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Book Review — Digitized Version

[Book Review of] Low, Patrick: Trading free: the GATT and US trade policy, New York, Twentieth Century Fund, 1993

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for exploiting intellectual property. Holmes investigates competition and technology policy. He emphasizes the possibility of protectionistic usage of these policies and therefore calls for an international agreement to avoid prisoners' dilemma situations. Zysman stresses the regional structure of the global economy and considers some of its consequences for corporate management and for technology policy. His policy conclusions are in line with those of Holmes, as he requires an international framework to secure the access to emerging technologies and markets for every region. He argues that the global economy, where trade and investment are as important between the regions as between different countries inside a region, is not present yet. Lie and Santucci finally interpret the emergence of regionalism as a first step towards freer trade and not as the erection of additional trade barriers.

Three of the case studies in Part III of the book deal with the implications of globalisation for the smaller European economies: notably Ireland (*Dermot P. O'Doherty*), Portugal (*Victor Corado Simoes*) and Greece (*Tassos Giannitsis*). *Françoise Guelle* takes a closer look at Japanese foreign direct investment in France, whereas *Kirsty S. Hughes* investigates the impact of foreign direct investment in the United Kingdom. Both find a positive effect of FDI on employment and/or wages.

The last part of the book is concerned with firms' strategies in the context of globalisation. Three chapters of this part concentrate on small firms. *Paolo Mariti* argues that, although substantial scale and scope economies exist in many markets, small enterprises can still be successful if they follow a niche strategy. *Jaume Valls* discusses the results of some case studies concerning the R&D-activities of small Spanish firms. *Colette Fourcade* emphasizes the importance of networking strategies for small firms coping with globalisation. The other three chapters of the last part deal with globalisation in biotechnology (*Vivien Walsh* and *Ilaria Galimberti*), with the organisation of innovation management in large globalised firms (*Jeremy Howells*) and with the management of Japanese multinationals (*Susumu Watanabe*).

This overview of the content of the book has probably shown the variety of topics which are dealt with. This variety, on the one hand, gives the reader an impression of the whole amount of questions which are implied in the issue of globalisation. On the other hand, the variety can be seen as the major deficiency of the book, because many of these questions would have deserved a thorough theoretical and empirical treatment, which is generally not feasible on about ten pages per chapter. This point especially holds in view of the strong policy conclusions which are drawn in several passages, for instance by the editor in his introduction, where he calls for the preparation of a European strategic trade policy.

Jens Oliver Lorz

Low, Patrick, *Trading Free. The GATT and US Trade Policy*. Twentieth Century Fund. New York 1993. XI, 297 pp.

Haus, Leah A., *Globalizing the GATT. The Soviet Union's Successor States, Eastern Europe, and the International Trading System*. Washington, D.C., 1992: The Brookings Institution. X, 141 pp.

Contradictions, confusion and controversies rather than convergence, consent and co-operation characterise the recent history of the world trading system. On the one hand, the US (and also other major players) have shown different faces with respect to sustaining their traditional obedience to the GATT rules. On the other hand, they kept their markets relatively open and contributed to the successful conclusion of the Uruguay Round, the most ambitious round on multilateral trade negotiations ever held in post-war

history. Furthermore, parallel to efforts to regain credibility of the multilateral trading system by disciplining the old Contracting Parties, the demise of the central planning system brings new challenges in terms of GATT enlargement and tying transformation policies to international rules. While the final outcome of the Uruguay Round was still uncertain when Low and Haus finalised their books, trends in showing different faces were strong already when the Round started in 1986. A major factor responsible for confusion and ambivalence was the US whose changing stance towards the GATT is painstakingly and very comprehensively scrutinised by Patrick Low.

Patrick Low departs from changes in the international environment and the role of the US in the post-war period (Section I). In this section, the responsibility of the US to growing tensions on free vs fair trade is as clearly earmarked as the weakening of the US position from a rule-setter to a rule-persuader. Section II concentrates on investigating driving forces in US trade policy, its political objectives, legal underpinnings and economic instruments. The domestic spearheads of lobbying for more protection in the industrial sector and the Congress are clearly exposed. So are the macroeconomic costs of surrendering to protectionist claims. The final Section III discusses the post-Tokyo Round developments of the multilateral trading system against the background of increasing deviations from the initial principles of non-discrimination and universality. Sectoral exemptions, regionalism (to which the US substantially contributed by launching NAFTA), contingent protection as well as special and differential treatment figure prominently among the major issues of tensions.

Low's treatment of the subject combines in-depth insight into the economic and political forces underlying US trade policies and GATT decision-taking on the one hand and solid command of the concepts and toolbox of empirical research on economic effects of multilateral trade liberalisation and enforcement of trade policy discipline on the other hand. The balance is in favour of the former and this implies less rigour in discussing the merits of theoretical concepts and more priority given to elaborating on the actual developments. In this respect, I would have liked to see some political economy type synthesis between the two approaches, for instance taking into account the theoretical and empirical literature on endogenous tariff-making in US trade policy and the different cycles in trade policies under various Democrat or Republican administrations (for instance, referring to Magee's work). Low's monograph can be highly recommended to those who need well-structured information and guidance to the institutional background both in the GATT and the US in order to explain the results of empirical tests of endogenous trade policies.

Leah Haus' monograph concentrates on discussing the procedures, stumbling blocs and prerequisites of the Central and Eastern European countries' (CEEC) accession to the GATT. Its structure is country-wise. After a short introduction on security and trade policy motives of Western countries to reconsider their past discriminatory trade policies towards CEECs, Haus analyses GATT accession and implementation of commitments of Poland, Romania and Hungary, Bulgaria's bid to join the GATT, and – as the most crucial challenge to the world trading system – the modalities of entry of the successor states of the Soviet Union. Departing from a political scientist's perspective, her work is historically oriented and concentrates on Western interests in bringing the CEECs into the GATT, in spite of their marginal role in world trade at that time. Frequently, too much description overrides and obscures conceptual guidance which the author could have shown by asking relevant questions. For instance, economists would have been interested to know whether the accession of the three front-runners (Poland, Romania and Hungary) had a strong impact on launching domestic policy reforms in the pre-stage of transition and whether afterwards GATT accession helped democratic governments to resist protectionist lobby groups. Did GATT membership or at least the negotiations on accession contribute to more policy coherence in terms of replacing quantitative restrictions by pricing measures?

Instead, the reader is left without any concluding summary or outlook on the role of an international treaty to integrate former Socialist countries into the institutional network of market economies.

Rolf J. Langhammer

Mills, Terence C., *The Econometric Modelling of Financial Time Series*. Cambridge 1993: Cambridge University Press. VIII, 247 pp.

Schon der Titel des Buches sagt einschränkend, daß der Autor seine Aufmerksamkeit ganz auf ökonometrische Modelle für Finanzmärkte (Wertpapiermärkte, Devisenmärkte) beschränken will, auch wenn internationale Warenmärkte große Ähnlichkeiten mit diesen besitzen. Leider geht Mills nicht auf die Charakteristika dieser Märkte ein: Bei ihnen handelt es sich um Börsen; und es werden täglich variable- oder Einheitsnotierungen für Spot- und diverse Terminkontrakte sowie Informationen über Umsätze und offene Positionen mitgeteilt. So beträgt die Basisperiode der Beobachtungen, die für Zeitreihenanalysen zur Verfügung stehen, höchstens einen Tag. Oftmals ist sie sogar noch kürzer (etwa bei variablen Notierungen). Angesichts dieses sehr kurzen Basiszeitraums und der raschen Information dürfte zur Beschreibung dieser Märkte im allgemeinen nur wenig Anlaß für fundamentale Analysen sein; vielmehr dürften (chart-)technische Analysen sehr im Vordergrund stehen. Allerdings könnten für das kurzfristige Marktgeschehen auch gewisse allgemeine Informationen maßgeblich sein, wie z. B. der plötzliche Tod eines wichtigen Staatsmannes oder die Bekanntgabe einer Inflationsrate, eines Leistungsbilanzsaldos, einer Geldmengenwachstumsrate, einer Leitzinsänderung, einer Produktionsziffer oder einer Arbeitslosenrate. Wahrscheinlich dürfte für jede dieser Informationen bereits vorher eine gewisse Größe erwartet worden sein oder ein Insiderwissen existieren, so daß vermutlich nur eine größere Differenz zwischen der tatsächlichen und der erwarteten Größe noch bedeutsam wird – eine Vorstellung, von der auch die neue klassische Makroökonomie ganz geprägt ist.

Die im Buch angeführten Beispiele beziehen sich allerdings selten auf Reihen mit einer Basisperiode von einem Tag; es sind vielmehr meist zeitlich aggregierte Reihen mit Wochen-, Monats-, Quartals- und Jahresdurchschnittswerten. Je länger die Basisperiode ist, um so eher dürften fundamentale Gesichtspunkte für die Erklärung eine Rolle spielen. Leider geht Mills nirgendwo systematisch darauf ein, wie die Ansätze und Ergebnisse mit der Länge der Basisperiode variieren dürften. Nur im Einzelfall macht er auf derartige Unterschiede aufmerksam (z. B. S. 60).

Entsprechend der Vorstellung, daß in der Finanzwelt technische und fundamentale Analysen nebeneinander bestehen, behandelt Mills in seinem Buch zuerst univariate Modelle (reine Zeitreihenanalysen) in den Kapiteln 2–4 und dann multivariate (Eingleichungs- und Mehrgleichungs-)Modelle in den Kapiteln 5–7. Dabei sind die reinen Zeitreihenmodelle grundsätzlich linear in den Koeffizienten und den Variablen, sind also lineare Differenzgleichungen. Eine große Vielfalt der Ansätze entsteht durch unterschiedliche Annahmen über die Gestalt der stochastischen Prozesse, die linear (Kap. 2, 3) und nicht-linear (Kap. 4) gedacht werden. Eine erhebliche Flexibilität der Ansätze wird auch dadurch erreicht, daß sowohl im deterministischen als auch im stochastischen Teil bestimmte Charakteristika (Parameter, Momente) im Zeitablauf in unterschiedlicher Weise variant sein können. Besonders bemerkenswert erscheinen mir in diesen Kapiteln die kurzen Hinweise auf „fraktionale Integration“ (S. 83–86), die stark an eine Vorgehensweise von Cochrane und Orcutt erinnert, sowie auf „deterministisches Chaos“, das empirisch eine ernsthafte Alternative zum Ansatz einer linearen Differenzgleichung mit einer Inhomogenität in Gestalt eines nichtlinearen stochastischen Prozesses darstellt.