

BOOK REVIEWS

***Whither Free Trade Agreements? Proliferation, Evaluation and Multilateralization.* Edited by Jiro Okamoto.** IDE Development Perspective Series no. 2. Tokyo: Institute of Developing Economies (IDE), Japan External Trade Organization (JETRO), 2003. Pp. 414.

This volume is the outcome of an IDE Research Project analysing the motives, incentives and objectives behind the proliferation of free trade agreements (FTAs) among the Asia-Pacific economies. The volume uses a good mix of theoretical and institutional analysis of global trade and supplements it with detailed case studies to answer the complex questions on FTAs, the reasons for their proliferation, and the extent to which they can be made consistent with the multilateral trading system. In particular, this is one of the few books that delve into the concept of multilateralization of FTAs and tries to analyse the extent to which Asia-Pacific economies can design FTAs that can possibly be “multilateralized”.

The book consists of thirteen chapters divided over three sections. While the first section provides the theoretical and institutional perspectives on the subject, the second section, which constitutes the most important contribution of the book, consists of detailed case studies on the motives of the FTA and objectives of eight individual Asia-Pacific economies, viz. the United States, Mexico, Chile, Japan, Thailand, Malaysia, Australia, and New Zealand. The last section synthesizes the observations from these

studies to conclude by posing important questions for future research on this hitherto unexplored area of the multilateralization of FTAs.

Section I of the book first focuses on the review of the theoretical literature on FTAs and its impact on multilateralism. It also devotes significant focus on the institutional background on FTAs by detailing on the concepts of most favoured nation (MFN) treatment and reciprocity and its incorporation in the GATT/WTO framework. In particular, the chapter by Yanai indicates that the GATT/WTO is unable to assure diffused reciprocity in trade, without delays, and this has provided a strong institutional impetus for the proliferation of bilateral FTAs. The next chapter by Oyane applies international political economic theories to explain the proliferation of FTAs in the Asia-Pacific region. He refers to the three theories of neorealism, neoliberalism and constructivism to argue his case.

Section II, focusing on the case studies, offers diverse perspectives by the Asia-Pacific economies on the rationale for entering into an FTA. Although these motives could be broadly demarcated into strategic and economic factors, for many cases the distinction appears to be blurred, since many of the economic motives for entering into FTAs also have a political angle to it. It is quite clear from these studies that domestic and international concerns need to be balanced while taking an FTA decision.

In the context of ASEAN FTAs, the book's major contribution is in the area of the two case studies on Malaysia and Thailand by Sanae Suzuki

and Fumio Nagai respectively, who detail the historical background on trade policies of these two countries and the reasons due to which both these countries now seem to be increasingly jumping on to the FTA bandwagon, the latter much rapidly than the former. The chapter by Nagai on Thailand's FTAs clearly highlights that Thailand has resorted to bilateralism primarily as it has been frustrated with progress in trade liberalization at the regional and multilateral levels. It indicates that while FTA proposals were thought of since the year 2000, it has been much more aggressively pursued when the Thaksin government took office in 2001. Sanae's chapter on Malaysia's FTAs brings home the point that Malaysia's outlook on FTAs has been different from that of Thailand, and that due to changes in its production structure and trade composition, Malaysia has hitherto not viewed FTAs as being beneficial for its economy. It also observes very important linkages between Malaysia's FTA policy and ASEAN diplomacy, and asserts that Malaysia is more likely to support ASEAN-wide FTA initiatives than bilateral ones, due to these complex linkages. The book, however, has not included Singapore as a country case study among ASEAN, which is important to include as it has been the prime and first mover on bilateral FTAs in ASEAN, and has created significant demonstration effects for others to rethink or ponder on entering into cross-regional and even inter-continental FTAs. This remains an important drawback of this volume.

The final section of the book deals with the possibilities of multilateralization of FTAs, based on the experience from the case studies. The section brings out important insights on the conditions under which FTAs can be multilateralized and the role that needs to be played by the WTO, in this process. It asserts that it is possible to set up a mechanism that can multilateralize the contents of FTAs through the help of organizations outside the FTAs, which can pick up the WTO plus elements of FTAs for multilateralization. However, support from major WTO members (most of whom are busy in negotiating FTAs) is crucial to the success of

this mechanism, which would be much less discriminatory and would provide a better solution to global free trade than bilateralism based on different ideologies and motives. The book however, does not deal much significantly with the issue of Rules of Origin (ROO) that remains central to the debate on FTAs becoming a building or a stumbling block to multilateralism.

This book is a must read for trade policy analysts in Asia, and answers some vital questions on the proliferation of FTAs in the Asia-Pacific. The case studies are in-depth and are an important resource of background information for researchers working on international economic policy issues. However, exclusion of some of the other major Asia-Pacific economies, viz. Singapore, China and India from the case studies, leaves a gap that needs to be fulfilled by future research projects analyzing these issues. The gap is important to fill quickly because apart from Singapore that has a number of working FTAs already in force, the two major emerging economic powers in Asia, viz. China and India, are also turning their attention rapidly towards FTAs.

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***Beyond Late Development: Taiwan's Upgrading Policies.* By Alice H. Amsden and Wan-wen Chu.** Cambridge, Massachusetts: The MIT Press, 2003. Pp. 207.

Any study of a country's economic development should examine at least the major economic drivers and put them in their historical context. Amsden and Chu's use of Taiwan's electronics as well as modern services industries to illustrate Taiwan's economic development is a good example. In addition, they have carefully considered the extent to which the latecomer model can be generalized. The book should prove to be useful to both academics and policy-makers