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**Book Review — Digitized Version**

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ket economies like through the creation of institutions offering special credits for exports, export insurance or guarantee schemes. However, in my opinion, the governments should be given more credit in ensuring access to the large foreign markets by negotiating the Europe Agreements with the European Union and membership in the World Trade Organization.

To sum up, this collection of country studies will not be the abundant reference tool for all the issues concerning trade growth of transition countries, but does offer some valuable insights concerning the internal impediments to exports of the enterprises in the transition countries.

Daniel Piazzolo

**Krueger, Anne O. (ed.)** with the assistance of Chonira Aturupane, *The WTO as an International Organization*. Chicago and London 1998. The University of Chicago Press. XVI, 425 pp.

With the WTO celebrating its 50th birthday, the future development of the world trading system has come to the foreground of the economic policy discussion. The book edited by Anne O. Krueger is a timely contribution to this issue; it contains fourteen papers (and discussions) presented at a conference at Stanford University in September 1996, two months before the Singapore ministerial meeting of trade ministers. It also includes an extensive introduction in which the major issues of the further development of the world trading system and conclusion with an Agenda for the WTO by Anne O. Krueger.

The first part of the papers looks at the WTO's institutional capacity. These papers include a review of the WTO as an organization (The capacity of the WTO to fulfill its mandate, *Richard Blackhurst*), an analysis of the relationship between the WTO, the World Bank and the International Monetary Fund (*David Vines*), the rule of international agencies in liberalizing cross-border interactions (*David Henderson*), the relationship between domestic politics and international institutions (*Judith Goldstein*), the dispute settlement mechanism (*John H. Jackson*) as well as the role of the United States in the world trading system in a historical perspective (*John Odell* and *Barry Eichen-green*).

Two papers on particular country groupings, the transition countries (*Jaroslav Pietras*) and the developing countries (*J. Michael Finger* and *L. Alan Winters*), are included in the third part of the book.

The main thrust of the book is the second part on substantive issues and challenges for the WTO with papers by *Frieder Roessler*, *Kym Anderson*, *Bary P. Sampson*, *Richard H. Snape*, *Robert E. Baldwin*, and *T. N. Srinivasan*.

One important aspect analyzed by *Frieder Roessler* is to what extent the trade order should be linked to different aspects that are now discussed like environmental policies, internationally recognized labor standards, competition policy, foreign investment, emigration policies, economic development, and alleviation of property. Roessler portrays the experience that has been gathered with respect to linking trade with other policy objectives, namely with balance of payments policy or monetary policy, development policy, and antitrust policy. He asks the question to what extent history will repeat itself, i.e., to what extent the negative experience with respect to monetary policy will be duplicated in the area of environmental policy. His conclusion is to separate the world trade order from environmental policy; otherwise domestic protectionist forces would capture the linkages for their interest.

The issue of linking or delinking is addressed by *Kym Anderson* for the area of labor and environmental standards. Both types of standards are treated on an equal footing.

The author justifies this by the consideration that both issues are not only related to competitiveness but also to international spillovers. Anderson takes the view that what I would call *emotional spillovers* in the case of labor standards are analogous to physical externalities in the global environment. This does not make too much sense because it opens a wide interpretation of externalities; eventually, everything becomes an externality if people are only sufficiently concerned. He is right, though, in pleading to take the political demand for labor and environmental standards seriously and to come up with an answer which solutions can be offered. Nevertheless, a clear distinction should be made between labor and environmental standards. The international harmonization of labor standards cannot be a solution for the WTO rule system. Labor standards are inherently domestic matters as Krueger points out in her introduction. The relationship of trade policy with environmental policy, however, is more complex, especially since environmental policy instruments such as product standards may represent barriers of trade and since global environmental media require international rules. Interdependence does not imply that the WTO can solve the global environmental issues.

Another aspect of linking or delinking relates the coherence between WTO, the World Bank, and the IMF. There are quite a few overlappings between the three institutions. The domain of the WTO no longer is limited to merchandise trade but extends to services and other areas; trade cannot be easily separated from capital movements or from monetary, financial, and balance of payments problems. *Bary P. Swampson* suggests cooperation arrangements, primarily informally for the WTO. It is still an open question to which new area the WTO should say "no" when developing new rules.

Extending the rule system to the international exchange of services is a major challenge for the WTO (*Richard H. Snape*). The general agreement on trade in services (GATS) does not only relate to cross-border services but to using services abroad and supplying services abroad. Access to foreign markets and barriers preventing it are major issues. In this area many problems still have to be solved like expanding the most favored nation clause prevalent in services on a conditional basis to an unconditional use and overcoming the sector-specific approach in the negotiations on liberalizing specific services. The service sector illustrates the issue of linking or delinking with respect to investment, competition policy, and the free movement of people. Snape recommends NAFTA as a model for the liberalization of services.

After voluntary export restraints were outlawed by the Uruguay Round, administered protection is lingering as a threat to the world trading order. This includes antidumping and countervailing duties. Here the great danger is that these trade policy instruments may be successfully captured by protectionist groups. International standards must be developed that have to be used in national antidumping laws. Conditions must be specified under which domestic firms can obtain antidumping measures. *Richard E. Baldwin* presents a concise survey of the economics of administered protection including empirical analyses; reforms are proposed. The development of standards to be used in national antidumping laws is still unsatisfactory.

It has been a long discussed question to what extent regional preferential arrangements may actually be a right step to a multilateral trading order or whether they eventually lead to a hub and spoke system which will weaken the multilateral arrangement. This issue is analyzed by *T. N. Srinivasan*. The question here is whether preferential trading arrangements do represent a road, albeit a long one, to a multilateral order or whether regional arrangements could eventually lead away from a multilateral system, diverting interest away from the WTO. Related to this, the bilateralism is another threat to the world trading order because large players like the United States and the European Union may use bilateral agreements to receive preferential treatment. Besides, bilateral negotiations may weaken the international institutional arrangement. Srinivasan then looks for more precise criteria under which regionalism is conducive to a multilat-

eral order such as the Kemp-Wan criteria or the requirement to lay down a timetable under which the regional arrangement is extended to all WTO members.

For anyone who is interested in the further development of the rule system for the world economy, this book is a must. It specifies the issues which have to be solved in the future and it points out potential solutions for the world order.

Horst Siebert

**Menkhoff, Lukas**, *Monetary Policy Instruments for European Monetary Union*. Berlin, Heidelberg, New York 1997. Springer-Verlag. VIII, 152 pp.

According to the foreword, the book is meant to be “a contribution, from a German perspective, to the discussion about monetary policy instruments of the future European Central Bank” (ECB). To be precise, however, the author’s purpose is to provide an analytical assessment of the instruments presently used by the Deutsche Bundesbank. For this reason, it seems legitimate to characterize the author’s viewpoint as “a German perspective”. His German emphasis is additionally proved by the term “Ordnungspolitik” (not translated) which appears repeatedly throughout the book; *Menkhoff* defines this as the leading analytical approach underlying the study.

Accordingly, the book focuses on three classes of monetary policy instruments: open market operations, refinancing policies, and minimum reserve requirements (these are the main instruments presently used by the Deutsche Bundesbank). Hereby, *Menkhoff* is prepared to admit that “it should not be assumed automatically that Germany’s existing monetary policy instruments would necessarily be the best for the ECB, just because they happen to have demonstrated their usefulness in the past” (p. 2; it seems worth emphasizing that by using this statement, the author gives an unambiguously favorable judgement of the instrument of German monetary policy from the outset). Thus, the limitation on German-type instruments implicitly renders the title of the book slightly misleading: in fact, the study does not represent a general analysis of “potential instruments of monetary policy open to the ECB” (in contrast to the promise given on p. 2).

The “Ordnungspolitik approach”, on the other hand, seems to dictate the details of the analytical guidelines of the study: efficiency, fair competition, and decentralization are presented as the criteria against which the instruments at hand have to be assessed.

This program provides the structure of the book. Following the opening chapter, the second chapter offers a concise description of historical trends and of the status quo in Europe; additionally, it identifies areas of consensus as well as of controversy regarding monetary policy instruments. The main results of these considerations can be found on p. 34: “...there can be no doubt that open market policy is the core instrument. The remaining critical areas are therefore above all refinancing and minimum reserves policies. The potential national role-models of the United Kingdom and Germany represent two extremes in this respect.”

After this cursory look outside the national borders, in the third chapter the author returns to his primary topic; this chapter constitutes the principal part of the study. It will be discussed in more detail below. The results of this chapter are used in the fourth chapter in order to evaluate typical sets of monetary policy instruments, referring to different regulatory frameworks (“fundamental concepts”). Here again, the author leaves the national stage and takes into consideration institutional approaches found in the international discussion. Chapter Five is a summary.

As already mentioned, chapter 3 constitutes the main part of the study; it deserves a more detailed discussion. The chapter opens (3.1, pp. 41–43) with the description of