

reviewers of their 14 chapters, have made a remarkably successful effort to compile available facts, figures, and views about the environment in Southern Africa, and to present these data in a coherent fashion. As explained in the foreword by President Quett Masire, the chairman of SADC, 'This publication is dedicated to empowerment through information in the hope that it will be disseminated through the region's communication channels, and through schools to the decision makers of the future' – an aim that has been admirably achieved.

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New Dimensions in Regional Integration edited by JAIME DE MELO and ARVIND PANAGARIYA

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This collection of essays is the outcome of a conference in Washington, DC, organised by the World Bank and the Centre for Economic Policy Research in 1992, before the successful conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Then the slow progress in multilateral negotiations was regarded as an important reason for the attractiveness of regionalism. Nevertheless, most of the contents of the volume are still relevant.

New Dimensions in Regional Integration provides insights into both systemic and country issues by concentrating on the four main themes highlighted by Jaime de Melo and Arvind Panagariya in their introduction: (i) regionalism and/versus? multilateralism, (ii) the experience with regional integration, (iii) the new regionalism and new initiatives, and (iv) the implications for smaller countries. Each of the ensuing 12 chapters, written by leading international experts, ends with the reactions and comments of two equally knowledgeable discussants. Despite expected disagreements there is a fairly good meeting of minds, mostly in neo-classical traditions, on the issues raised under each heading. But the debates are, in most cases, inconclusive except for the implications of the new regionalism for the poor developing countries, which have little bargaining power to open markets for their goods under the auspices of GATT.

Most of the authors agree on the possibility of the world dividing into three main blocs around the United States, Europe, and Japan. Jagdish Bhagwati (ch. 2) argues that the rise of regionalism in recent years has been mainly due to US dissatisfaction with the slow progress in the GATT negotiations, for which several reasons are provided by Paul Krugman (ch. 3), notably the increase in the number of GATT members, and hence a greater divergence of views, as well as the decline of US power in influencing the system. But despite the ratification of the Uruguay Round agreement by Congress, the US Government has reportedly said 'it can pull out if it determines there have been three unjustified rulings against it within a five year period against US trade laws' – *International Herald Tribune* (Paris), 1 January 1995, p. 10. In other words, the Government appears to be concerned that the new multilateralism may limit its influence in the international trading system.

The abolition of the power of defendants to veto panel decisions which go against them in the dispute settlement mechanism has definitely contributed to restricting the influence of large countries. The US has almost certainly pushed for new regional blocs in Latin America and Asia in the expectation that it can exercise economic power more easily there than through multilateralism.

However, economic reasons alone do not explain the rise in new regionalism. One has to take into account the factors tempting the US to counterbalance the political power of the European Union (EU) by organising its own zone(s) of influence. Bhagwati maintains that even if a particular regional scheme helps free trade in the short run, over time it may result in a more protectionist world. According to Krugman, although the 'consolidation of the world into a small number of trading blocs was likely, with unchanged external tariffs, to produce more trade diversion than creation' (p. 73), there is no certainty that this will happen. 'The answer is clear: more research is needed' (p. 75). While paying tribute to Krugman's 'analytical eminence', T. N. Srinivasan believes that his political economy model is purely theoretical and unrealistic.

But what are the implications for regionalism? If there is a lack of confidence in multilateralism because of its weakness or possible breakdown, a regional bloc would be an insurance, though not comprehensive, against such a risk for a participating country. Reviewing the historical experience of regionalism, Douglas A. Irwin (ch. 4) explains how trade blocs contracted world trade in the inter-war period, but concludes that the past does not provide a clear guide to the future because of the changed economic and political situation. In order to limit the damaging impact of regional trading blocs and turn them into mechanisms which would complement multilateralism, Bhagwati suggests that they should be open-ended. J. Michael Finger (ch. 5) is not, however, optimistic that such arrangements could be easily implemented.

The main conclusions reached in Part 2, country issues, are as follows: (i) According to L. Alan Winters (ch. 7), North–North regional integration as exemplified by the EU has been fairly successful in attaining its objective, albeit strongly discriminatory against countries outside Europe. (ii) By way of contrast, Faezeh Foroutan (ch. 8) claims that South–South regional groups, particularly in sub-Saharan Africa, have not been successful, and that there is little future for further regional integration by developing countries. (iii) Even though the road to North–South integration is now more accessible than in the past, the membership of existing blocs is not kept easily open. (v) Hence, W. Max Corden recommends in the volume's Round Table Discussion that countries in the South should opt for multilateralism by liberalising their trade:

It is far better for Argentina to go for the world market – i.e., to liberalise unilaterally and in a non-discriminatory fashion, as she has been doing – than just to go for the Brazilian market... Freeing trade regionally is no substitute for opening up to the world – for going for the world market in exporting. Freeing trade (more or less) with everyone is much better. Another danger is that regionalism provides new life for protectionists (pp. 457–8).

Such strong conclusions, shared by the editors, suffer from a few logical and technical weaknesses. It is not clear why regionalism provides new life for protectionism for developing but not for developed countries, nor is it obvious

why lessons of the past on regionalism are not applicable in future to them. If North–North integration spreads and if North–South integration is not easily feasible for poor countries in Africa, it is very likely that those left out of regional blocs would have a hard time gaining access to their markets. If this is the case, why should such countries open their markets to trading blocs which restrict access themselves? Indeed, it is by no means clear why ‘opening up to the world’ is regarded as the same as ‘going for the world market in exporting’ (Corden, p. 457). It may be that trade liberalisation provides neutral incentives for exports and import-substitution activities thus reducing the bias against production for external markets. If so, as implied by Finger, such liberalisation, even if it leads to the expansion of supplies, does not facilitate access to markets abroad.

In fact, if a large number of developing countries pursue this policy, it could lead to the escalation of barriers to imports from the North. Given that the bulk of future increments to world trade will originate from the South, it is the North which has an interest in opening up markets there. Under such circumstances, would it not be logical for countries left out of regional blocs to attempt to share their own markets through regionalism? After all, it was through regional co-operation and the protection of infant industries, and not unilateral trade liberalisation, that the United States of America and the German states managed to develop their industries and eventually compete with Great Britain, which was in favour of free trade.

Finally, if regionalism undermines multilateralism, how can a resort to unilateral trade liberalisation help poor countries in Africa? The spread of regionalism could easily increase risks of defaults in multilateralism. Indeed, there are indications that African countries are becoming further marginalised from the world economy because of the spread of regionalism, globalisation, and new methods of production. The Uruguay Round has reduced their preferential margins in market access and restricted their trade and industrial policy options, previously open to the newly industrialising countries (NICs), so necessary for the expansion of their supply capacity. Further, it has imposed on them high bills for imported food. Similarly, the process of globalisation is to their disadvantage as transnational corporations favour locating their enterprises in countries and regions which possess appropriate infrastructure.

Regionalism alone may not act as a panacea for Africa even if governments have to resort to this strategy. Innovative approaches are needed in order to create the minimum level of development and the industrial base necessary for giving impetus to a cumulative process of growth. For example, one may think of a collective investment insurance scheme to reduce the risk of foreign investment, and/or a facility for subsidising foreign direct investment, together with serious international co-operation, in providing the continent with the required physical and institutional infrastructure.

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It should be noted that the views expressed in this review are those of the author and do not necessarily reflect those of the UN.