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Book reviews

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Free Trade Today

by Jagdish Bhagwati
Princeton University Press, Princeton and Oxford, 2002, pp. 121.

Free Trade under Fire

by Douglas A. Irwin
Princeton University Press, Princeton and Oxford, 2002, pp. 253.

With the events of September 11, 2001 and the launch of the Doha Development Agenda of multilateral negotiations in November 2001, the volume and intensity of the globalization debate appear to have declined. Whether or not this continues to be the case, there is no reason for complacency in trying to get a better understanding of the links between trade, development and economic growth. For many economists the link is unambiguous and straight forward – increased trade and trade liberalization both contribute to enhancing the development prospects of a nation. For other economists and many members of civil society, the link is less straightforward and far from proven. *Free Trade Today* and *Free Trade under Fire* are aimed at this latter audience.

Despite similar objectives, each author has a different style, and a different approach, with the end result that their books complement one another. The most significant area where the two books share common ground is the reliance on history. Irwin, in particular, draws heavily on the strong intellectual tradition on which international trade theory rests by expounding the familiar territory of Adam Smith and David Ricardo. Despite the simplicity yet power of their message, Bhagwati surprisingly describes comparative advantage as a 'highly intellectual theory' (page 7). As such, he argues this could partly explain why there is hostility to free trade.

Following their presentations of trade theory, both authors proceed down different paths. Bhagwati stays on the theoretical line with an interesting approach – after stating quite clearly that the case for trade is criticized not only from outside the economics profession, but also from within, he provides a thorough review of the various theoretical

The views expressed in this review are strictly personal and should not in anyway be interpreted as reflecting the views of the WTO Secretariat or the Member states.

exceptions to the arguments for free trade. The ground he covers is well known to all those with a trade theory background. The exposition is excellent. He closes his review of the theoretical challenges to free trade by concluding that 'we ended the twentieth century with a far firmer case for free trade than the one we inherited at the end of the Second World War' (page 33).

Irwin, in contrast, assigns a much greater role to empirical evidence supporting the theory. He covers quite a bit of the literature in a very efficient and readable manner. The combination of the standard overview of comparative advantage and gains from trade with specific empirical issues such as the measurement of the gains from trade, the link between trade liberalization and productivity, and even trade and the environment works very well. He closes, however, with a more pragmatic assessment of the state of the literature by acknowledging that the profession still does not have substantial empirical support for the free trade proposition – 'precise quantification of those benefits is sometimes difficult' (page 67).

Both books also take different approaches to the challenges that confront the arguments for free trade. Although Bhagwati again stays on a theoretical line, he is fairly broad in his coverage of issues. Irwin, in contrast, has a more detailed examination (separate chapters) of two key issues, trade and employment, and contingent protection.

Bhagwati covers all the well-known criticisms of free trade, from the threat to the environment, unfair trade, labour standards, the multifunctionality of agriculture, and poverty. His key argument is the principle that two instruments are required to meet two objectives. One objective is, of course, the liberalization of trade, while the other is what he broadly calls the social agenda. His message is clear – trade issues, and only trade issues should be dealt with at the World Trade Organization (WTO). Social issues, be they labour, environment or any others, should be dealt with by other institutions using non-trade policies.

Irwin's chapter on employment and trade protection is a mix of a number of labour-related issues. He addresses the difference between the sectoral expansion of employment due to protection versus the level of economy-wide employment. To this he adds employment and the trade deficit, and trade and wages. Although the chapter is empirically oriented with very little theoretical justification or rationale used in the analysis, the approach works. Irwin has done a good job of covering the literature in a readable and accessible fashion.

At this point the books part ways in terms of topics. Bhagwati claims to have convincingly established the case for free trade and disposed of all the challenges. As such, his next task is how to actually get to free trade. He examines four approaches, two of which are unilateral and two multilateral. The two unilateral approaches are to cut protection in a country's own market, or to threaten unilateral sanctions to reduce protection in export markets. The two multilateral (plurilateral) approaches involve multilateral negotiations or preferential (regional) arrangements. Bhagwati's views on these four approaches are well known. He lays down quite forcefully his arguments to support both unilateral reduction of one's own barriers and multilateral negotiations.

The rest of Irwin's book, in contrast, is a mix of US and multilateral trade policy. He discusses the use of contingent protection and the role the USA has played in the multilateral arena, concluding that 'whether import restraints actually assist the domestic industry in its adjustment efforts is a debatable proposition'. The chapter on US trade policy is an excellent description of the country's trade policies up to the Uruguay Round negotiations. It is not particularly analytical, but the historical information – including the (in) famous Smoot-Hawley Tariff of 1930 and the Reciprocal Trade Agreements Act of 1934 – is very informative.

Both chapters of Irwin's book complement Bhagwati's message about the negative effects of aggressive unilateralism and regionalism. However, Irwin's book, especially his chapter 5 focuses more on the benefits the USA has received from the multilateral trading system. He notes that whereas prior to the 1980s the USA was the key defender of the most-laboured-nation principle, Article XXIV on regional trade agreements (RTAs) is in the GATT because of early concerns about European regionalism.[1] Yet, Irwin does not take this argument further. He simply resigns himself to the fact that there was something understandable, perhaps innocent, about the free trade agreements the USA signed with Israel, Canada, Mexico and Jordan. This is surprising. Bhagwati, on the other hand, chastises every country that pursues regional agreements.

In addition to differences in the coverage of the empirical literature, the other distinguishing feature of the two books is Irwin's inclusion of a separate chapter on the WTO. The chapter, however, does not cover the operation or functioning of the WTO. Instead, it reviews some of the more high-profile dispute settlement cases on the environment[2] and public health. He also looks at labour issues and the extent to which the WTO should address labour standards. The result is a fairly broad chapter with a very general discussion of many issues. His overall general conclusion is that the WTO is working well. The Uruguay Round Agreements in the areas of services, intellectual property, subsidies and trade-related investment measures have broadened the disciplines on government policies in these areas. And, he argues, this is a good thing, as is the binding dispute settlement process of the WTO relative to the GATT. It is heartening to see that Irwin recognizes that the WTO as an institution does not take an invasive role in situations where a member does not comply with panel or Appellate Body rulings. He cites a US Government Accounting Office report which notes that a member may bear a penalty for not complying with WTO rulings, both in the form of retaliatory duties on its exports and in terms of its reputation as a player in the world trading system.

In general, do the two books succeed in meeting their objectives? There is no question that both books, individually and together make a substantial contribution to a better understanding of international trade theory and its practical policy implications. However, in my view, they also fall short of what might be considered a solid scholarly defence of both the case for free trade and the international trading system as embodied in the WTO.

1. Strengthening the defence

In general there are three areas in which I think both books fall short. One is the preoccupation with free trade, the second is an over-confidence in the strength and reliability of empirical economics, and the third is the role that the WTO as an institution can play.

1 Not Article XXIII, as Irwin suggests on page 174.

2 Tuna–dolphin and shrimp–turtle cases for environment plus beef hormones.

1.1 Is free trade the objective?

Since both books have 'free trade' in the title and place a great deal of weight on the classical theories of trade, the reader at times gets the impression that the debate is between either no trade, or free trade. For a number of reasons, I doubt either author really believes that a zero tariff world is possible. For one, the current level of tariffs suggest that many more rounds of multilateral negotiations (or many more regional trade agreements) are required to result in all tariff rates for all countries to be zero. Second, even with zero tariff rates other policies, especially non-tariff measures, such as anti-dumping which Irwin discusses, or standards could be used to impede international trade.

One possible explanation for both Bhagwati and Irwin's pre-occupation with free trade is their perception that their target audience is against any trade. Therefore, the parameters of the debate are autarky versus free trade. However, both books are not really about free trade itself, but about trade liberalization in general. The last section of Bhagwati's book is on the specific problem of how to get to free trade. Irwin discusses adjustment problems associated with trade liberalization at great length.

With their focus on free trade – rather than freer trade – I think there is a risk that both books, in their response to NGOs and other protectionist-minded groups and individuals, may appear almost as extremist as their opponents. Free trade is not where the trade pressures lie. They are located in the adjustment process to trade liberalization and the difficulty in identifying and quantifying the gains from liberalization.[3] How to liberalize is an extremely important dimension of trade policy. The timing and sequencing of trade reforms is best done in a way that minimizes accompanying adjustment costs and allows countries to meet their economic objectives. Focusing too much on 'free trade' diverts the attention away from the real issues of the timing and sequencing of trade liberalization.

1.2 Empirical work in international economics

One of the key issues in policy making, regardless whether it is health, education, trade or any other field, is the necessity to justify and support a particular policy against other alternatives. Policy makers have an unquenchable – and understandable – thirst for numbers to justify policy. If trade liberalization involves adjustment costs but nevertheless is good for the economy, then by how much will the economy expand? How many more people will be employed? In this regard, trade policy appears to have significant difficulties, which neither book is particularly candid in addressing. Bhagwati's book is primarily about trade theory, so almost by definition it falls short on this score.[4] While well written, many people will want evidence in order to be convinced about particular policies. Irwin reports on a considerable amount of empirical evidence, but his presentation falls short in two areas, neither, of which is really his fault. The first is the near-exclusive focus on evidence on gains from trade liberalization in the USA. The

3 Bhagwati does make this point – 'while the central tendency is for freer trade to dominate less free trade in creating prosperity, there are bound to be occasional downsides: in this instance poverty may be accentuated' (page 90).

4 Bhagwati does discuss the empirical issue of trade and growth and the small country assumption, but rarely covers the empirical literature on most of the theoretical issues that he takes up.

second is what I believe an excessive confidence in current empirical work, although, as indicated above, he does acknowledge the difficulties in producing solid and reliable empirical evidence on the gains from liberalizing trade.

Irwin's emphasis on evidence for the USA is understandable given that the book is about that country. But that begs the question of how unique this evidence is, and whether examining evidence for other countries would strengthen the case for liberalization, not only in general, but also in the USA. While Buffie (2001) has a general presumption in favour of trade liberalization, he cites a series of case studies in Africa which point to quite severe adjustment costs. As he notes, the duration and depth of these adjustment costs are partly a function of distortions in related financial and labour markets (problems which generally are less severe in the developed countries).

A second area where empirical work in international economics is not as reliable as one would like involves estimates of elasticities of demand. As Panagriya *et al.* (2001), referring to recent surveys point out, traditional empirical estimates of price elasticities do not support the case for unilateral liberalization. In contrast, their paper is one of the few to support the case for unilateral liberalization by substantiating the small country assumption as regards trade policy. This gulf between theory and empirical evidence on something as basic as the relationship between prices and quantities in international markets is an important weakness in the empirical case for free trade.

A similar point characterizes the more familiar current debate on the link between trade liberalization and growth. The much-publicized article of Rodriguez and Rodrik (2001) is referred to by both authors and, I believe, addressed appropriately except for one point. Neither really seems to recognize that policy makers and the general public find empirical results/estimates easier to understand – more real – than theoretical models. In my view, the point of Rodriguez and Rodrik (2001) is not so much a critique that trade liberalization does not bring growth, but rather that those in the business of delivering policy advice should be careful about their data and methodology. It would be wiser if both authors simply acknowledged this as a call for economists to improve the reliability of their empirical findings.

A third area where lack of confidence and reliability is prevalent is in the increased use of computable general equilibrium (CGE) models. While a welcome development for trade policy analysts, these models pose a real problem in terms of the acceptance of their results. Their workings are well known to academics, but remain mysterious to policy makers and the general public. A prime example of this problem is the continued use by international organizations and national policy makers of CGE results to sell trade policies. When the Uruguay Round was in its closing stages the then GATT Director General argued that implementation of the market access part of the Round would result in gains to the world economy of US$500 million. During the post-Seattle debate on the multilateral trading system, developing countries asked for the cheque for their share (Whalley, 2001). Not surprisingly the cheque didn't arrive (Francois, 2001; Whalley, 2001). CGE models are not predictive instruments. They are generally satisfactory in identifying the direction of the changes set in motion by policy changes, but not the magnitudes. Nevertheless, they continue to be used in a policy advocacy role by many international organizations and policy makers, despite their inherent problems and the inability to accurately assess their accuracy. This in turn, not surprisingly, creates credibility problems *vis-à-vis* the general public.

To sum up this point, I think both authors are overly confident about the results available in current empirical literature. True, those results by and large have supported conclusions drawn from theory. However, the bar used by the public to judge the empirical support appears to be set much higher than the one used by the economics profession.

1.3 WTO as an institution

Both authors make reference to the role the WTO can play in supporting the trading system and promoting trade and trade liberalization. They focus on the relative strengths of the institution, make recommendations on the work program, and comment on some key dispute settlement cases.

Returning to the presence of 'free trade' in the title of each book, there are times when the use of this term, combined with references to the WTO, creates the false impression that the WTO is about free trade.[5] It isn't. It is primarily about rules that govern trading relationships among members, about predictability and stability in countries' trade-related policies. Article XVIII*bis* calls for negotiations with a view to reducing duties.[6] Ministerial Declarations that initiate negotiations often do include the term 'eliminate' in the mandate given to negotiators, but there is no presumption that this will always happen.[7] And there has never been a GATT/WTO negotiating round in which the stated goal was across-the-board free trade.

Another point where caution is necessary in linking free trade and the WTO is that the business of the WTO is bound tariff rates, not applied rates. The focus is on the coverage of tariff bindings, the conversion of non *ad valorem* rates into *ad valorem* rates, and the gap between applied and bound rates. Whether or not the rate is actually zero is a distinctly separate issue. These core issues are not mentioned in Bhagwati's book. Irwin, despite an entire chapter on the WTO, only has one table of bound rates for four agricultural products.[8]

The core of both authors' proposals is a strengthening of the advocacy role of the WTO through a strengthened research program and augmented resources. Irwin points out, as have a number of other people, that the WTO's 560 staff members is by far the smallest of any major international organization.[9] Bhagwati in commenting on the ability of the Secretariat to respond to new issues states boldly 'WTO has no staff or capability to deal with these complex issues. Nor will it have them'. He goes on to say

5 Neither author has an explicit reference to both at the same time.

6 Article XVIII*bis* 2(a) Negotiations under this Article may be carried out on a selective product-by-product basis or by the applications of such multilateral procedures as may be accepted by the contracting parties concerned. Such negotiations may be directed towards the reduction of duties, the binding of duties at then existing levels or undertakings that individual duties, or the average duties on specified categories of products, should not exceed specified levels.

7 For example the mandate for market access in industrial products as stated in paragraph 16 of the Doha Ministerial Declarations.

8 It would have been useful if he had presented a table on the coverage of bindings and the gap between bindings and applied rates.

9 Irwin suggests that not only is there a problem with the existing staffing levels at the WTO, but also its composition. He says that the 'WTO Secretariat in Geneva consists of only five hundred employees, about three hundred of whom are translators' (page 186). While the translators in the Secretariat, due to their efficiency may appear to number 300, in reality there are approximately 45 translators and interpreters employed in the Secretariat.

that the 'The WTO has, at less than ten in its Economics Division, fewer economists than any half-decent university, whereas the World Bank and the International Monetary Fund literally employ hundreds.' His proposal – 'there is no better alternative than building up the WTO's own economics research staff beyond its minuscule levels' (page 75).

While it may sound self serving for a member of the WTO Secretariat to endorse a proposal to augment Secretariat resources, I would agree with both of them on the need to strengthen the WTO in general. However, neither author really puts forth a practical blueprint for the use of additional resources. Both simply assert that current resources are inadequate. It would be useful if a more clearly defined blueprint of the Secretariat's activities, including a strengthened research division, were articulated. In particular, defining an advocacy role for a Secretariat that is expected to be neutral could be quite a challenge. Since neither author advocates WTO disciplines being extended into the environment and labour areas, it could appear inconsistent to argue for a more visible and broadened role for the Secretariat without explaining and evaluating clearly and concretely (a) where the deficiencies and constraints lie in its current activities, and (b) the nature of and rational for any new initiatives. Furthermore, as Winham (1998) points out a relatively small international secretariat also has certain advantages. Therefore, expanding a secretariat should not be done without a clear vision of its priorities and role.

2. Conclusions

In summary, I have no hesitation in recommending both of these excellent books, which should be read together since they are complementary. The overall approaches taken by both authors may not be as convincing as those who support the idea of an open multilateral trading system would hope. But they are unquestionably a step in the right direction and should be read by those who are sceptical of the benefits of free trade, as well as by those who believe in the multilateral trading system and want to know more about its conceptual and practical foundations.

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The Role of the World Trade Organization in Global Governance

Gary P. Sampson, editor
The United Nations University Press, Tokyo, 2001

Amid violent protests, the World Trade Organization's Seattle ministerial conference collapsed in December 1999. The failure, although not unprecedented in the history of the global trade regime, was a shock to the major trading powers and their negotiators. It provoked triumphal statements from the non-governmental organizations (NGOs), who had demonstrated against the WTO and globalization. This admirable volume, edited by Gary P. Sampson, professor of international economic governance at the United Nations University, reflects on the consequences of the Seattle debacle and the stresses that it revealed in the multilateral trading system. The volume could not incorporate the more recent launch of the Doha round of WTO trade negotiations or the changes in the international environment that followed the attacks of 11 September 2001 in New York. From the vantage point of 2002, one might have wished that more attention had been paid to the 'old' stresses of garden-variety protectionism, exemplified by recent United States tariffs on steel imports. Nevertheless, the 'new' strains that are well documented by the authors of this volume will certainly persist.

To best obtain a synoptic view of the system under strain, one might turn, after Sampson's succinct introduction, to the chapter authored by Peter Sutherland, John Sewell, and David Weiner. The authors, a former Director General of the WTO among them, summarize effectively the paradoxical state of the global trading system early in the new century: a strengthened global organization with a growing membership on the one hand; increasing and conflicting demands that the organization is hard-pressed to satisfy on the other. A common theme among the authors in this volume is the price that the WTO now pays for its success. In refreshing contrast to many observers of the WTO, Sutherland, Sewell, and Weiner assign responsibility for the current conflicts to structural weaknesses in the system rather than failures of leadership. Their cogent assessment serves as a useful analytic frame for the volume's other contributions: An expansion of the WTO and global governance agenda to include behind-the-border issues has stimulated opposition from two new and powerful emerging players in world trade politics. The developing countries, actively engaged in the trade regime, see the new agenda items as disguises for protectionism in some cases or as an evasion by the industrialized countries of their obligations to remove 'old' protectionism. The second group of influential actors that emerged in the 1990s was NGOs in the industrialized countries. (Despite claims to be global actors, the weight of NGO membership and influence lies in the North.) The NGOs support some items on the new agenda (environment and labor) as essential additions to the traditional WTO agenda; others (such as rules to govern foreign direct investment) are rejected as promoting an unwanted and unregulated globalization. Like the developing countries, they claim rights of participation, more controversial for an organization that has been staunchly intergovernmental. Unfortunately for the WTO, these two groups of 'new influentials' are often at loggerheads over the future of the organization and its agenda.

Many of the chapters in the volume illustrate the divide between developing country governments and northern NGOs. Rubens Ricupero emphasizes the importance of the large and growing developing country membership to the legitimacy of the WTO. He stresses the need for both greater participation by the developing countries in WTO decision-making and capacity-building to support such participation. Both he and Clare Short, UK Secretary of State for Development, give detailed and practical summaries of possible agenda items for a new 'development round' of trade negotiations. Their parallel proposals indicate that the development community, north and south, is in substantial agreement on a future trade agenda. Among developing countries, however, several authors note differences between the middle-income industrializers, who are most concerned over the distribution of gains in a new trade round, and the poorest developing countries, who fear marginalization and require assistance to exercise their right of participation in the WTO.

Less agreement is apparent among the authors who represent NGOs, apart from a general inclination to expand the agenda of the WTO in favored directions. Some admit that the developing country governments view their agenda with considerable hostility, but they spend little time explaining the reasons for that resistance. José María Figueres Olsen, José Manuel Salazar-Xirinachs, and Mónica Ara are notable exceptions, accepting that many core issues on the environmentalist agenda are anathema to the developing countries. They sensibly suggest that developing country acceptance might best be won through a process of domestic dialogue between trade and environmental interests.

Frank Loy, a former member of the Clinton Administration State Department, argues that modest reforms in the process of WTO decision-making that would disarm most of the NGO opposition. Claude Martin, Director General of World Wide Fund for Nature International, echoes some of Loy's recommendations, but emphasizes a much more expansive agenda for 'greening' the WTO. He does not examine whether these measures are feasible (from 'sustainability assessments' to 'multi-stakeholder consultative processes') as an addition to the crowded existing agenda of the WTO. In the case of Martin's integrated program for sustainable forest management and the research and development dimensions of the international health agenda presented by James Orbinski (*Médecins sans Frontières*), one might ask why the WTO? As Martin admits, the WTO has been a magnet for NGOs who are attracted to the apparent 'speed, power, and efficiency of the system' (a surprise, one suspects to many trade cognoscenti); this effective international instrument can be turned to different set of favored agenda items. Unfortunately, the WTO is ill equipped (and under-staffed) for such expansive purposes. A weakness in many of the NGO contributions is their failure to consider other global forums as more effective sites for dealing with these important global issues.

Such pressures to make the WTO a centerpiece for global governance can produce a reactionary response: a demand that the organization return to basics. Martin Wolf gives eloquent expression to this point of view, arguing that WTO absorption of the intellectual property rights regime was probably a mistake, one that opened the door to the current barrage of new demands. He gives a refreshingly modest take on what the WTO is and is not, undermining portraits of a gigantic global bureaucracy painted by the WTO's critics. Mario Livanos Cattaui (International Chamber of Commerce) endorses an expansion of WTO scope to include foreign direct investment; otherwise, he also takes a relatively old-fashioned view of what the WTO can and should accomplish.

To the credit of authors and editor, few contributions are the cotton candy that one might expect from such eminent spokesmen. Nearly all of the authors make specific policy recommendations, and most make some effort to engage those on the other side of policy divides. Nevertheless, the level of engagement between the two new influentials – developing countries and NGOs – must increase substantially if debilitating conflict is to be avoided. The success of that engagement will depend in part on two voices that are absent from the volume. The preferences and political calculus of the trade ministries and political leadership of the industrialized democracies will play the largest role in the fate of the WTO and the global trading system. (Clare Short, as a development minister, does not represent this policy sector.) The political leadership of the rich countries will respond to NGO pressures, but it must also take into account many other interests as well. The most vehement opponents of globalization, who view the WTO and other global organizations as a target for destruction rather than reform, are, more understandably, left out of this conversation as well. In the months since these thoughtful authors contemplated the WTO and its role, the liberal predispositions of the first group and the political influence of the second have been called into question. Their intersection with the viewpoints expressed here will shape the WTO's future over the next decade.

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The Political Economy of Environmental Protectionism

by Achim Körber

New Horizons in Environmental Economics, Edward Elgar, Cheltenham, 2000, 153 pp, ISBN 1-84064-242-4

The debate whether a country can pursue its environmental policies by using trade policy has been raging throughout the last decade. It has led to fierce arguments at the WTO negotiations in Seattle. NGOs often see the WTO as the villain who allows 'pollution havens' to undermine advanced environmental policies, especially with regard to global environmental problems. On the other hand, representatives of developing countries see environmental policy intrusion in trade policy as an attempt by the rich North to introduce a new form of protectionism. Many studies have analysed the WTO rules that are relevant for this discussion. Körber's book, a Ph.D. thesis at the University of Konstanz in Germany, develops a public choice rent-seeking model to explain the forces behind the demand for trade barriers related to environmental issues. It makes a positive difference from other studies inasmuch it also uses a detailed case study – the famous tuna–dolphin case – to check whether the model has any explanatory power. However, it suffers a bit from trying to link three journal papers in a harmonious structure.

Körber starts from the assertion that environmental standards are used as protectionist means. He argues that environmental standards and regulation in practice are irreversible and thus of particular interest to protectionist lobbies. However environmental policy is a rather young policy field, where high standards and regulation are still paramount and voter interest assumed to rise forever. With environmental policy becoming just another policy among others and voters becoming less concerned, reversals are likely to rise. Recent examples are the abolition of renewable energy subsidies by the Danish government, the US withdrawal from the Kyoto Protocol, or the growing pressure to reintroduce whaling. Körber's argument that technological progress reduces costs of environmental policies so quickly that lobbying to remove them has no chance can also be interpreted in another way – technical progress automatically reduces environmentally motivated protectionism!

In the second chapter, Körber assesses the different models of political economy to explain protectionism. A short overview about optimum tariffs, infant industry protection, and strategic trade policy is followed by a detailed analysis of public choice models. Körber starts with the median voter approach that he dismisses as only being relevant for direct democracies. He prefers interest group models. Models based on political support functions are criticised for not modelling interest groups directly. Rent-seeking models would allow this through a contest–success function that determines how lobbying contributions are reflected in policy decisions. A very instructive overview figure makes comparison between the different model types easy. The second half of the chapter is much less structured and cursorily describes the different forms of protectionism, such as obfuscation of barriers, tariffs and quotas, voluntary export restraints, customs procedures, anti-dumping policies and labour standards, and then gives a – maybe too rough – overview about the past debate on environmental policies in the GATT and WTO before finally discussing the policy action modes of environmentalists.

Chapters 3 and 4 develop the theory. In chapter 3, lobbying functions are developed in a two-player context with two decision stages. It is not made clear why this setting is sensible. Körber wants to check when a lobby will give up *ex ante* and when it will be prepared to fight. The crucial assumption that lobbying has decreasing marginal returns seems not to be fulfilled in political reality where there may be increasing marginal returns (e.g. by amplification of the lobbying effort through media attention). Results are intuitive – a group lobbies only if its activity reduces the marginal effectiveness of its opponent's lobbying, and only complex lobbying functions have that property.

Chapter 4 develops the model on the foundations from the preceding chapter (two players, one foreign and one domestic) and looks at the issue of how the domestic company can use environmental policy to raise the cost of a foreign competitor. Körber nicely illustrates this with the case of an airline which has introduced low-noise aircraft and now supports regulation to ban high-noise aircraft from its home airport. The results are that the likelihood that the foreign company will invest in lobbying depends on the profit level without regulation and that the difference in probability that the respective lobbying is successful is decisive to engage in lobbying. The model then is extended beyond a zero – one decision on lobbying outlays, irreversibility of the environmental policy decision made in the first period is introduced, and environmentalists are introduced as a third interest group. The policy in question is an emissions tax that in the second period can be differentiated so as to burden the foreign competitor more than the domestic company. In the second stage of the game the domestic company reduces its lobbying expenses by the amount of expenses made by the environmentalists as long as the amount is sufficient to get the tax differentiation approved. However, the probability that the tax is introduced at all is increased by the environmentalists' lobbying expenses.

Chapter 5 is a very detailed and compelling analysis of the interest groups active in the famous tuna-dolphin controversy that triggered the first big trade and environment case before a WTO panel. In my view, this is the best part of the book as it goes far beyond the usual WTO-centered descriptions of the case. US policy on dolphin deaths as bycatch of tuna fishing in the East Pacific goes back to 1972 with the passage of the Marine Mammal Protection Act that prohibited dolphin killing. However, the law was never implemented and de facto substituted by a quota coupled to technical regulation that reduced dolphin mortality by 97 % between 1973 and 1984. In the late 1980s, however, regulations were issued that allowed an embargo on tuna imports not adhering to US standards. At the same time, large US tuna canneries voluntarily declared that they would adhere to the US standards and did not fight the embargo. Körber succinctly and clearly sets out the commercial interest of the canneries and argues that their voluntary adherence to the standard was due to the fact that smaller US canneries would face a substantial rise in costs. Thus here the interest was not in defeating foreign but domestic competition.

The decision was also influenced by the fact that tuna suppliers to the canneries no longer owned the trawlers. Moreover, they no longer were dependent on the catches by the US fishing fleet that was shrinking considerably since 1984 and displacing its activities from the East Pacific. They were able to procure tuna cheaply from the west Pacific (where no dolphin bycatch occurs) through American Samoa which is the only place where foreign vessels can land fish in the US. At the same time, competitive pressure from the quickly growing Mexican tuna processing industry was being felt as a long-standing US import prohibition due to a conflict about the extension of the Exclusive Economic Zone fell in 1986. Overall, large canneries expected increased profits from tough standards coupled with import restrictions while the strength of opponents, US fishermen, dwindled.

Körber's book is valuable reading for those interested in public choice aspects of trade and environmental policy. A rich list of references allows to deepen the theoretical discussion.

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