

Book reviews

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Termites in the Trading System: How Preferential Agreements Undermine Free Trade

by Jagdish Bhagwati

Oxford University Press, Oxford, 2008

In this book, Professor Jagdish Bhagwati offers an insightful and comprehensive analysis on the recent world-wide growth of preferential trade agreements (PTAs) and how they are undermining the world trade system of the early twenty-first century. Professor Bhagwati is widely acknowledged as one of the world's foremost experts of trade policy generally. His analytical strengths lie in his ability to convey relatively complex ideas and theories on trade policy in a readable, insightful, and lively manner, and this text is an illustrative example of this. He brings a wealth of his experience of studying the evolving relationship between PTAs and the multilateral trade system, drawing upon the various debates he has had with key trade policy-makers and other scholars on the subject.

A preferential trade agreement is one where signatory parties (normally nation-states) agree to remove trade barriers between them on an exclusive and *quid pro quo* basis. They are also often referred to as free trade agreements (FTAs), and number in operation worldwide has rapidly expanded in the Cold War era, from just 16 in 1990 to approaching 200 by 2008. PTAs create their own particular rules and regulations for governing the trade between the signatory parties, and now cover around 60% of global trade. Bhagwati's main argument is that the deepening 'preferentialism' of PTAs is placing considerable pressure on the World Trade Organization's (WTO) multilateral system of trade governance. The core principle of WTO multilateralism is to establish rules to govern global trade on a universal and non-discriminatory basis, thus helping avoid bias in trade relations amongst WTO member countries. PTAs essentially subvert this principle as they are discriminatory by nature. While their protagonists often argue these agreements are 'WTO consistent' on account of either

their deference to certain GATT/WTO accords (e.g. trade-related investment measures, TRIMs), or their compliance to the WTO's notoriously vague and outdated rules on PTAs, the structured preferentialism spread by these agreements poses a significant threat to the multilateral trade system.

Bhagwati makes the key point that this is not the first time that PTAs have shaken the foundations of world trade. One of the key strengths of this book is Bhagwati's setting of the contemporary debate on PTAs in an historic context, examining the development of both trade policy practice and theory on PTAs. This makes for fascinating reading, and rarely do you come across books on the subject offering such illuminating insights. He also examines how PTAs can place developing countries at a disadvantage, especially if they enter into negotiations with demanding developed countries. Bhagwati acknowledges that it will prove difficult to convince many countries to give up their recently acquired PTA addiction, so other actions are needed to make them less relevant and threatening to the multilateral trade system. He suggests the most effective way of achieving this is to strengthen efforts at the WTO itself in reducing tariffs and other trade barriers towards zero rates, thus in turn reducing the marginal preferential benefits that PTAs offer. This is perhaps the only realistic way forward, but at the same time PTAs have become increasingly focused on commercial regulation issues (e.g. intellectual property rights, competition policy, investment rules, provisions on government procurement, and financial services) and debates on PTAs/FTAs need to take account of this.

Bhagwati provides a very helpful appendix that outlines relevant economic theoretical work on the subject matter. My only criticism is that the book is rather short, at just 139 pages of main text. After reading to the end of the book, I was left wanting more, which is a credit to the author.

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The WTO Agreement on Sanitary and Phytosanitary Measures: A Commentary

by Joanne Scott

Oxford University Press, Oxford, 2007

Professor Scott's *The WTO Agreement on Sanitary and Phytosanitary Measures: A Commentary* is a gem: a well thematized guide that belongs on the shelves of all those with an academic or practical interest in the workings of the Agreement. Presented in a clear and scholarly style, this text hits its mark as one of the series of Oxford Commentaries on the GATT/WTO Agreements. The purpose of a commentary on such a unique agreement must surely be to serve both as a handbook that introduces the fundamentals and as an informed and insightful reference tool for exploring the agreement's deeper ramifications. This combined purpose is achieved with a light touch that addresses the issues comprehensively and glosses them with well-informed insights and advice.

As the author explains, the SPS Agreement's practical import is wide-ranging. The Agreement regulates trade in many areas where populist opinion and public sentiment