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Book Review — Digitized Version


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The conference was to shed light on the role of tax policy in a more highly integrated world economy. Apparently, the target was hit.

Alfred Boss


Reforms of trade policies have been core topics of many structural adjustment programmes of developing countries in recent years. They comprise mostly two efforts: to replace quantitative restrictions by tariffs and to reduce the level and the spread of tariffs in order to lower effective rates of tariff protection.

This volume summarizes the experiences with early attempts of trade liberalization before stabilization and structural adjustment became topical as well as more recent liberalization episodes. Those readers who would presume overlaps between this volume and the large World Bank project on "Timing and Sequencing of a Trade Liberalization Policy" (seventeen country studies on "Liberalizing Foreign Trade" published in six volumes and an overall summary by Michaely, Papageorgiou and Choksi¹) are on the right track. Except for one very short chapter on multilateral trade negotiations and Brazilian trade-policy reform (by Paulo Tarso Flecha de Lima), all other country studies are summaries of the World Bank project. Readers interested in the detailed analytical and empirical framework of the project are therefore well advised to consult the Basil Blackwell country studies.

Those who prefer "condensed" records on the performance of trade liberalization episodes in eight of the seventeen countries will find the volume useful. The studies of Donald Coes (Brazil), Domingo F. Cavallo (Argentina), Dominique Hachette (Chile), Demetris Papageorgiou (Greece), Guillerma de la Dehesa (Spain), Oli Havrylyshyn (Yugoslavia) and Richard H. Snape (Korea and Singapore) are generalized by Michaely as follows: Small resource-poor countries as well as higher-income developing countries are more likely to liberalize. Second, liberalization efforts which begin with strong measures are more likely to survive than those which start weakly. Third, reforms undertaken in a crisis situation are more likely to be sustained. Fourth, the studies do not support the view that trade reforms lead to net unemployment, not even in the manufacturing sector. Fifth, the initial level of international reserves does not appear to have been a determining factor in the survival of a liberalization attempt. Sixth, the dismantling of quantitative restrictions (rather than tariffs) was very instrumental to sustaining liberalization attempts because it turned out to be less costly (in terms of transition costs) than expected and because it was accompanied by rapidly increasing growth rates. Finally, the success of trade reforms was intimately linked to real exchange rate depreciations. The latter result calls for a package approach of tight monetary and fiscal policies, nominal exchange rate adjustments and trade policies. Recent successful experiences in Latin American economies such as Mexico and Argentina as well as failures in Brazil – both are not captured in the volume – underline the importance of a consistent policy mix with a hard budget constraint as an indispensable prerequisite.

Rolf J. Langhammer