

The five chapters on the 'Northern perspective' complement the later country case studies. Perhaps the most useful is the chapter (3) by Waelbroeck, who draws on the rich (but now somewhat dated) data base prepared as part of the World Bank's import penetration study. Equally useful is the author's analysis of the political economy of EEC trade policy. Waelbroeck argues that developing countries intent on expanding their exports to the Community should, rather than treating that body as a 'monolithic' organization, use "their power of persuasion and bargaining strength to deal with the true source of their problems: the countries who in the EC Council argue most strongly in favor of restrictions to their [developing countries'] exports" (p. 75). These countries he identifies as, not surprisingly, the United Kingdom, France, and Italy. A useful chapter in this section, also, is the presentation by Klein (Chapter 6) of some of the forecasts for the regional economies from the LINK model. The short-run macroeconomic forecasts do not stand up particularly well to subsequent developments, but undoubtedly the results will improve as the modelling techniques become more sophisticated.

The eight country chapters are a mine of information for readers interested in the region. They are useful not only for their thorough examination of development issues, but also for their extensive bibliographies and data sets. It would be invidious to single out individual chapters for review, but I found the long Hong Kong chapter (12) of special interest. Contrary to the common presumption that laissez-faire policies only have been driving the Hong Kong economic miracle, Chen (p. 365) takes a somewhat different tack: "... unlike the other NICs, Hong Kong does not enjoy the *benefits* [my emphasis] of government long-term industrial policies. The Hong Kong government is still hesitant in providing technical support and backup services to industries..." (p. 365). In the case of the Indonesian chapter—the only country study not written by a local economist—history has been a little un-

kind to the author. Beals argues: "So far, questions of tariff and non-tariff barriers to trade and their relation to the structure of industry have not been addressed by decisive policy action" (p. 539). In fact, following the dramatic decline in oil prices the Indonesian Government has at last tackled the complex and all-pervasive trade and regulatory regimes, and for the first time in the country's history manufactured exports are quite substantial. But, in fairness to the author, most observers would have reached a similar conclusion in late 1983, when the paper was presumably written. Sometimes governments can move with surprising speed!

All in all, this is a most stimulating and comprehensive volume, and a standard reference which deserves to be on the shelf of anyone with a serious interest in the region. Its enormous breadth—it is certainly not a book to be read at one sitting—perhaps crowds out some of the interesting questions: for example, what have been the principal factors driving the region's economy (how much is the growth due to the broad macroeconomic environment, and how much to industrial policy); and why have some otherwise similar countries performed quite differently (the Thai-Philippine comparison invites scrutiny, for example)? But the authors could fairly argue that these and other issues require a separate volume.

HAL HILL

*Research School of Pacific Studies  
Australian National University*

---

***Developing Countries in the GATT Legal***

**System. By Robert E. Hudec.** London: Gower for the Trade Policy Research Centre, 1988. 289 pp. £12.95.

---

This provocative essay by former U.S. trade official and law professor Robert E. Hudec argues that GATT's current welfare-based legal policy has failed to protect the interests

---

of developing countries. The author proposes several changes in GATT's current legal policy, attempting to persuade governments of developing countries that their interests are best served by strengthening GATT's most-favoured nation (MFN) principle and diminishing preferential trade measures. Professor Hudec's prescription for change is predicated upon a comprehensive review of both the history of, and the policy issues raised by, GATT's legal relationship with developing countries.

The first half of this essay is devoted to an exhaustive history of GATT's legal relationship with developing countries. The history begins with pre-World War II negotiations on trade liberalization, then explores the drafting of post-war rules on international trade policy. The author analyses the positions of developed and developing countries during negotiations regarding the Charter of the International Trade Organisation (ITO), which was never ratified, and the General Agreement on Tariffs and Trade (GATT), which was originally conceived as a provisional agreement.

During these negotiations, the developing countries requested that they receive special treatment so as to enhance their economic development. Developing country proposals included infant industry protection, new tariff preferences and the right to benefit from developed-country tariff concessions without reciprocity. A long-standing policy debate between the developed countries surfaced at this time: whereas Europeans advocated preferential treatment of favoured developing countries, the United States rejected the position that market distortions such as infant industry protection were needed to help poor countries.

Professor Hudec proceeds to review each of the major developments in GATT's legal relationship with developing countries from 1947, when GATT entered into force, until the present. The history includes brief summaries of legal complaints brought between developed and developing countries. Professor Hudec traces the relaxation of requirements that de-

veloping countries fully abide by the GATT code of behaviour, most notably the MFN principle of non-discrimination. He describes how the United Nations Conference on Trade and Development (UNCTAD) and the "Group of 77" successfully promoted the developing countries' demands for special treatment. Documenting recent developments such as the Kennedy Round, Tokyo Round, U.S. GSP Law of 1984, and the UNCTAD Global System of Trade Preferences (GSTP), the author establishes that there has been growing legal recognition of the principle of non-reciprocal and preferential treatment for developing countries.

The second half of the essay provides a critique of GATT's relationship with developing countries, analysing why developing countries should adopt the same GATT legal obligations as other members. Professor Hudec frames the central issue as follows: "Is the current GATT legal policy in the best interest of the developing countries themselves, or would developing countries achieve better results if they were to agree to a legal policy based on GATT's two main principles of reciprocity and non-discrimination?" These two principles require parity of obligations and privileges, allowing no special exceptions for developing countries. Members of GATT commit themselves to reciprocity in tariff concessions, participating in negotiations to reduce the tariffs of all governments, not just those of developed countries. The GATT code of behaviour forbids discrimination. It applies the MFN principle to reject preferences and ensure that advantages given to one GATT country are afforded all other members.

After comparing the benefits offered by the current legal policy with those of fuller participation in GATT's legal discipline, the author concludes "that the GATT legal policy towards developing countries has been wrong and harmful". He recommends that developing countries assume greater legal obligations under GATT, thereby strengthening the MFN obligation. Developing countries should no

---

longer request special treatment but rather should set aside demands for non-reciprocity and preferential treatment.

Professor Hudec bases his conclusion upon an analysis of two different ways that GATT legal obligations can impact governmental decision-making regarding trade policy. First, and most important, GATT obligations influence internal decisions made by developing countries themselves. Like IMF requirements, GATT legal strictures can help developing countries make decisions which benefit the nation but result in economic hardships for powerful domestic interests. A relationship with GATT which is based on reciprocity would generate political support for developing countries desiring to pursue a liberal trade policy. Second, the author analyses the impact of GATT's current legal policy towards developing countries on external decision-making by developed countries. He concludes that this impact is minimal.

Professor Hudec's essay will undoubtedly promote debate about international economic policy issues which affect developing countries. It would have been helpful if the author devoted more attention to analysis of diverging interests within the developing countries. For example, the interests of individual developing countries may diverge depending upon factors such as per capita income or population size. The least developed countries may have little in common with the NICs like Singapore. Notwithstanding the author's tendency to treat developing countries as a monolithic bloc, this essay is a significant contribution to the literature. Not only does it make GATT law accessible to the non-lawyer, but further, it elucidates the political and economic context in which GATT legal policy on developing countries arises.

ELLEN R. SPITALNIK  
*Visiting Research Fellow, ISEAS*