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## BOOKS RECEIVED

**POLICY AND METHODS IN GERMAN AND AMERICAN ANTI-TRUST LAW: A COMPARATIVE STUDY.** By James Maxeiner. New York, New York: Praeger, 1986, 122 pp., \$37.50.

German antitrust law was instituted soon after World War II due primarily to the United States which viewed cartelization as a factor in the formula which brought Nazism to power. Why then, if the United States exerted such influence over the German law, is there so much criticism of American antitrust law and such wide acceptance of its German counterpart? Mr. Maxeiner believes the answer to this question lies in the basic differences in the legal method each country employs.

The author begins his analysis with a general overview of the differences in the application of law between the two countries. Almost immediately the reader recognizes Mr. Maxeiner's preference and appreciation for the German system. Basically, the author believes that the civil law system is a better vehicle for developing antitrust policy.

After his initial overview, Mr. Maxeiner examines the concept of the Rule of Law. Essentially, this is the principle that law, in order to serve its ordering function, must be stable and fairly predictable when applied to a particular set of facts. This emphasis is greater in West Germany than here, where limited rules of evidence, autonomous judges, and conflicting state and federal laws cloud rather than clarify antitrust policy directives. Mr. Maxeiner believes that adherence to the Rule of Law must at times give way in order to insure that individual justice is achieved.

Chapter Three develops the theory that a tension exists when courts (of either nation) apply policy instead of law. Because policy inherently involves value judgments, it is at odds with what the author calls an act of recognition.

The next chapter addresses the legal limits placed on antitrust policy decisions. In the United States the use of precedent and stare decisis are the limiting instruments. In Germany the statute is applied as a norm. Mr. Maxeiner has developed a formula which illustrates how German judges are required to apply these norms to the facts of each case. He highly approves of German legal method and criticizes the American common law system.

Chapter Five looks specifically at two ever-present and conflicting principles: public policy and equity judgments. Public policy, by its very nature, is the enforcement of a general principle to reach a partic-

ular end. Equity judgments, on the other hand, decide issues based on what is just for the individual parties, which may even require the suspension of public policy considerations.

Chapters Six and Seven look at the different attributes of each judicial system and point out the shortcomings in the American system in resolving antitrust specific issues. In the United States, for instance, unspecialized judges are required to make public policy decisions in determining antitrust policy. In contrast, the German system is much more conducive to the development of a cohesive and economically sound policy. One reason for this conduciveness is the division of the anticartel laws into three categories: prohibition norms, permission norms and intervention norms. Permission and intervention norms involve the application of policy which is implemented via the administrative function. Thus bureaucrats who are experts in the field resolve these issues. Prohibition norms involve the finding of culpability and therefore fall within the realm of judicial inquiry. This structure avoids two byproducts of common law adjudication: (1) reliance on adversarial parties to correctly apply law to fact; and, (2) the narrowing and oversimplification of issues.

Mr. Maxeiner concludes with a summarizing chapter and provides his outlook for German and United States antitrust law. He suggests another disadvantage in the United States process which contributes to the uncertainty of antitrust law application: the lack of predictability regarding who the decision maker will be. In Germany, a set group of administrators are charged with the duty to follow certain norms spelled out in the statute. Unlike our decision makers, who are autonomous judges scattered throughout the state and federal judiciary, Germany's are centralized, coordinated and collegiate.

Mr. Maxeiner's book presents an interesting and thought-provoking analysis of two different approaches to antitrust policy. Although there are some drawbacks in the German system, he believes that their overall legal method creates consistency and certainty, thus drawing wide support and popularity. The author realizes it is highly unlikely that the United States will ever abandon its deeply rooted traditional common law approach. However, he believes that an increased awareness of alternative legal methods can illustrate the benefits of keeping policy making in the hands of those equipped to administer it.

**PESTICIDES IN WORLD AGRICULTURE.** By Robert Boardman. New York, New York: St. Martin's Press, 1986, 213 pp., \$35.00.

*Pesticides in World Agriculture* is a study of the international politics of pesticide use and management. The author is a Professor of

Political Science and the Director of the Center for Foreign Policy Studies at Dalhousie University in Nova Scotia.

Professor Boardman utilizes the developing international regulation of pesticides as a means to explore the construction of an effective international regulatory program. Initially, the book examines the context of the international relations within which the pesticide regulatory action occurs. Included in the broad analysis of the international scene is a detailed study of the international pesticide economy with an emphasis on the international actors and current issues which the industry faces. The next part of the book examines in detail three issues of primary importance in international pesticide regulation: the treatment of pesticide residue in foods; the registration of pesticides for production and sale; and, the environmental consequences of expanded pesticide use with an emphasis on its effect in developing third world nations.

The third part of the book looks more particularly at the role of international agencies in the regulatory process and the interplay between the various factors that make for regulatory change in developing countries. A case study of the pesticide policy in Malaysia serves as an example of the way in which international agencies have been actors in the process of regulatory politics. The fourth and final section considers the technological choices which are available in the international regulation of pesticides and how each of those choices serve the varying functions necessary for a successful international pesticide regime.

Throughout the work, Professor Boardman assesses the significance of the United States' pesticide policy within the international context. The book is of interest not only to those concerned with the regulation of the expanding use of pesticides in world agriculture, but also to those interested in the development of international regulatory regimes.

**FISCAL POLICY IN THE SMALLER INDUSTRIAL COUNTRIES, 1972-82.** By Gisli Blondal. Washington, D.C.: International Monetary Fund, 1986, 232 pp.

This book examines the role of the central government in the economies of thirteen of the smaller industrial countries: Australia, Austria, Belgium, Denmark, Finland, Iceland, Ireland, Luxembourg, Netherlands, New Zealand, Norway, Spain, and Sweden. The book is primarily informative, providing comparable data on the fiscal policies of each country along with the author's observations.

The first part of the book provides an overview of fiscal policy for these countries as a group, while the second portion of the book is devoted to separate analyses of each country. Attention is drawn to the

relative growth of the government sector, the relative importance of different types of taxes, and the growth in the debt of these countries. The author, Gisli Blondal, states that the relative increase in the size of the government sector of these countries has been accompanied by poor performance in the private sector and suggests an inverse relationship between the two. Blondal also notes the growing government sector has also been accompanied by increasing tax burdens which contribute to inflationary pressures, disincentives to save, and the problem of tax avoidance.

The author also examines policy objectives of the several countries such as income redistribution and social security, noting that fiscal planning has tended to shift from a short-term to a medium-term orientation and has forced some of these countries to consider tax and social security reform.

Policy responses to general problems, such as unemployment and inflation, and to specific problems, such as the oil crises of the period, are also analyzed. Blondal notes that the first oil crisis affected the smaller industrial countries profoundly as their economies were highly open. The general response was to shift fiscal policy in a highly expansionary direction. Due to the disappointing results from these initial expansionary fiscal policies, the fiscal response to the second oil crisis was more cautious and discretionary. The author also points out that these frequent shifts in fiscal policy might have resulted as much from political considerations as from changes in underlying economic circumstances. The countries analyzed are characterized primarily by coalition governments, and therefore, Blondal suggests, the political environment is not generally conducive to the formulation of consistent long-term fiscal policies.

**REGIONAL EMIGRATION AND REMITTANCES IN DEVELOPING COUNTRIES: THE PORTUGUESE EXPERIENCE.** By Rick Chaney. New York, New York: Praeger, 1986, 258 pp., \$39.95.

Dr. Chaney received his doctorate from the University of Illinois at Champaign-Urbana in 1984. Currently, he is researching the economic demography of twentieth-century Brazil. He participated in a research project on the interrelationships of trade and migration for the Select Commission on Immigration and Refugee Policy. This research led to his interest in the relationship between the macroeconomic impact of emigrant remittances and Portugal's uniquely regional emigration, the subject of this study. Dr. Chaney treats emigration and remittance behavior as regional phenomena, rather than as national ones. He chose to study Portugal because it has easily definable socioeco-

conomic regions which create distinctive emigration-remittance behavior. He was able to study the varying effects of unexpected parameter changes within these regions. The author suggests that labor-exporting countries consider the variable impact that policies, enacted to channel remittances into productive activity, will have across regions.

The first chapter explores the past 100 years, during which two periods of emigration-cum-remittance have occurred. Dr. Chaney compares these two periods and shows that this behavior has alleviated foreign exchange constraints created by commercial trade imbalances, as well having contributed to the domestic savings effort.

Chapter Two analyzes the relationship of regionalism to remittance and saving behavior in economic terms. The chapter outlines theoretical propositions that attempt to explain the migration and remittance phenomenon.

The third and fourth chapters show that Portugal is an ideal country to study because of the large flow of emigrants and remittances combined with geographically definable regions that have easily identifiable economic and social characteristics. Dr. Chaney compares patterns in modern Portugal with turn-of-the-century patterns, and shows how these patterns are related to particular regional peculiarities.

The fourth chapter identifies specific regional characteristics, concentrating primarily on socio-economic evidence, and presents data on contemporary remittance flows.

In the fifth chapter the author discusses remittance-incentive measures taken by the Portuguese government that have had an effect on the saving and consumption decisions of the emigrants. In this chapter, six *concelhos* (counties) are studied in depth. Econometric analysis of these *concelhos* is presented to illustrate conclusions drawn in the previous sections.

The sixth chapter summarizes the book's conclusions and discusses how this information can benefit policy decisions. Since immigration flows are likely to continue, Dr. Chaney does not draw any conclusions about the value of such flows. Instead, he shows that private and social benefits are created by return remittance flows and suggests that the study of these flows is better directed at maximizing these benefits.

The author draws three main conclusions: first, contrary to widely held opinion, emigrant remittances are often saved; second, emigration-remittance studies must look at regions, rather than countries; and third, remittance policies in Portugal affect behavior differently in various regions. Dr. Chaney believes that these incentives generally do not influence the amount saved as much as they influence the way it is invested.

Throughout the book, the various descriptions of the different re-

gions of Portugal and the emigration-remittance behavior are well illustrated with graphs and charts. Dr. Chaney also includes an extensive bibliography.

**THE U.S. ECONOMY DEMYSTIFIED.** By Albert T. Sommers. Lexington, Massachusetts: D.C. Heath and Company, 1985, 129 pp. \$16.95.

The author has been a practicing economist for over thirty years, spending thirty-four years with The Conference Board (with the last thirteen as the Board's chief economist). He has created an excellent book which is not just for the professional economist, but spans the range of interests from student to expert. Mr. Sommers employs humor and wit in his logical and articulate interpretations.

This eminently readable work explains the incredibly intricate system of economics which exists in the U.S. in a manner which is at the same time understandable and interesting. While it will not leave the reader with a college education in economics, it will enhance his general understanding of the system and provide the basic concepts necessary to engage in some economic forecasting. *The U.S. Economy Demystified* explains where the major economic statistics come from, how to interpret them, and what their significance is for business and the economy in general.

In Chapter One, the author explains the national accounting system. The chapter is devoted to an overview of the basics of the system, comparing the national accounts to ordinary business accounting principles. Mr. Sommers likens the U.S. economy to a giant company, employing the entire working population, producing all consumer and capital goods, providing employee incomes and benefits, and then borrowing back employee savings to invest for the future. His analysis takes the reader through double entry bookkeeping used to record total economic output of the economy on the one hand, and to tabulate all resulting income flows on the other.

In his second chapter, the author concentrates on the sectors from which the data stream comes, such as personal, housing, capital spending, etc. Chapters Three and Four are devoted to an examination of the business cycle, its individual indicators or foreshadowers, and the influences of economic policy. Mr. Sommer, in the fifth chapter, looks then at the affect of the government upon the position of the United States in the world economy. In Chapter Six, he discusses the balance of payments, economic policy and inflation.

His last chapter covers ethical, social, and political problems and attitudes which impact upon and influence the economy. This chapter

also explores the limitations imposed by such a mixed economy.

Mr. Sommers includes three Appendices, including in the first an alphabetical list of economic series used in predicting or following the business cycle. The second appendix gives the approximate release dates for monthly economic statistics, and the third appendix lists the release dates for those statistics released quarterly.

The work is liberally interspersed with charts and graphs to illustrate textual points. These charts and graphs are readily understandable and serve to further clarify a carefully written and well researched book.

The book is to be commended for its excellent readability, as well as its value as a reference text.

**PEACE AND UNIFICTION IN KOREA AND INTERNATIONAL LAW.** By Byung-Hwa Lyou. Baltimore, Md.: Occasional Papers/Reprints Series in Contemporary Asian Studies, No. 2-1986, 209 pp., \$8.00 (paper).

Since the end of the Second World War, Korea has remained a divided nation. In his preface, the author states that his book is a study of ways to obtain Korean unification through the legal analysis of the various relations and facts connected to the Korean question.

The book is divided into three chapters. Using principles of international law, Chapter One analyzes the status of the parties to the Korean Armistice Agreement. Since South Korea did not sign the Armistice Agreement, various parties claim that South Korea cannot be a legal party to the agreement. The author explores the principles of international law which determine the status of South Korea as a legal party to the agreement.

Chapter Two examines the legal problems resulting from the dissolution of the United Nations Command in Korea. North Korea asserts that the Armistice Agreement is no longer valid since the only signatory, the United Nations Command, no longer exists. The author discusses the legal consequences of the dissolution of the United Nations Command on the continuing validity of the Armistice Agreement, the sovereignty of South Korea and the legal basis for unification of Korea.

Chapter Three focuses on the unification of Korea and international law. This chapter explores the legal situation of a divided Korea and discusses the unification policies of North and South Korea, as well as the pertinent political, diplomatic, military and social factors which influence unification.

Finally, the chapter discusses a legal basis for unification and vari-



ous methods and proposals to accomplish Korean unification. This book also contains appendices which reproduce the Korean Armistice Agreement, the July 4, 1972 South-North Communiqué and President Park Chun Hee's 1973 Special Statement regarding Foreign Policy for Peace and Unification.

This book contains an excellent analysis of the international legal considerations that exist in a divided Korea. Thus, it should be a valuable tool for anyone seeking to understand the Korean question from the international law standpoint or seeking to explore the possibilities for a unified Korea.

**JAPANESE MULTINATIONALS IN THE UNITED STATES: CASE STUDIES.** By Duane Kujawa. New York, N.Y.: Praeger, 1986, 291 pp.

Direct foreign investment in the United States has undergone a substantial increase in the last decade. One particular investing nation, Japan, has drawn considerable attention because of its successes in manufacturing high-quality, price-competitive products and because of its unique style of labor management.

*Japanese Multinationals in the United States: Case Studies* is a comprehensive study of direct foreign investment, particularly as it pertains to the Japanese. The book is a case study and comparison of twenty-four companies — Japanese-owned, U.S. - owned and non-Japanese, foreign-owned — which examines the effect of direct foreign investment on the industrial relations environment.

Mr. Kujawa views the corporate decision-making process as the interplay between three competing factors: the U.S. labor interest, the U.S. national interest, and the Japanese firms' interest in successfully competing in the American market. U.S. workers and their representative institutions, according to Dr. Kujawa, are vitally concerned with the environment affecting their interests, including availability and stability of jobs, income, and the opportunity for advancement. Dr. Kujawa also observes that U.S. national interests exert considerable influence over U.S. labor. Since the passage of the Wagner Act approximately fifty years ago, public policy has voiced a continued interest in the structure and substance of employer-employee relationships.

The central question discussed in this book is the interface between Japanese investors in the United States and American labor and management. The book is divided into thirteen chapters with each chapter mirroring a facet of the corporate decision-making process. The first chapter outlines the author's research design and problem statement. The second chapter concerns the entry decisions and strate-

gies of the Japanese firms. Dr. Kujawa outlines several "push" factors, such as limited domestic opportunities and cost pressure on exports, and "pull" factors, such as the quest for markets and the production synergies potential, as the motivating forces behind the entry decisions. Chapter Three looks at the firms' management and industrial relations environments. Employment size was a major influence on the composition and placement of the personnel function in the organizational structures of the Japanese companies.

In Chapter Four, new Japanese product and process technologies brought into the U.S. are examined. Product technology encompasses product specifications, component design, and product configuration. Process technology includes equipment, work flow, and the application of work methods during the production process. Noting that his conclusions are hampered by the lack of specific data submitted by the Japanese companies, Dr. Kujawa instead focuses in Chapter Five on the environment of the American industry and how this environment may affect the Japanese. The next chapter, entitled "International Trade", singles out the industry-specific and product-specific factors which are the primary influences in a firm's trade patterns. Dr. Kujawa then analyzes the interrelationship between the international trade flows and direct foreign investment.

"Employment Level's and Structures," Chapter Seven, consists of a comparison of the various companies' production versus non-production work forces, employment growth patterns, and sales per employee. Chapter Eight addresses briefly the Japanese companies employment recruitment in the United States. It then addresses each firms' employment training, which in this context was defined as an employee's skill improvement and work force development. Employee training was found to be fairly extensive at several of the firms, and it often directly involved Japanese personnel. Finally, Dr. Kujawa concludes the chapter with the observation that employee retention has not posed any problems at these firms.

The next chapter, "Personnel Practices", investigates the extent of parent company participation in the determination of personnel policies and on specific policies implemented such as wages and salaries, job classification systems, employment benefits, and grievance and disciplinary problems.

The following chapter focuses on the union-related experiences of the case study companies. The topics covered include union recognition, union organization campaigns, collective bargaining and strikes, and the companies' relevant philosophies. Special attention is paid to the interface between a parent company and its subsidiary interface with respect to the Japanese and the non-Japanese foreign-owned firms.

Chapter Eleven, "Management of Industrial Relations", interweaves previously discussed topics, particularly unionization and employment structures, and then relates the relationship, if any, between the parent and subsidiary regarding such issues. The final substantive chapter, "Community Relations", explores the community relations policies and programs of the case-study companies. The information collected is categorized into two groups: programs used during the initial "start up" period, and those used subsequent to this period.

The final chapter provides a detailed summary of Dr. Kujawa's conclusions. These conclusions are further enhanced by the comparison of the Japanese prototype with the experience of other foreign investors in the United States. Interspersed throughout the text are a series of charts which effectively underscore the author's numerous conclusions.

In light of the rise of a world economy characterized by transnational investment, Dr. Kujawa's work provides an incisive perspective into the adjustments necessary to effectively implement a transnational economy on an American scale.

**PROBLEMS OF INTERNATIONAL MONEY, 1972-85.** By Michael Posner, Washington, D.C.: International Monetary Fund, Overseas Development Institute, 1986, 191 pp.

*Problems of International Money, 1972-85* is a collection of papers presented at a seminar held in March, 1985, under the auspices of the Overseas Development Institute and The International Monetary Fund (I.M.F.). Participants included members of academia, private banking, and non-official groups in developing countries. The editor of the book, Mr. Michael Posner, directed the seminar.

Posner's introductory note describes the setting of the seminar. The concentration, he states, was on the general economic system, how it could be improved, and whether it had fundamental flaws that seemed to call for radical change. The main objective was not to give an overall evaluation, but to identify where the mechanism failed, and to consider what could be done.

David Llewellyn's paper, "The International Monetary System Since 1972: Structural Change and Financial Innovation," emphasizes the systematic role of international monetary mechanisms in the conflicts between national aims and policies. His paper attempts to identify the nature of the underlying changes or unifying themes in the evolution of an international financial system over the 1970's, to describe the role of financial innovation in the global context, and to establish a general framework for considering why the structure and operation of the system changes over time. He addresses what he calls the "priva-

tization of the system," its financial integration, the implications of structural change, and his views on its future reform. A comment from Susan Strange follows the paper.

Mr. G.G. Johnson, of the Exchange and Trade Relations Department of the I.M.F., presented the next paper. His paper is mainly concerned with the role that international surveillance, particularly the I.M.F.'s, plays in influencing exchange rate developments and policies. The paper is followed by a comment from L.D.D. Price.

Mr. Tony Killick's article is entitled, "Balance of Payments Adjustment and Developing Countries: Some Outstanding Issues." Mr. Killick attempts to give a true definition to the terms "Balance of Payments adjustment," something which he believes has not yet been adequately done. The paper then addresses some of the problems associated with the design of adjustment programs in developing countries and with the retreat from the notion of adjustment as an international process. A comment from Mr. Stanley Please follows the article.

Mr. Michael P. Dooley, of the research department of the I.M.F., presented a paper on "The Role of Reserves in the International Monetary System." The traditional view has been that the demand for reserves has not changed significantly despite important changes in exchange rates and other institutional developments. He believes that the apparent stability in demand for reserves might suggest that the role of reserves has not changed. However, he argues that although the demand for reserves may appear to have remained stable, the role of reserves in the current system is fundamentally different because the constraints on the supply of reserves has changed. In his analysis, Dooley looks to changes in the holdings of non-gold reserves, the historical role of reserves, and the currency composition of reserve assets. Willem H. Buiter comments on the article.

The next section of the book is a three-part discussion entitled, "The Debt Problem." Mr. Azizali F. Mohammed introduces with a general discussion of the debt problem and the issues facing debtors and those facing creditors. Mr. David Lomaz proceeds to address the debt problem from "A Banking Perspective." He is the economic adviser to the National Westminster Bank of the United Kingdom. Finally, Mr. Ernesto Zedillo of the Banco de Mexico writes from "A Borrower's Perspective."

Dr. Stephany Giffith-Jones' "The Role and Resources of the Fund," consists of two parts. The first focuses on a review of changes in the international economy, particularly since 1972, and the international response, focusing on the I.M.F.'s response. The second part of the paper suggests a possible agenda for reforms of the Fund, including: coordination of national economic policies; the role of the Fund in

the creation of the world liquidity; and, the adaptation of the fund's lending facilities. A comment by Marjorie Deane follows the paper.

Dr. Loukas Tsoukalis' paper, "International Money Arrangements and Future Adaptation," is the final chapter of the book. The paper serves as a review of the main developments that have occurred in the international monetary system since the early 1970's. The second part of the paper emphasizes the growing costs and deficiencies of the new system. A comment by M. Narasimham follows the article.

**CHINESE YEARBOOK OF INTERNATIONAL LAW AND AFFAIRS, Vol. 5 (1985).** Edited by Hungdah Chiu. Taipei, Taiwan: Chinese Society of International Law-Chinese (Taiwan) Branch of International Law Association, 1986, 390 pp., \$15.00.

In their latest yearbook, The Chinese Society of International Law Association compiles articles, cases, agreements and statistics which help shed light on Taiwan's role in a changing world.

Nationalist efforts to resolve China's treaty dilemmas of the 20th Century are examined in an article by Hungdah Chiu, University of Maryland Professor of Law. Chiu analyzes the Chinese Nationalist Government's use of law and diplomacy in an effort to abolish "unequal treaties" between 1927 and 1946. Problems caused by trade in counterfeit goods and U.S. and Republic of China (R.O.C.) efforts to solve them are examined in an article by Mitchell A. Silk, research assistant in East Asian Legal Studies at the University of Maryland School of Law. K. T. Chao, Chairman of the Department of Diplomacy at National Chengchi University, Taipei examines the legal difficulties which result from the classification of boundaries.

In the yearbook's "Recent Development" section, David Simon, an international law practitioner, features a summary of new laws affecting trade between the United States and the R.O.C. Simon analyzes the escape clause provisions of the Trade Act of 1974, U.S. dumping law cases, countervailing duty cases, and the use of the Tariff Act of 1930 in the control of commercial counterfeiting.

The yearbook's section on contemporary practice and judicial decisions in international law includes the translated text of a Japanese Supreme Court ruling on the loss of Japanese nationality by the Taiwanese after the transfer of the territory of the Republic of China. In addition, the full text of Britain's copyright protections for individuals and corporations in Taiwan is presented. A memorandum on the status of the Republic of China as a member of the International Criminal Policy Organization (Interpol) is also included.

International law rulings of the Taiwan government in 1985 and

1986 are presented in digest form. Book reviews guide the reader to publications on Chinese problems in international law, comparative law, and international affairs.

An appendix lists Republic of China treaties, agreements, and missions abroad. Finally, the book includes statistics compiled between 1974 and 1984 on Taiwan's demography, the education level of its people, its consumption, finance, health care, and food supply.

**JAPAN'S MARKET: THE DISTRIBUTION SYSTEM.** By Michael R. Czinkota and Jon Woronoff. New York, New York: Praeger Publishers, 1986, 145 pp., \$30.95.

Michael Czinkota and Jon Wornoff bring their extensive international trade expertise to bear in addressing a major problem facing businesses in the increasingly competitive international market. They analyze the intricacies of the Japanese distribution system and provide needed information for firms wishing to conduct business in Japan. In addition, this book is useful as a reference for United States trade negotiators and policymakers in their efforts to expand exports to Japan.

The book is divided into three parts which each address topics relevant to the Japanese distribution system. Part One is made up of four chapters. The first chapter focuses on the trouble caused by the huge Japanese trade surplus. Japan's exports are high due to the clear equality of their goods. However, the authors contend that the reasons that their imports are low is not as clear. Businesses have had trouble discovering why they cannot sell more products in the Japanese market. Over the years, it has become evident that there are effective barriers that have to be overcome before more goods can be imported into Japan. Chapter Two considers the ordinary barriers that stand in the way of more exports into Japan. This analysis includes consideration of tariffs, quotas and other tangible barriers. Chapter Three involves the process the Japanese government engages in to remove the ordinary barriers. The chapter introduces the discussion in Chapter Four about the extraordinary barriers currently facing businesses wishing to export to Japan. These barriers involve the complex and unwieldy nature of the Japanese market itself and the special relationships that have arisen between the various agents in the system.

In the next section of the book, beginning with Chapter Five, the authors enter into a general discussion of the groupings that occur within the Japanese market. These groupings, called *keiretsu*, may be formal or informal. Chapter Six addresses the formal *keiretsu*, which are groupings that have large banks as their central member. These

groupings are extensions of the prewar *Zaibatsu* and have the highest status and greatest political power. The less formal vertical groupings are introduced in Chapter Seven. These groupings are vertical in the sense that they involve the several links that exist in the chain of production. However, rather than having all of the members rely on a major bank such as the formal *keiretsu* groupings do, the informal vertical groupings align themselves with a dominant enterprise. They form a self-contained unit and strive to be self sufficient. The third grouping is introduced in Chapter Eight. This is the distribution grouping through which the manufacturer controls the marketing channels for its products. The final chapter in this section offers the reader useful information on how to overcome the problems described in this section.

Part Three of the book centers on the distribution system in Japan. The authors contend that it is the distribution system that has led to many nontariff barrier problems experienced by businesses attempting to enter the Japanese market. In Chapter Ten the authors concentrate on the main purpose of their effort. They seek to fully describe and explain the Japanese distribution system. In addition, they explore the current innovations and changes taking place in that system. Lastly, the authors draw conclusions that will have meaning to the business executive and international policymaker. Toward these ends, the remaining chapters of the book deal with the origins and development of the distribution system and wholesaling and retailing in Japan. In the final chapter of the book, the authors discuss the changes that the Japanese distribution system is undergoing, the causes thereof, and the repercussions that will result.

The central purpose of the book is to help outsiders function within the Japanese distribution system by gaining a full understanding of how the system works. The authors delve into the factors which make it difficult for outsiders to penetrate the Japanese system of distribution. Distribution of goods in Japan may be influenced by factors alien to the American way of conducting business. For example, Japanese business decisions are frequently based on considerations of loyalty and stability. The authors fully explore these cultural characteristics of Japanese business in order to help the reader understand the system and to facilitate their entry into it. The authors also note some cases where this tradition may be breaking down, finding that more options are available for the larger, more technically advanced and best financed firms. The authors explore the advantages and disadvantages of these new options, which include licensing, joint ventures, and the setting up of direct production.

This book provides a practical tool for the international businessperson as well as a resource guide for the international trade decision

maker. The authors note, however, that Japanese businesses must be willing to reciprocate if they expect to retain the benefits of the international market from which they have heretofore benefited.

**BANKS, PETRODOLLARS, AND SOVEREIGN DEBTORS.** By Penelope Hartland-Thunberg and Charles K. Ebinger. Lexington, Massachusetts: Lexington Books, 1986, 193 pp.

Ms. Hartland-Thunberg and Mr. Ebinger, members of the Center for Strategic and International Studies, offer insight into the current state of the international financial scene and describe the events which led to this situation. The authors sound a warning of the potential harm that could result from the current \$900 billion international debt and suggest approaches that may prevent catastrophe. Specifically, the authors focus on the economic situation of three debtor nations: Mexico, Brazil, and Israel.

The authors state that the staggering debt level was caused by the oil shocks of 1973-1974 and 1978-1979. During the first oil shock, unspent petrodollars of the Organization of Petroleum Exporting Countries (OPEC) were deposited in large international banks in the United States and Europe, and these funds were, in turn, lent to less developed countries (LDCs), such as Spain, Austria, and Sweden. The authors note that the LDCs used this money to accelerate their internal growth rates, and, in the aggregate, the growth rates in these LDCs increased by three times. Unfortunately, this acceleration accompanied an increased debt.

Ms. Hartland-Thunberg analyzed the dramatic effect the price escalation of 1978-1979 had on the international financial scene: a severe recession caused by depressed investment in industrial countries and manifested by a decreased gross national product and increased interest rates. Consequently, Ms. Hartland-Thunberg observed that the LDCs were simultaneously faced with three major problems: their oil import bill approximately doubled, their outstanding debt doubled as a result of the increased interest rates, and their export income decreased as both their prices for raw materials as well as the market for their manufactured goods fell. In order to maintain their countries' consumption levels, Ms. Hartland-Thunberg asserts that the LDCs were forced to continue to borrow.

In 1982, the flow of petrodollars diminished and the status of OPEC shifted from a net lending to a net borrowing position. The recession, high interest rates, and the failure of many businesses caused a contraction of the interbank market, and a slowdown resulted in international lending. Consequently, between 1982 and 1983, with the ab-



sence of incoming international dollars, LDCs were forced to renegotiate approximately \$100 billion of debt, thereby causing a severe strain on the entire international financial system.

According to the editors, the massive international debt could possibly cause a chain reaction of failing banks resulting in a collapse of the international financial market. The debt renegotiations have, however, bought time for both creditors and debtors, allowing new methods to be introduced to ward off disaster. But, in order to improve the financial situation, the authors suggest that major changes need to be made in the economic structure of these countries. Currently, on the international level, there is no efficient match between the need for goods and services and their supply. In order to achieve an efficient balance, the countries must achieve internal growth. This growth can only be achieved through political stability in the LDCs.

According to the authors, Mexico's debt began during the administration of the former President, Lopez Portillo. Mismanagement of the government occurred as a result of rushing for growth causing high inflation, an overvalued peso, and misallocation of resources.

The authors analyzed the financial situation of Brazil which currently is the largest LDC debtor in the world. During the 1960's and 1970's, Brazil experienced rapid economic growth. In 1980, the country began a downward trend, and, in 1981, there was a decline in total production and the growth rate. International borrowing began during the prosperous times as Brazil attempted to preserve its economic status. The authors assert that subsequent debts resulted from economic mismanagement of prices, especially the cost of credit and the exchange rate, and a closed economy which had diverse effects on the inflation rate.

Joyce Starr analyzed the financial situation of Israel and notes that from its independence in 1948 until the middle 1960's, Israel experienced rapid and continuous economic growth. In the later 1960's, after a period of severe recession, double-digit unemployment, and net emigration, the country saw a period of higher growth. However, this growth was stymied by the Yom Kippur War which caused severe economic stagnation and a decreased growth rate. Ms. Starr asserts that the growth of the country continues to be affected by war and the constant state of war-readiness. In addition, the government's primary concern in the past has been in settling the country's immigrants by providing jobs, housing, and goods, rather than fostering sound economic policies.

**OVERSEAS ACQUISITIONS AND MERGERS: COMBINING FOR PROFITS ABROAD.** By R. Duane Hall. New York, N.Y.: Praeger, 1986, 154 pp.

Dr. R. Duane Hall has served as an officer and consultant for various multinational corporations and has conducted corporate and consultancy engagements all over the globe. This book, his fourth on international trade, concerns the joining of forces of several entities or persons overseas for a common business purpose.

Dr. Hall explores this complex process from several different perspectives. Chapter One discusses current U.S. International investment policy. Beginning with a brief overview of the Reagan Administration's policy, the author includes an in-depth analysis of business growth policies including a list and description of key success factors and planning considerations. In addition, the author also describes how to organize abroad by exploring choices, issues, rationale, overseas manufacturing, and national differences. The author recommends performing a situational analysis before embarking on a merger or acquisition plan. This analysis should include a study of your own business as well as that of the merger candidate. Finally, the author combines a discussion of diversification planning with some cautionary words on controlling growth.

Chapter Two is a step by step analysis of the negotiating process. The author takes the reader through the "first round" of negotiations and then makes recommendations for establishing a price, putting the deal in writing, and the eventual transition. At the end of the Chapter the author provides a 10-point negotiating checklist as well as a legal audit checklist which covers areas such as outside counsel, claims and litigation, taxes, labor, and major contracts.

Chapter Three, entitled "Acquisitions and Mergers," is the core of Dr. Hall's book. The chapter begins with a brief definition of "acquisition" and "merger" and a list of steps for a "sensible approach" to the undertaking. The author then explores many topics in-depth including diversification rationale, sources for leads and investigations, joint ventures, and foreign acquisitions. Antitrust considerations also receive extensive treatment in this chapter. Beginning with an overview discussion on the general problems likely to be faced, the author also includes a discussion on contemporary international antitrust enforcement. The author concludes the chapter by exploring each of the principal federal antitrust statutes in terms of prohibitions, exemptions, jurisdiction sanctions, and remedies. This chapter also provides helpful sections setting out merger guidelines, performance ratios, acquisition forms, and the accounting treatment of acquisitions. Concluding the chapter, Dr.

Hall describes some valuation terms and new developments in accounting.

Chapter Four deals with some of the myriad tax issues that arise in an international merger or acquisition. The author initially explores the overall legal environment and follows with a discussion of industrial property rights. Chapter Four also includes a lengthy section on the Foreign Corrupt Practices Act. Enacted in 1977, the Act is an attempt by Congress to deal with the problem of illegal payments made to foreign officials by U.S. corporations. A section on the relatively new Foreign Sales Corporation structure, which replaced the Domestic International Sales Corporation as the primary tax incentive for exports, describes the general and transitional rules for this corporate structure. The Chapter ends with a discussion of the practical aspects of boycott guidelines.

Chapter Five is a short discussion on risk management. the author gives a brief background introduction and then discusses key trends and new programs implemented by the World Bank. The final section, currency risks, includes a glossary of foreign exchange terms.

In Chapter Six, the last chapter, Dr. Hall emphasizes the importance of the "human" side of planning. The author stresses that companies, in order to succeed, must be "people centered." He also gives his observations on human behavioral needs in the context of overseas mergers. The Chapter concludes with a brief discussion of tax planning for U.S. citizens abroad.

In the appendices, the author provides some important summary information. Appendix A is an extensive outline of information concerning foreign acquisitions and a company survey checklist. Appendix B is a diversification checklist, and Appendix C provides a table of factors for preliminary judging of manufacturing investments. Appendix D is a company survey checklist and Appendix E furnishes a list of questions an opponent of an acquisition or merger may ask.

**THE IMF IN A CHANGING WORLD 1945-85.** By Margaret Garristen de Vries. Washington, D.C.: International Monetary Fund, 1986, 226 pp.

A historical record of the major developments in the existence of the International Monetary Fund is documented in *The IMF In a Changing World 1945-85*. Margaret Garritsen de Vries, an IMF historian, is a renown expert on IMF activities and has been writing on the subject since the IMF's conception in 1944. The book is actually a collection of previously published articles that span the life of the IMF and thus present a minihistory of the Fund. The articles along with

overviews to five sections of the book describe the growth and change of the IMF in the past forty years. This book is essential to anyone who is interested in a comprehensive illustration of the major developments of the Fund's evolution.

In Part One, "Attaining Initial Objectives," Ms. Garristen de Vries recounts the years from the time of the Fund's creation at the Bretton Woods Conference in 1944 through 1965. This section describes how the international monetary operation evolved. With the intention that countries which joined the Fund would conform to established standards of behavior in international financial matters, a detailed code of conduct was created. The logic of the code was that good conduct in international financial relations would foster a high level of international trade and investment. Economic events such as the decline of multiple rates, the decline of exchange restrictions, and the magnitudes and frequencies of exchange devaluation that occurred in many countries after World War II are presented in Part One.

Part Two, "Trying to Save the System," tells of the Fund's efforts from 1966 to 1971 to keep the par value system functioning smoothly. In this period, expected shortages of international liquidity and repeated crises in exchange rates took place. The liquidity problem concerned the inability of the system to provide adequate world reserves as the volume of international trade and financial transactions grew. As a result, countries turned to using the U.S. dollar for the bulk of their reserves which put the United States in the position of having to run continuous balance of payment deficits.

Next, Part Three, "Operating in a Troubled World Economy," explains the events of 1972 to 1978 that led to the ultimate collapse of the par value system and its replacement by floating rates. A sharp increase in inflation, higher oil prices and unprecedented payment deficits are described in this turbulent economic period of the Fund. These years saw negotiations for a reformed international monetary system which covered all aspects of a monetary system.

"Responding to the Debt Crisis," in Part Four continues the Fund's history focusing on 1979 to 1985, with the Fund's responses to the world debt crisis that suddenly erupted in August 1982. The Fund adopted a country-by-country approach, in collaboration with all interested parties, establishing adjustment programs and financing. These actions sought to prevent future debt crises by strengthening its surveillance over the external debt policies of members.

Finally, the last section presents a broad summary of the Fund's development over the entire forty-year period. It concludes with an out-

look for world debt as of 1985. Due to the encouraging developments that have taken place, the debt problem is currently viewed with increased confidence.