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***America's Trade Follies: Turning Economic Leadership into Strategic Weakness.* By Bernard K. Gordon. New York: Routledge, 2001. Pp. 177.**

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Regionalism is alive and well and living everywhere. Prior to the 1980s, regionalism in developed countries was confined to Europe. A plethora of inward-looking trade blocs were created in Latin America and Africa but all were short-lived and/or unsuccessful. ASEAN constitutes, perhaps, an exception, but its economic-integration agreements were highly limited in depth and coverage until the late 1980s. From the early 1980s, the United States began to negotiate its own preferential trading arrangements and has been quite active since. Japan and South Korea, the last bastions of faithful multilateralism, began to consider joining the bandwagon in 1999, including negotiations for a free trade agreement (FTA) between each other. Hence, while the European Commission (EC) is still the most important source of preferential trading agreements (according to Messerlin [2001], it was the direct or indirect source of two-thirds of all such accords), regionalism is truly a global phenomenon: The World Trade Organization (WTO) reports over 200 FTAs, with the greatest increases in numbers coming in the late 1990s. Many more are currently being negotiated.

Certainly, this trend is of great significance to the future of the international trading system and globalization in general. Many hopes are being placed on the newly launched "development agenda" which emerged from the November 2001 WTO Ministerial Meeting in Doha. However, many obstacles, particularly in such sensitive areas as agriculture, textiles, and competitions policy, will have to be overcome if a substantive agreement is to be reached. While the vast majority of economists would prefer a multilateral approach to economic integration, the regionalism approach appears to be emerging as either an alternative to, or at least a complementary feature of, the globalization process. The question of whether or not regionalism supports or militates against multilateralism continues to be as essential

as it is controversial.

In his well-written, easy-to-read book, Bernard Gordon not only takes on this question but also raises it to the logical next level, that is, the strategic political economy of regionalism, with a focus on U.S. policy. Economists have generally ignored this question in their myriad academic analyses, though they have not been shy in giving their opinions on the subject. For example, in the debate leading to the adoption of the North American Free Trade Area (NAFTA), a majority of the most influential economists was in favour of NAFTA, but not necessarily because of the positive effects on the U.S. economy that the economic profession had predicted, which in fact were quite small. Instead, they tended to favour regionalism as a means of reinforcing and encouraging economic reform in Mexico. Support even among economists generally had less to do with empirical analysis than political-economy realities, an area that has been conspicuously neglected in formal economic analysis.

Professor Gordon is especially interested in U.S. strategic trade policy, but the wealth of analysis in the book covers many nations. His sweeping critiques of the situations in Latin America and Japan are particularly insightful. After an introductory chapter, Professor Gordon reviews U.S. trade in the global context before dividing it by region, that is, Europe, the Western Hemisphere, and Asia. This is a logical approach; he demonstrates convincingly that, unlike all other major developed countries, the United States divides its trade quite equally between these regions. This suggests that, especially for the United States, a regional approach to trade policy should be dominated by a multilateral approach. Moreover, one can easily read from his analysis that, if the United States believed it truly necessary to go the regional route, it would do better to focus on Asia and Europe, rather than Latin America, which seems to be the current administration's favourite area.

In each chapter, Professor Gordon meticulously reviews the recent evolution of U.S. trade patterns and policies, as well as offering extensive critique and, often, suggestions as to how a much more

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coherent and useful path could have been taken.

In my view, this book has three principal contributions: first, in its comprehensive analysis of U.S. trade policy; second, as an excellent review of the political-economy arguments generally embraced by the “anti-regionalism” camp; and third, its captivating review of U.S. “sins” during the Asian crisis. Anyone interested in these areas will find the book extremely useful, not merely for its analysis but also for its extensive bibliography. However, it also has three main shortcomings: first, its exaggerations of U.S. trade “folly”; second, in its failure to review seriously the myriad existing academic economic studies focusing on the effects of U.S. regional trade initiatives; and third, in its almost complete lack of serious reference to the “pro-regionalism” camp and arguments.

In fact, the comparison of recent trends in U.S. trade policy to colossal mistakes summarized in Tuchman’s *March of Folly* is hyperbolic: while we might agree or disagree regarding when U.S. trade policy was appropriate and when it was not, it is clear that the change in U.S. trade policy has not been harmful to the U.S. economy. Just about all academic studies looking at the effects of U.S. regionalism generate positive — albeit usually small — economic effects, estimates that would almost invariably be far more important and

positive if they could be modelled correctly to take into account dynamic effects of regional integration. Moreover, the United States has had less than two years of recession in the twenty years since it began to adopt a bilateral stance in 1982, by far the best track record in its history. While it would be a jump indeed to say that regionalism caused this exceptional performance, it is a greater jump to say that it has hurt it, and impossible to say that it was part of a “March of Folly.”

Could U.S. policy have been more strategically directed? No doubt, and this book points out many legitimate faults. Will current policy lead to some future calamity? Unlikely.

Nevertheless, this book is an excellent reference for scholars interested in modern U.S. trade policy. Professor Gordon should be congratulated for what is a thought-provoking and interesting treatise.

#### REFERENCES

- Messerlin, P. *Measuring the Costs of Protection in Europe: European Commercial Policy in the 2000s*. Washington, D.C.: Institute of International Economics, September 2001.
- Tuchman, B. *The March of Folly: From Troy to Vietnam*. New York: Ballantine Books, 1984.

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