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BOOKS RECEIVED

Trade Policies and Developing Nations. By Anne O. Krueger. Washington, D.C.: The Brookings Institution, 1995. Pp. vii, 124. References, Index.

Over the past half century, the developing countries have struggled to understand their relationship with the system of world trade, the role of their trade policies in their economic growth, and the influence of the world economy on their prospects for growth. In *Trade Policies and Developing Nations*, Anne Krueger traces the development of these nations' policies in their attempts to define their roles within the world trade system.

In the 1950s and 1960s, even while industrialized nations were removing trade barriers and lowering tariffs to facilitate the openness of their economies, most developing countries pursued policies of "import substitution." Under this policy, rapid industrialization was to take place as imports were replaced by the expansion of output of domestically produced goods as domestic capacity was created. According to the author, in the 1950s and 1960s popular sentiment in these nations mandated the protection of domestic industries both on infant industry grounds and because it was thought export earnings from primary commodities would be insufficient to meet the increasing demand for machinery, equipment and other imports essential for raising levels of investment and industrial activity. Thus, until the 1980s, under these policies of import substitution, the developing nations were largely bystanders, rather than participants, in the design of the international trading system.

By the 1980s, however, policymakers in most developing countries had concluded that import substitution policies had failed. As a result, they began to open up their nations' economies to trade, thereby integrating them into the international economic system. Krueger chronicles the reasons for this reversal of earlier policies and demonstrates the importance of the open international trading system for developing nations. She analyzes the interaction of the developing countries and the world economy from the late 1940s to the early 1990s and surveys the situation in the mid-1990s. Maintaining that the

growth prospects of these nations hinge on the growth of a healthy international trading system and their access to it, she contends that some developed nations now mandate the inclusion of the developing countries in the system. Assessing the probable impact of various proposals for deeper integration, Krueger concludes that means must be found of inducing developing countries to participate in the system without their suffering unacceptably high costs. In her opinion, the rapid expansion of their markets and their increasing demands for imports will ultimately provide significant benefits for the industrialized nations as both become partners in the strengthening of the global environment and economy.

The Law and Structure of the International Financial System: Regulation in the United States, EEC, and Japan. By John H. Friedland. Westport: Quorum Books, 1994. Pp. v, 200. Index.

In *The Law and Structure of the International Financial System*, John Friedland provides a detailed examination of the financial structures in the United States, EEC, and Japan. Friedland considers two kinds of financial markets: 1) universal banking markets, such as Germany and Japan, where banks own equity shares and where financing depends on long term relations and cross-ownerships between borrowers and lenders; and 2) capital markets, such as the United States (US) and United Kingdom (UK), where stock markets are largely independent of banks and where market prices, rather than long term relations, determine financing.

Friedland divides his examination of the issues regionally. He initially considers UK financial services in the context of the EEC single market for financial services and demonstrates the peculiar national regulatory initiatives of the UK and how those initiatives have been integrated into the context of the EEC framework. Chapters 2 and 3 then review the US financial system and consider the reform of that system in light of both the financial innovation that has eroded the primacy of banks and the explosion of derivative markets, which has complicated securities regulation. In Chapter 4, Friedland analyzes the incongruity between the US system's liquid capital markets and separation of banking and securities, and the Japanese financial system's relations-based financing and bank ownership of securities. He concludes by noting that the regulation of financial services will never be global. Thus, even while the harmonization and mutual recognition of financial regulation between nations continues, Friedland

urges that it is necessary to understand that national and regional regulators have distinct criteria that clash with global harmonization. His examination of the financial structures in the US, EEC, and Japan attempts to provide exactly that understanding.

Korea-United States Cooperation in the New World Order. By C. Fred Bergsten and Il SaKong (eds.). Washington, D.C.: Institute for International Economics, 1996. Pp. iii, 105. Appendices.

The Korea-United States Twenty-First Century Council was created to provide an ongoing forum to discuss economic and overall relations between Korea and the United States, and first met in 1994. In this volume, C. Fred Bergsten and Il SaKong reproduce the papers that were presented at the second meeting of the Council in February 1995.

According to the editors, the focus of the conference (and, thus, of the book) is threefold: 1) the security and overall political context for the relationship between Korea and the United States; 2) the bilateral economic relationship; and 3) cooperation between the two countries in the broader multilateral, especially regional, economic context. The papers reproduced here reflect these themes.

The authors addressing the security and political context of the Korean-U.S. relationship focus on the implications of Korean unification on that relationship. All conclude that South Korea must re-orient its policy toward North Korea. Kim Hakjoon contends that the Geneva nuclear accord of 1994 will enable North Korea to make a fundamental effort to improve its relations with the U.S., but that South Korea must also adopt a more positive stance toward the North. Young-Sun Lee analyzes the prospects for economic integration in the Korean peninsula and argues that the benefits conferred from such integration on the North would outweigh the burdens imposed on the South. Robert Zoellick notes that both the U.S. and South Korea should exercise a policy of engagement (rather than containment) toward the North, and that the South must take a more aggressive approach to economic liberalization to reduce distortions in the domestic economy. By doing so, Zoellick contends the South will be better prepared for reunification.

As to the Korean-U.S. economic relationship, Daniel Tarullo contends that globalization and liberalization are necessary for the growth of the Korean economy. While Korean administrations have emphasized economic reform, however, Korea nevertheless remains one of

the least attractive places to foreign investors in all of Asia as resistance by lower levels of the bureaucracy and the public at large have hampered such efforts. Tarulla maintains that overcoming these obstacles should be of the greatest concern to the Korean government. Soogil Young focuses on Korean-U.S. trade and observes that the U.S. will likely choose a confrontational approach to dealing with trade barriers. Young urges the Korean government to remove such barriers and contends that both nations should re-orient their strategies so as to develop as partners in Northeast Asia. He also examines the possibility of a free trade agreement between Korea and the U.S. Doug Bereuter, the newly appointed chairman of the Asian and Pacific Subcommittee in the U.S. House of Representatives, similarly urges an end to Korean trade barriers and demands an end to what he contends is the unfair treatment of American exporters to Korea.

As to the final theme, Korean-U.S. cooperation in the Asia Pacific Economic Cooperation forum (APEC), C. Fred Bergsten assesses the future of APEC and maintains that the U.S. and Korea should seek to achieve free trade through APEC. Jang-Hee Yoo and Taeho Bark examine Korean-U.S. economic cooperation within the context of APEC and contend that the emergence of APEC will lead to a bipolar world economic system consisting of Europe and the Asia Pacific. Although critics will argue that the political and economic gap between developed and developing countries within APEC and the region's heterogeneity will frustrate APEC's development, Yoo and Bark maintain that Korean-U.S. economic cooperation over the last decades demonstrates that such skepticism is unwarranted. Instead, they see no reason why Korea and the U.S. should not continue to serve as a model for APEC and no reason why a new international order, free of open conflict and based on open multilateralism, cannot prevail.

The Europeanization of America: What Every American Should Know About the European Union. By Thomas C. Fischer. Durham: Carolina Academic Press, 1995. Pp. v, 331. Table of Cases, Index.

The amalgam of fifteen nations into the European Union (EU) has resulted in the largest consuming and trading bloc in the last half of this century. Contending that relations with the EU are thus more important to the economic health of the United States than any other market (including Japan and the Pacific Rim), Thomas Fischer

presents a thorough examination of the European Community's progress toward union from legal, economic, and public policy perspectives. Using references to laws, case decisions, and the programs and policies of the EU to illustrate its operations, aims, and prospects for the future, the author explains specific events and the EU's longterm goals and its potential to achieve them. Fischer also considers the viability of expanding the EU and explores whether an enlarged EU will be able to make decisions efficiently. He considers the economic disparity that exists amongst the present member states and the effect of the Uruguay Round of GATT negotiations. While Fischer himself admits that there can be no true conclusion to his work, he presages that a new Europe will emerge—an event, he claims, that may prove as sudden and profound as the fall of Communism.

