Trade Relations, 1930–2010* manages to offer a surprisingly fresh look and a sophisticated new reading on the establishment of successive transatlantic trade agreements over the past eight decades. The double question asked in the book is: Why has transatlantic trade been liberalized so deeply since the 1930s, and why did such liberalization happen following a stop-and-go pattern? The political economy literature is well developed when it comes to explaining protectionist policies, but less is known about liberalizing policies.

8 The mechanism why increased product variety leads to more effort, and therefore more productivity, is however not very clear to the reader.

9 As an aside, this means that there are scale effect on effort. How, and whether effort depends on scale effects or on increased product variety is not discussed by the author.

The answer, Andreas Duer innovatively argues, has to be found in the political behavior of exporters.

One puzzle of political economy is why exporters rarely mobilize to influence the policy process. After all, they do have an obvious interest in opening up markets and expanding opportunities for their products abroad. Yet the trade agenda often seems hijacked by import-competing interests who, in typical Olsonian fashion, try to influence policy outcomes by lobbying the government, contributing to electoral campaigns, and shaping policy positions through the provision of research and information. By contrast, exporters seem to lack the incentives to mobilize. They often underestimate export opportunities, are deterred by the uncertainty and the time-lag between the start of a negotiation and the actual liberalizing effects, and are never sure that the expected gains from liberalization will not end up benefiting their competitors instead. As a result, protectionist forces are better organized and more persuasive than liberalizing forces.

So, why does trade liberalization ever occur, and why did it occur specifically in the case of transatlantic relations? Duer starts by meticulously exploring four alternative explanations for the puzzle of transatlantic trade liberalization. One, it could have been the result of societal demands exerted by economic actors in response to shifts in the balance of domestic interests – such as the rise of multinationals and changes in the relative size and geographic concentration of industries. Second, liberalization resulted from transformations in the political institutions shaping trade policy in Europe and in the US, both at the domestic and international levels, which introduced a bias in favor of exporting interests. Third, liberalization was triggered by geopolitical interests since the expansion of transatlantic trade could strengthen the alliance by increasing interdependence, bolstering each other's economy, and creating a situation of dependence. Fourth, liberalization resulted from the spread of liberal ideas and beliefs among American and European decision-makers in reaction to the perceived failures of the interwar period. While all these explanations have virtues and some explanatory power, Duer finds flaws and inconsistencies with all the arguments, especially when it comes to accounting for the stop-and-go nature of transatlantic trade liberalization.

Instead, the book puts forth the 'protection for exporters' argument. In this view, exporters do not typically pursue gains, nor lobby offensively for liberalization. Most of the time, they are not politically active and do not mobilize to obtain trade liberalization because the rewards are too distant and too uncertain. However, exporters do mobilize against losses and lobby defensively in reaction to a perceived market-access threat as a result of a policy implemented by their trading partners, especially the conclusion of a preferential trading arrangement (PTA) with a third party. In order to defend existing market shares and respond to discrimination, their governments can threaten retaliation, set up an alternative trade agreement, or accede to the existing preferential agreement. In turn, the trading partner reacts and the final policy outcome is, under certain conditions outlined by Duer, further liberalization. In a way, it is an argument about complacency – exporters do not think ahead except when threatened – and mercantilism.

The book lays out five hypotheses which are tested in subsequent chapters: (1) exporters mobilize mostly in reaction to the preferential trade policies of other countries; (2) governments act to protect exporters' interests when mobilization is strong; (3) the response chosen by the government depends on the vulnerability of the country; (4) the government may accept a balance of concessions in exchange for market access that it would not have accepted in the absence of exporter mobilization; and (5) the final outcome depends on the trading partner's willingness to conclude an agreement. Though it may look simplistic, the multiple-stage argument is actually quite sophisticated and, more importantly, very plausible.

The careful and comprehensive examination of alternative explanations is relayed in the rich case-studies. Starting in the 1930s and ending in the present, Duer provides empirical support for the hypotheses and convincingly demonstrates the power of his 'protection for exporters' argument, especially when it comes to explaining the non-linear pattern of transatlantic trade liberalization over time. Chapter 2 argues that the Reciprocal Trade Agreement Acts of 1934 was passed in reaction to the British move to establish a system of imperial preferences in the 1932 Ottawa agreements (the world's first global PTA), which eventually led to the conclusion of two US–British trade agreements in 1938 and 1947. Chapter 3 analyzes the decade of deadlock in transatlantic trade relations following the founding of the GATT, arguing that the absence of trade discrimination in Europe did not prompt US exporters to mobilize. By contrast, the creation of the European Economic Community (EEC) in 1957, central to Chapter 4, triggered the launch of the Kennedy Round, which resulted in tariff reductions and trade liberalization. A similar impetus was provided by the first enlargement of the EEC in 1973 (Chapter 5) and by the EEC's Single Market Program launched in 1985 (Chapter 6), which gave birth to the Uruguay Round and NAFTA.

Each chapter carefully weighs in alternative explanations before spelling out how the 'protection for exporters' argument explains trade liberalization, or lack thereof, in each case. However, the chapters get less convincing as time progresses. Duer himself acknowledges that his argument is weak in illuminating the timing of the launch of the Uruguay Round. The last chapter, spanning the period 1995 to 2010, is considerably weaker than its predecessors. It does not consider the trade implications of the passage to the Euro in 2002 and the massive enlargement of the European Union in 2004, offers little on the failure to launch the Millennium Round in Seattle in 1999 or the EU's informal moratorium on bilateral agreements between 1999 and 2006, and is not convincing on the passage of the fast track authority in Congress in 2001 which, many argue, would not have happened but for the attacks of 9/11. Maybe it is because the growing economic interdependence and, in particular, the explosion of foreign affiliates in transatlantic trade have weakened the argument for defensive mobilization in the age of globalization.

Many questions about the 'protection for exporters' argument remain unanswered. If exporters are motivated by the maximization of profit, why are they not lobbying in good times too in spite of the information and coordination hurdles they face, especially once they have realized that their previous mobilization effort was fruitful? Furthermore, does the ability of exporters to mobilize depend on how much goods and services producers feel they can supply? If the internal market is not satisfied yet, producers will probably not lobby for more markets abroad – they will fulfill domestic consumption first. Also, would the argument work beyond the transatlantic context for countries that have different capabilities and a big power differential?

The process of European integration also raises some questions which further refinements of the argument may choose to address. How has the ability of producers to lobby and the nature of their lobbying been affected by European integration? Moreover, many times throughout the book Duer remarks that French interests were the least accommodating and almost derailed the conclusion of liberalizing agreements – whether in agriculture, banking, or a slew of other sectors. Why? If only pure economic interests were determining the preferences of a country, French exporters should have been at the forefront of those clamoring for market access. Why don't French services exporters mobilize? More generally, how does one explain the puzzle that the EU has been so willing in successive rounds of negotiations to sacrifice services to agriculture?

Nonetheless, despite its apparent simplicity, the 'protection for exporters' argument is actually novel and, as such, represents a real contribution to the political economy literature. It has the potential for being extended to other regions and other players, as well as to the past examples of regional agreements, such as the Zollverein, which Duer alludes to. It could also be tested and used to explain why the EU and the US are not liberalizing further in the face of the growing competition coming from the BRIC countries and especially China.

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Agricultural Subsidies in the WTO Green Box

edited by Ricardo Meléndez-Ortiz, Christophe Bellmann, and Jonathan Hepburn
Cambridge University Press, 2009

The comprehensive volume entitled Agricultural Subsidies in the WTO Green Box provides an encyclopedic overview of the many different dimensions of the ongoing debate over green-box programs and decoupled support for agriculture in the WTO. With twenty-three individual papers addressing nearly every aspect of green-box support for agriculture, the volume provides a deep and highly specialized examination of the history of agricultural trade policy reform and the ongoing debate over decoupled support and its myriad effects on developed and developing countries. It goes far beyond the typical treatment of this critical policy issue and delves deeply into several important dimensions of the policy issues surrounding decoupled support for agriculture, including environmental concerns, region-specific considerations, and, perhaps most important, the likely future course of decoupled support. The comprehensive nature of the volume is made apparent by the fact that the volume's editors went so far as to include the actual text of *Annex 2 of the Uruguay Round WTO Agreement on Agriculture* to serve as a fundamental reference point around which to frame this debate.

For the benefit of anyone who is not aware of the finer points surrounding this important policy debate, it may be helpful to briefly review and frame the issues. Considerable progress has been made over the post-war period in reforming barriers to international trade. This is true even in the most highly protected of