Economic Impact of Generalised Tariff Preferences. **By Rolf J. Langhammer and Andre Sapir.** London: Trade Policy Research Centre, 1987, Pp. xiii, 90.

The capacity of the international economic framework to meet the development aspirations of developing countries has emerged as a central concern of the international economy since the early 1960s. Developing countries have consistently pressed for preferential treatment in international economic relations, and through the formation of the United Nations Conference on Trade and Development (UNCTAD) in 1964, they were able to push successfully for the acceptance of the Generalized System of Preferences (GSP) whereby developed countries grant more favourable tariff treatment to developing countries. The various GSP schemes introduced in the 1970s constitute the most tangible achievement of UNCTAD to date. They also represent the most concrete examples of the acceptance by the General Agreement on Tariffs and Trade (GATT) of "special and differential treatment" or, more recently, "differential and more favourable treatment" for developing countries.

The objective of the GSP is to increase the export earnings of the developing countries, promoting their industrialization and accelerating their rate of economic growth. The purpose of Langhammer and Sapir's present essay is to assess the successes and failures of the GSP in the light of these objectives. For this purpose the authors focus on the GSP schemes of the European Community and the United States which, together, account for about 70 per cent of all OECD imports covered by the GSP schemes. The core of the study is taken up with the assessment of the economic effects of these two schemes.

The main finding of the study is that after more than a decade of operation the GSP has not benefited developing countries much if at all. The expansion of GSP exports, especially by those with the capacity to avail themselves of the preferences, were severely limited by various administrative controls. Further, the arbitrariness inherent in the administration of the schemes has generated uncertainty, militating against tariff revenue capture by exporters as well as discouraging long-term investment. Investment is also discouraged by the non-binding nature of the preferences. While GSP benefits are in principle unconditional and non-reciprocal, in practice they are linked to the donor's perceptions of conduct on the part of the beneficiaries, be it acceptance of a voluntary export restraint agreement, observance of intellectual property rights or treatment of foreign investments. In sum, the tangible benefits of the GSP have been so meagre because, in line with the spread of mercantilistic practices in the seventies and eighties, the GSP has degenerated from an instrument of market access to an instrument of managed aid. Hence, the authors point out, by negotiating and conceding the GSP, the developed countries have also deflected attention from other more effective instruments of aid to developing countries. In addition, a point which the authors did not explicitly raise, the discrimination inherent in managing such aid has probably contributed to the general erosion of the principle of non-discrimination within GATT.

Given the restricted impact of the GSP, the authors conclude that it will constitute only a minor aspect and not the core of market access in the 1980s. Developing countries hence should concentrate less on pursuing the chimera of preferences and instead focus more on general multilateral trade liberalization as the gains in this regard would probably be much greater. The more advanced, in particular, are advised to participate in the reciprocal bargaining process of GATT. This advice is, surprisingly, made on the back cover of the book rather than explicitly in the text of the essay, but is an opinion that has become increasingly widespread. Overall, this is a short but

informative and well-presented book on an interesting area of international trade policy. Incidentally, footnotes 15 and 16 on p. 28 should correctly be 14 and 15 respectively.

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Trade Routes to Sustained Economic Growth: Report for the United Nations by a Study Group of the Trade Policy Research Centre. **By Amnuay Viravan and Others.** London: Macmillan Press, 1987. Pp. lii, 178.

This book originates from a report prepared for, and revised in the light of, an Asian Pacific symposium on Trade and Economic Recovery held in Tokyo in March 1986 to mark the Fortieth Anniversary of the United Nations.

Though marking a celebrative occasion, the report contains a minimum of fanfare. Instead, it presents a sober but penetrating analysis of a difficult and controversial subject — the state of the international trading system as embodied in the General Agreement on Tariffs and Trade (GATT), the forces that have sustained it, the factors behind its increasing disintegration, and what must be done to arrest and reverse its possibly terminal decline or even sudden death. While the study group comprised a distinguished panel of experts from around the world, the report was prepared at the London-based Trade Policy Research Centre; and, judging from the organized treatment and content articulation, it has probably benefited much from the coordinating role, expertise and resource support provided by the Centre.

As originally envisaged, the post-war international economic order was to be overseen by a triumvirate comprising the World Bank to mobilize and channel funds for post-war reconstruction, the International Monetary Fund to provide currency convertibility and fixed rates of exchange, and an International Trade Organization (ITO) to regulate the complex of international commitments touching on trade and trade-related matters. Unfortunately, the United States Congress failed to ratify the Havana Charter of 1948 under which the ITO was to come into being. Instead, the elements in the Charter dealing with trade policy were patched together to form the General Agreement on Tariffs and Trade (GATT).

Despite the interim nature of its birth and the restricted scope of its competence compared to that envisaged for the ITO, GATT has evolved into an integral cornerstone of the international economic order, not least because the major industrial powers need a set of principles and rules to govern the conduct of international trade. The rapid expansion of the world economy since the War and the accompanying structural transformation have, however, put increasing strain on the GATT system. These changes have served both to erode international commitment to the basic principles of GATT as well as expose the inadequacy of its coverage. Alarm over GATT's parlous state of health in the early 1980s finally culminated in the launching of the Uruguay Round negotiations in September 1986. The twofold task of the new round is to bring international trade back to the discipline of GATT and to extend it into new areas like services, intellectual property rights, and investment. The second task is probably more glamorous. However, the first is far more important as it is the foundation upon which everything else must be built. It is upon the more important first task that this report, prepared against the backdrop of the run-up to the Uruguay Round, has chosen almost exclusively to concentrate on.

A central feature of the report is its stress on the need to understand the GATT system as a system and an appreciation of the role and rationale of GATT's systemic elements in the maintenance of a stable and liberal international trading order—for, the report argues,