

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.

CHNG MENG KNG  
*Department of Economics and Statistics*  
*National University of Singapore*

---

***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. liii, 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,

---

only on the basis of such an appreciation can any effective restoration or reform of the GATT system be undertaken. The report consequently attempts to lay bare the systemic fundamentals of the GATT system to diagnose its present ills. We can only briefly mention here some of the central systemic features that the study has highlighted.

First and foremost, the report reminds us, the GATT system is a market system. As such, it is based on competition and any weakening of the competitive framework in international trade must, ipso facto, mortally weaken the GATT system. Secondly, it stresses, the only possible basis for an international trading system sustained by general agreement is non-discrimination, for discriminatory practices can never elicit any general agreement. Non-discrimination, in turn, has profound significance for the conduct of international economic relations because it allows the operation of comparative advantage and safeguards the interest of small states, to name but two of its many benefactions. Consequently, the principle of non-discrimination has become the keystone of GATT. The canker at the heart of the GATT system, it appears, is the principle of reciprocity. While useful as a bargaining rule in trade negotiations, it is based on a mercantilistic view of trade and its use "misinforms and miseducates everyone (including trade officials) about the basic arguments for liberal trade" (p. 136). Reciprocity is inherently difficult to combine with non-discrimination, and its widening application cum narrowing interpretation has undermined the principle of non-discrimination and destroyed the economic rationale for trade.

On the basis of its detailed analysis of GATT's systemic strengths and weaknesses, the report strongly advocates a comprehensive review of the full panoply of GATT norms, rules and procedures with a view to restoring its systemic coherence. This, it notes, is in contrast to the standard piece-meal approach of dealing with a list of specific issues which the report dismisses as "symptomatic of a failure to

think systematically about how the international trading system should operate" (p. 127). Such a radical programme, the report readily concedes, is a "daunting prospect" (p. 147) but, while the task is "Herculean" (p. 127), it argues that, given the present advanced state of decay GATT has fallen into, it is the only realistic approach rather than the "realism" of those who counsel caution and suggest gradual reform.

A basic strength of the report is that it is uncompromisingly analytical, seeking to understand and explain phenomena (in this case the disintegration of the GATT system) in terms of social forces rather than the particular wickedness of men or governments. It argues with cogency and rigour and its recommendations follow logically and honestly from its premises. Unfortunately, many, especially those whom the report hopes to influence, may not be so persuaded. This is because the report's analytical structure is ultimately anchored in neoclassical trade theory and the munificence of comparative advantage. From the citadels of comparative statics, where comparative advantage is most at home, to the dynamics of development theory where speculated "externalities" freely roam, there is a deep and seemingly abiding chasm. As the report seems well aware, there are those who "object(ion) to the very idea of comparative advantage" (p. 1); and, while it may be convenient to dismiss these objectors as apologists, that is too easy an option. What the World Bank's Development Report 1987 (p. 71) calls the "great debate" on industrial targetting underscores the disquiet on the very ground floor of trade policy.

On the subject of government intervention, while Japan has often been unfairly made the scapegoat for discriminatory treatment, the study group has taken a conspicuously soft line towards its international trade policy. In fact, while the treatment of Japan by other industrial countries has been constantly highlighted as examples of what is wrong with the present state of international commercial con-

---

duct, hardly any mention is made of Japan's own transgressions, particularly in terms of industrial policy related protectionism. Western European countries' efforts to protect declining industries in fact came in for more criticism. Perhaps the study group, eight of whose thirteen members are "face-conscious" East or Southeast Asians are just being polite to their conference host, especially in view of Japanese Foreign Minister Abe's declaration that "Japan... has attained her present level of economic development, more than anything, by making her own trading system increasingly open" (p. xiv). Compare this with a strongly worded American view that "Many in Asia ostentatiously sport Adam Smith neckties, few are true believers... These are centralised economies... (with) ingrained social prefer-

ences for centralisation and regulation... In short... unreconstituted economic nationalists whose commercial chauvinism verges on mercantilism" (Edward Olsen, *Far Eastern Economic Review*, 19 January 1989, p. 65) and we can see that there is a perception gap between Japanese leaders and some American scholars wider than the Pacific.

Such minor matters of balance apart, the report is a well organized, refreshingly well argued, informative and readable piece of work. It should be on the bookshelf of all those who have an interest in the state of the world economy.

CHNG MENG KNG  
*Department of Economics and Statistics*  
*National University of Singapore*