

BOOK REVIEWS

Trade Policies towards Developing Countries edited by Ippei Yamazawa and Akira Hirata, Basingstoke, Macmillan Press, 1993, xv+310 pp.

This book is based upon a research project conducted by the Institute of Developing Economies, Tokyo in 1990–93. A companion volume in Japanese was published by the institute in 1990.¹ The project was designed to investigate the trade environment that developing countries face today, and was based on a review of trade policies in three major developed areas, namely, Japan, the United States, and the EC. The Overseas Development Council (the United States) and Kiel Institute for World Economics (Germany) joined in the project to assess the trade policies of the United States and EC, respectively.

As pointed out by the World Bank in its publication on the East Asian Miracle,² export drives led to rapid economic growth in many East Asian countries. Whether other developing countries can follow a similar growth pattern depends on the question: “If industrial-economy markets remain open, developing-economy exports can continue to expand” (*The East Asian Miracle*, p. 361). The book is an effort to look at this timely and important question. Are markets in Japan, the United States, and EC open? If not, what policies would be helpful in opening them.

The book is divided into three parts; Japan’s trade policies (Part I), U.S. trade policies (Part II), and European trade policies (Part III). Each part has a summary chapter: Chapter 6, Japan’s Trade Policies and Developing Countries; Chapter 13, Trade Policy for the New World Economy; and Chapter 20, European Trade and Developing Countries. Reading these three concluding chapters, the reviewer was impressed by the importance of macroeconomic conditions, such as trade imbalances, growth rates, unemployment, and other factors affecting the trade policies of Japan, the United States, and Europe towards developing countries.

In “Japan’s Trade Policy towards Developing Countries” (Part I), Chapters 1 and 2 explain how Japan’s trade surplus pushed a policy response towards opening up the market. This liberalization benefited developing countries in East Asia by increasing exports to Japan. It is well known that Japan’s high formal and informal import barriers in agriculture and its distribution sectors have impeded export opportunities for developing as well as developed countries. Trade policy issues concerning agriculture and distribution are discussed in Chapter 4.

Chapters 3 and 5 take up more controversial policy issues affecting Japan’s trade with developing countries. Import promotion policies using financial incentives to increase Japanese imports of manufactured goods was pointed out by General Agree-

¹ Ippei Yamazawa and Akira Hirata, eds., *Senshin shokoku no tai hatten tojōkoku bōeki seisaku* [Trade policies towards developing countries], Kenkyū sōsho No. 400 (Tokyo: Institute of Developing Economies, 1990).

² World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (New York: Oxford University Press, 1993).

ment of Tariffs and Trade (GATT)³ as being questionable on resource-efficiency grounds. Shortcomings in Japan's general system of preference (GSP) scheme are illustrated in Chapter 5. For example, the actual operation of GSP has become more complexed in recent years. Also the scheme fails to cover important export products from developing countries in the dairy, fruit, and vegetable categories.

Chapter 6 concludes by stressing two roles that Japan's trade policy can play. Those are to help export-led growth and to absorb imports. "After all, rapid economic growth in East and Southeast Asia would benefit Japan through trade and industrial links. It is in Japan's long-term interest to support their export-led growth. In view of the anticipated slowdown in import growth in the US, Japan will have to play a more active role as an absorber to their exports" (p. 91).

"U.S. Trade Policy towards Developing Countries" (Part II) starts with an overview in Chapter 7 explaining how the large and growing trade deficit in the mid-1980s fostered protectionism in the United States. The Third World debt crisis and subsequent slow growth in many Latin American countries adversely affected U.S. exports and economic growth. As public interest focussed more on job losses and trade deficit issues, political pressure to raise import barriers became particularly strong in the agricultural and textile sectors.

Chapters 8 and 9 discuss trade barriers in the agricultural and textile sectors. Chapter 9 finds that non-tariff barriers in textiles and clothing are more important than tariffs in restricting imports from developing countries into the United States. It stresses the positive effect of the removal of Multi-Fiber Arrangements (MFAs) quota restrictions on the welfare of developing countries. Such removal has been important because as Chapter 9 points out, non-tariff barriers in textiles tend to proliferate into other industries like steel, machine tools, and automobiles.

United States efforts to promote imports from developing countries are addressed in Chapter 10. These efforts include the GSP, the Caribbean Basin Initiatives (CBI), and free trade agreements.

Trade deficits in the 1980s pressured the U.S. government into taking positive action to promote exports. Export credits and subsidies to increase agricultural exports as part of the 1985 farm act are examples of such policies. Chapter 11 stresses that the U.S. export drive in agriculture is hurting exports from developing countries in the world market.

The U.S. position on "new trade issues" (Chapter 12) is very controversial because many developing countries fear that liberalization of services and strict enforcement of intellectual property rights will limit their export potential in the future. The position taken by U.S. negotiators on such new issues reflects, the interest of the United States in promoting exports and correcting the trade imbalance. Chapter 13 concludes that U.S. support for trade liberalization depends on two factors. The first is the correction of the trade imbalance. The second is the successful management of the country's debt crisis. "Although the debt crisis has weakened the pro-trade coalition in the US, the forces for liberal trade are substantial. Conflict management and positive multilateral cooperation will be more possible if the trade imbalances incurred in the 1980s can be quickly remedied through macroeconomic and debt policy coordination in the early 1990s" (p. 187).

European trade policies towards developing countries (Part III) have not been affected by trade imbalances like those of the United States. The EC did not have any dis-

^a General Agreement on Tariffs and Trade, *Trade Policy Review Mechanism: Japan* (Geneva, 1992), p. 77.

equilibrium in its trade balance during the 1970s or 1980s. The major problem pointed out in Chapter 14 as impeding the expansion of exports from developing countries to the EC has been the slow structural change in the manufacturing industry. It also points out the trade diversion which reflects the group's liberalization efforts centered on increasing intra-EC trade.

Chapter 16 analyzes the EC's agricultural policy which protects farmers with subsidies and promotes exports which have depressed world price. This policy has had an adverse impact on developing countries that are dependent on food exporting.

Textiles and clothing are very important export items for developing countries. The EC protects textiles and clothing through MFAs. A statistical analysis of the impact of such selective protection on EC imports is presented in Chapter 18.

Developing countries are concerned about the difference in EC trade preference between different groups. Even within the GSP, ACP countries which are mainly in sub-Saharan Africa, the Caribbean, or are former Pacific colonies enjoy special preferences. The issue of common external tariff and non-tariff barriers affecting imports from developing countries are taken up in Chapter 15. Other issues related to the completion of the internal EC market are discussed in Chapter 20.

Chapter 20 concludes with two basic questions. Firstly, is the EC market sufficiently open to accommodate exports from developing countries? Secondly, will further integration promote trade between the two sides? The answer seems affirmative provided that a single EC market can stimulate structural change in economic growth. "To summarise, from the macroeconomic viewpoint the single market can and no doubt will stimulate structural change and economic growth in the world economy, while concerns about continued protectionism are justified from the macroeconomic point of view. The answer to the second question is therefore that it remains to be seen whether compromises on a common policy for the EC after 1992 will offer developing countries what is now being proposed: true access to a single market as opposed to a segmented market distorted by differing national policies" (p. 291).

The book highlights a number of important policy agendas for keeping the market open in Japan, the United States, and the EC. The first is to ensure a stable macroeconomy in the developed as well as developing countries. The U.S. experience in the 1980s shows that its debt crisis and the subsequent slow growth in Latin America adversely affected U.S. exports and growth. Protectionism is fostered when macroeconomic mismanagement causes labor losses. The second is to maintain sustained economic growth which will promote structural changes. It will be easier to push structural change in the EC's manufacturing industry if economic integration can promote growth.

The third is to strengthen the international trade system under the World Trade Organisation (WTO) to remove the remaining barriers on trade. Shifting MFAs to WTO rules and the liberalization of agriculture are particularly important for promoting exports from developing countries.

The appeal of the book lies in the cross comparison of the trade policies towards developing countries in the three developed economies. Each chapter is comprehensive and interesting in its own analysis. But the readers who wish to compare the market openness of Japan, the United States, and EC may be little disappointed. It would have been helpful if the book had a chapter on Japan's non-tariff barriers comparable to Chapter 15 that dealt with the EC. As clearly illustrated in Chapter 2, Japan's imports from developing countries are increasing in response to various liberalization measures. However, there still are claims in both developed and developing countries

that Japan protects its market with non-tariff measures. The reviewer would like to see the issue of access to Japan's market including in the areas of "new trade issues" as in Chapter 12 (on the United States) to be taken up in a forthcoming research project by the Institute of Developing Economies.

Aside from the above minor shortcomings, the book certainly is an important contribution to the literature on development economics. It provides many useful reference tables and figures illustrating how imports from developing countries are growing. The explanations of policies behind this growth will be helpful in making future policy recommendations.
(Yoko Sazanami)

Challenge and Response: Thirty Years of the Economic Development Board by Linda Low, Toh Mun Heng, Soon Teck Wong, Tan Kong Yam, and Helen Hughes, Singapore, Times Academic Press, 1993, xxiii+519 pp.

The production of this book was undertaken as part of the activities commemorating the thirtieth anniversary of the establishment of the Economic Development Board (EDB) which was set up in 1961 and which has played a major role in carrying out Singapore's economic development. The objectives of its publication were summed up well on page 339 of the work itself: "The book has attempted to document the major roles played by the Board in Singapore's economic development over the 30 years of its establishment, 1961 to 1991." Five researchers authored the various chapters of the book; three were from the Department of Business Policy, and one from the Department of Economics and Statistics of the National University of Singapore, while the fifth was a researcher at the Australian National University. Thus this work is not the compilation of the history and official view of the EDB. Rather it is an analysis of Singapore's economic development from the viewpoint of each of the individual authors.

The book is composed of nine chapters, the themes and topics of each dealing with the work of the EDB and the problems that the Singapore economy faced over the thirty-year period. They provide the reader with an understanding of the conditions and circumstances in which Singapore's economic development was carried out.

Chapter 1 surveys Singapore's development strategy and the role of the EDB, and serves as both an introduction and conclusion for the book. Over the course of the years, development strategy changed, but one constant that ran continuously throughout the thirty years was the major importance placed on foreign capital in the promotion of industry. The work of the EDB was in its liberal use of incentives and its efforts to attract foreign capital into its aims for creating employment during the 1960s, and then for promoting exports of capital- and technology-intensive products during the 1970s. The chapter maintains that the EDB did a splendid job of carrying out its work, and Singapore achieved high rates of growth. This was due to the choice of an outward-looking industrial policy which the EDB implemented in the proper way.

Chapter 2 divides the thirty years of economic development into three periods, and briefly looks at Singapore's economic performance using macroeconomic indicators. Chapter 3 gives a detailed account of the tasks, functions, and performance of the