

Ramkishen S. Rajan, Rahul Sen and Reza Siregar, *Singapore and Free Trade Agreements: Economic Relations with Japan and the United States* (Singapore: Institute of Southeast Asian Studies, 2001), 106 pp., S\$29.90/US\$19.90, ISBN 9812301445.

This short but well-researched book by three economists, two currently based in Australia but one in Singapore, was written when Singapore's negotiations with the United States and Japan for Free Trade Area (FTA) status were in their early stages. The FTA with Japan became operational in November 2002, while the FTA with the United States is in its final stages of legislative approval.

The statistical and econometric analysis of Singapore's bilateral trade with the United States and Japan, respectively, is quite carefully done and interpreted (chs 3 and 4). Researchers will find the techniques used and clarity of analysis particularly useful. The authors find a strong positive impact on changes in Singapore's export demand in relation to changes in GDP in the United States and in Japan for the period 1980–97 (tables 4.3 and 4.4, p. 51). While they are careful to point out that this relationship is for a specified time period, it would have been useful if a brief statement of their expectations concerning the continuation of this relationship since the 1997 crisis were forthcoming.

The book recognises that the term Free Trade Agreement (FTA) is a misnomer, as what is being negotiated is essentially a Preferential Trade Agreement (PTA). The authors provide a balanced analysis of the general pros and cons of PTAs found in the literature, but refrain from taking any position on the PTAs. As a result, the reader is left wondering what weight authors assign to various arguments.

The political economy and foreign policy aspects are integral to the decision to pursue PTAs. While the policy of the United States to make separate trade deals with key non-Western countries to reduce their leverage in the World Trade Organisation (WTO) explains its actions (the book implies this), Japan's reasons for entering into PTAs are not explained in the book. The implications for developing ASEAN countries of the exclusion of the agricultural sector in the Singapore–Japan PTA could have been explored further.

The book does discuss the reasons why Singapore is pursuing PTAs aggressively, even when this has the potential to greatly dilute the strength and cohesiveness of the Association of Southeast Asian Countries (ASEAN); and when the PTAs are inconsistent with the spirit of APEC understandings. Both these points are duly noted in the book, but without further discussion. Singapore regards PTAs both as insurance against slow progress in WTO negotiations, and as an instrument to set itself apart economically and strategically from the region. The argument that Singapore's PTA will bring greater investments in developing ASEAN—as was the case for Mexico with the North American Free Trade Agreement (NAFTA)—is not convincing. Mexico shares a common border with the United States, and many of these investments are in these border areas. There is no evidence that developing Latin American countries have benefited from NAFTA.

The authors do refer to the impact on businesses of the higher transaction costs of multiple PTAs, and their possible impact on benefits from PTAs. In the case of the Singapore–US PTA, the United States' formal contractual approach has the potential to impact on the traditional working of Singapore's economy, especially in terms of access

to professional services. The Rules of Origin (ROO) in different PTAs also have the potential to add complexity and give rise to disputes. The monitoring and dispute-settlement aspects could have been discussed, at least briefly.

Another area which the authors may consider in their future research is the implications of Singapore's neighbours such as Thailand and Malaysia pursuing similar PTAs with their major trading partners, which are the same as Singapore's. A game-theoretic approach may prove to be fruitful here; and the dynamics may well yield different results than if only one ASEAN member, Singapore, pursues such PTAs.

In conclusion, in a short book the authors have done a remarkable and very competent job of bringing many issues relating to PTAs into focus. This book will be essential reading not only for academics and researchers but also for Asian policy makers contemplating PTAs.

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