

crisis management, capital controls did play a useful role in providing a conducive setting for the effective pursuance of such policies (Corden 2002, Edison and Reinhart 2000, Kaplan and Rodrik 2001). The severance of the link between domestic and world interest rates through capital outflow controls enabled Malaysia to recover through expansionary macroeconomic policies, with a far smaller legacy of national debt burdening future growth, while minimizing social costs and economic disruptions associated with a more market-oriented path to reform.

Despite these shortcomings, the reader of this volume, on balance, would gain considerable insights into the causes of the financial crisis, crisis management policy, and post-crisis economic performance in the countries under study. It should be of interest not only to economists working on East Asian economies, but also to others interested in broadening their understanding of the open economy dimensions of national development policy in an era of rapid globalization.

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Free Trade Agreements: US Strategies and Priorities. Edited by Jeffrey J. Schott. Washington D.C.: Institute for International Economics (IIE), 2004. Pp. 450.

This volume is the outcome of an IIE programme on free trade agreements (FTAs) and U.S. trade policy launched in May 2003. It analyses the motives, incentives, and objectives behind the proliferation of FTAs involving the United States, and the strategies and priorities that the United States should adopt in pursuing its FTAs. This is one of the few books that provides an in-depth analysis into the U.S. experience with its existing FTAs, as well as its new and proposed initiatives with countries in different parts of the world. It provides excellent insights into U.S. foreign trade policy and the extent to which political and economic objectives define its free trade agenda.

The book is fairly lengthy, consisting of thirteen chapters divided into six sections. The first section provides a general assessment of FTAs and their implications for the multilateral trading system. The second section, divided into three chapters, assesses U.S. experience with its existing FTAs with the North American Free Trade Agreement (NAFTA) countries, Israel, Jordan, Chile, and most recently with Singapore among the ASEAN economies. The next three sections assess the new and ongoing initiatives of U.S. FTAs with countries in the Asia-Pacific, Latin America, and Africa and the Middle East respectively. The final section assesses the implications of the existing and ongoing FTA initiatives of the United States and provides some interesting policy conclusions on the basis of the several criteria chosen by the United States in shaping its FTA policy. There is also an appendix that undertakes a quantitative assessment of the economic impacts of these FTAs on the United States and partner countries.

Section I of the book devotes exclusively to the age-old debate on the question of whether FTAs are building or stumbling blocks to global free trade. There seems to be a general agreement that FTAs are likely to be most beneficial when they

have a comprehensive coverage, if rules of origin are simple and requirements for compliance kept to a minimum, and members are committed to advance multilateral trade reforms in the WTO. The book highlights that there are potential downside risks of FTAs in terms of a possible failure of the multilateral system, which should be avoided at all costs since they would be significantly beneficial for developing countries. The comments at the end of this section strongly argue for ensuring that FTAs act as a complement, and not as a third-best substitute to the WTO.

Section II analyses the lessons from U.S. experience in entering into FTAs. Herein, the first chapter on U.S. experience with one of its earliest and most significant FTAs — NAFTA — involving Canada and Mexico as its members, clearly highlights the limited impact of NAFTA on the U.S. economy, compared with its other members. It also highlights an important point that the success of NAFTA could have been more far reaching if the development dimension of including funding mechanisms to promote development were being included in the FTA. The author views NAFTA as not just an economic arrangement, but also a foundation towards progress on other development issues.

The next chapter on the U.S.–Israel and the U.S.–Jordan FTA brings home the point that as opposed to NAFTA, both these FTAs have primarily been used as a foreign policy tool, rather than as an economic agreement. The author debates the extent to which foreign policy has overridden the economic agenda in negotiating U.S. FTAs, and aptly warns that scarce negotiating resources are being diverted towards FTA negotiations that do not yield any substantial economic payoffs.

In the ASEAN context, the next chapter on the U.S. experiences of FTA with Singapore is significant, though this chapter also combines the lessons from the U.S.–Chile FTA. The author quite aptly points out that expanding merchandise exports from the United States was not the motive behind Singapore and Chile entering into these agreements. In his opinion, lowering investment

barriers and expanding investment opportunities were probably an important motivation behind the two FTAs. The author indicates that both these FTAs were “easy” cases, given that both Singapore and Chile are open economies and practise sound macroeconomic policies, and that the United States had a “free ride” in the agricultural sector while negotiating with Singapore. These two agreements also seem to highlight how the United States is using non-trade issues such as prohibition of capital controls in its FTA negotiations, and its future implications on other potential members who might wish to enter into negotiations with the United States. However, since this chapter focuses on two countries at the same time, it does not delve into the details on some of the restrictive provisions in the U.S.–Singapore FTA, and the extent to which compliance to such conditions could be achieved without increasing the transaction costs. It also does not focus on the possibility of the U.S.–Singapore FTA being a pathfinder for a future U.S.–ASEAN FTA, which has been often debated in the regional context.

Sections III to V are largely similar in terms of their approach and content, with each section focusing on a particular region, and the new FTA initiatives of the United States in each of the regions. Section III, which focuses on the Asia-Pacific, has important implications for U.S. foreign trade policy with respect to Southeast and East Asia. Among the chapters here, the one by Andrew Stoler on the U.S.–Australia FTA is slightly outdated since the agreement is already in force. However, the chapter on U.S. FTA with ASEAN by De Rosa is particularly striking, since it details out two important facts. One, that in the event that a U.S.–ASEAN FTA takes shape, the United States would prefer to negotiate bilaterally with individual ASEAN countries as opposed to the grouping. Second, on geopolitical and economic grounds, it is likely that Indonesia and the Philippines will be chosen as prospective U.S. FTA partners on the grounds on geopolitical and strategic considerations, while the economic rationale may drive the United States to choose

Malaysia and Thailand as its FTA partners. The author concludes, with the help of GTAP simulations, that among these potential FTAs, a U.S.–Thailand FTA would be the most appropriate one to start off with, which has indeed been the case. However, while this chapter has quantified the welfare gains for both ASEAN and the United States, it does not provide the ASEAN perspective on entering into an FTA with the United States, and the possible areas wherein negotiations with each individual ASEAN countries could be tough. The other two chapters on the prospects for a U.S.–Korea and U.S.–Taiwan FTA suggests that while in the U.S.–Korea context, any deal should include the sensitive agricultural sector in its negotiations for overall welfare gains, a prospective U.S.–Taiwan FTA could be trade diverting than trade creating, especially due to gains for Taiwan in textile and apparel exports, and political economy considerations would be of prime importance.

Sections IV and V focus on prospects for U.S. FTAs with the Latin American countries, and with the African and Middle Eastern countries. These focus on U.S. FTA initiatives with Central America, Brazil, Egypt, Morocco, and the South African Customs Union (SACU). In most cases, the analysis has avoided using GTAP simulations unlike the previous sections, and has relied mostly on the ongoing developments to argue the case for or against the United States in entering into negotiations with these countries. In particular, the chapter by Lieth and Whalley on the U.S.–SACU FTA provides interesting insights into the possible elements of negotiations in a U.S.–SACU Agreement, and the extent to which the United States might use its earlier models in the SACU context.

The final section of the book, by way of providing policy conclusions, is one of the most interesting chapters of the book since it details the criteria of the United States in drafting its foreign trade policy and the trade-offs it faces while taking a decision on going ahead with FTA negotiations. The author of this chapter, who also happens to be the editor of this excellent book, clearly demarcates the importance of U.S.

domestic politics, economic considerations, commitment of partner countries in working with the United States on common objectives, and foreign policy considerations in determining the choice of an FTA partner. It highlights the complexities and preparations that go into choosing an FTA partner, and is particularly instructive for many developing countries in Asia that are entering into such negotiations without a detailed rationale or preparations. The book ends with a clear note that FTAs are likely to occupy an important position in U.S. foreign trade policy, and that the success of the ongoing multilateral negotiations in the Doha Round would be critical in ensuring that these FTA initiatives do not end up becoming a stumbling block towards global free trade.

This book is a must read for trade policy analysts and negotiators in Asia, since it provides important insights into U.S. foreign trade policy and poses some serious questions on the probable future U.S. approach to FTAs with its trading partners. In the ASEAN context, this book provides excellent insights into the possibilities of a U.S.–ASEAN FTA. The individual studies of U.S. cross-regional FTA initiatives are quite in-depth and are an important resource of background information for researchers working on international economic policy issues. It is also highly recommended for students and practitioners who may be interested in international economic and foreign policy issues.

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Achieving Sustainable Communities in a Global Economy: Alternative Private Strategies and Public Policies. Edited by Ralph D. Christy. London and Singapore: World Scientific, 2004. Pp. 239.

The chapters in this book are based on papers presented at a symposium titled “Achieving Sustainable Development in a Global Economy”,