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Recommended Citation

Book Review, 5 Md. J. Int'l L. 351 (1980).

Available at: <http://digitalcommons.law.umaryland.edu/mjil/vol5/iss2/10>

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Economic and Environmental Impact of a Nuclear Moratorium: 1985–2010, Members of the Institutes for Energy Analysis. Cambridge, Mass., the MIT Press, 1979. Pp. 381.

This novel contribution to the current energy policy debate was prepared by members of the Institute for Energy Analysis. The Institute — affiliated with the private, university-based Oak Ridge Associated Universities — was established in 1974 to provide comprehensive, non-biased assessments of energy related issues. This is the first of a series of works entitled *Perspectives in Energy* presented by the Institute and the MIT Press. The authors have attempted to predict the economic and environmental consequences of a hypothetical moratorium on the construction of U.S. domestic nuclear power plants. The task of predicting our future domestic energy situation is a formidable one, given the numerous unpredictable factors that must be considered. This book is an impressive effort at such a prognostication, replete with statistical analyses and economic charts, though many of the assumptions underlying the projections are questionable in light of recent social and political developments.

One assumption made by the authors is that coal is the only viable alternative to oil or nuclear power in the near future, despite the 4–5 year lead time necessary to mine sufficient energy quantities of coal. While this certainly was a valid assumption when the book was researched, subsequent events have clouded the energy picture. Recent advances in photovoltaic technology have convinced many scientists that solar-generated electricity will be comparatively priced within the next thirty years. Synfuels are currently under serious consideration, despite the authors' prediction that this will not occur until the year 2000. Oil shale is now a viable source of domestic oil, despite the books' projection of 1985–90 as the earliest date for such use. The substitution of domestically-produced alcohol for oil in transportation was not considered in this study despite current efforts in that direction. Underlying the failure to consider these alternatives is the authors' predicted rise in oil prices, which "triggers" the use of more expensive energy sources as certain price levels are reached. The projection — based on a 1974 study — places the price of oil at \$25 bbl by the year 2000. "Our conclusion [on the cost of importing foreign oil to make up the shortfall caused by a nuclear moratorium] is based on the assumption that oil import prices will not repeat their spectacular escalation of 1973–75." Unfortunately, the "spectacular escalation" has occurred again, and oil currently averages \$30 bbl on the world market, with steps being taken to allow the domestic price to rise to that level. At these prices, many of the more exotic energy sources can compete with oil.

A second factor that may have been underestimated by the authors is the public's growing fear of nuclear reactors following the Three Mile Island

incident. The book was researched and written before "melt-down" became a household word, and although Three Mile Island did not initiate the anti-nuclear movement, it certainly has increased the "social cost" of using nuclear power. The fact that nuclear power costs less than oil may not matter to policy-makers unless dramatic improvements in reactor safety mechanisms can be demonstrated.

There are other somewhat questionable assertions put forth by the Institute members. Although they correctly predicted a downturn in energy demand, the authors were convinced that this country would not accept a "low-energy" existence of the type envisioned in a solar-powered society. There are indications that recent events may be changing our energy consumption habits to the point such that a low energy society is conceivable in the near future. A severe recession, which many economists have predicted, would also drastically lower our energy needs. Additionally, the authors assume that electricity will replace other energy modes. The effect of the assumption, however, is to place more emphasis on the impact of a nuclear moratorium.

It would be unfair, however, to characterize this report as a failure simply because several predictions have fallen victim to changing global conditions. Many of the authors' observations are of value regardless of whether the predictions derived from them materialize. The book offers an excellent discussion of domestic coal supplies and the disparate regional impact of a nuclear moratorium. The authors also point out that such a moratorium would not prevent environmental harm, but would merely alter its substance. Air pollution in the form of sulfur dioxide from burning coal would replace the deleterious effects of radiation contamination and nuclear waste disposal.

Recognizing the uncertainty of their projects, the authors conclude that a nuclear moratorium is economically feasible, even though adjustment to it may cause regional economic dislocation, losses in real personal income and a reduction in potential foreign exchange earnings. They also disclosed that additional research was necessary to study the effects of alternative energy sources on domestic and foreign policy and their impact on the environment. This conclusion and the general tone of the book may convince readers that the authors have a pro-nuclear bias, and indeed the introduction indicates that the writers were sensitive to such charges. Overall, however, the book treats a highly controversial subject as dispassionately as possible. Readers with an interest in the nuclear debate will find this work to be highly valuable for its reasoned approach to energy policy.

James M. Carr

Distortion or Development? Contending Perspectives on the Multinational Corporation, by Thomas J. Bierstecker. Cambridge, Mass., The MIT Press, 1979, Pp. 199.

This book is an examination of the alternative approaches of two schools of thought regarding the utility of the multinational corporation to a host country. The author, an Assistant Professor of Political Science at Yale, examined and applied the reasoning of the writers of both the neoconventional and critical schools to the issues raised by the presence of multinationals in developing countries. His theories and observations were then applied to the nation of Nigeria, a geographic region which supports much international investment.

Bierstecker criticized the popular belief that multinationals are *evil per se* as an "oversimplification of a highly complex reality." Approaching this problem from the perspective of a social scientist, he failed to consider that the multinational is often thought of as the inheritor-successor of the colonial powers. In a bygone era, colonial powers utilized their soldiers, missionaries and colonists as tools to exploit the natural and human resources of a host country. It is now the contention of many that multinationals are the new instruments of exploitation.

The Bierstecker analysis rejects the aforementioned response to the multinational and applies the writings of critical and neoconventional writers to the following problems: international capital movements (Chapter 5); displacement of indigenous production (Chapter 6); the extent and feasibility of technology transfers and its effect on domestic consumption (Chapter 7); and the effects on society as a whole (Chapter 8).

With reference to the first issue of international capital movements, the author observed that critical theorists cited five mechanisms by which multinationals contribute to a net outflow of capital. The multinationals may withhold capital investment in the host country, remit excess profits to the home country, employ transfer pricing mechanisms, utilize "tie in clauses" to disguise capital overflows or establish few linkages to the local economy. The neoconventionalists argue that in the absence of the multinational, the host country would not develop an alternative, indigenous form of production. They contend that the outflow of capital is insignificant when compared to the disastrous effects of inefficient or nonexistent local production.

Examining the neoconventional response, Bierstecker found it inadequate. There is substantial support for the argument that the presence of a multinational neutralizes the development of a host country. The Nigerian Civil War of 1967 demonstrated, however, the presence and feasibility of indigenous capabilities in the absence of multinational corporations. At that time, the central government blockaded the territory controlled by Biafran rebels. The result, however, was not the total collapse of the economy. Local

entrepreneurs developed substitute products to meet the needs of the local citizens and the military. Manufacturing enterprises emerged to supply weapons, vehicles and food processing to the Biafrans.

Multinationals have also been an instrument for the transfer of advanced technology to developing nations. There are arguments that this transfer is not in the best interests of those nations, since most of the technology is capital intensive rather than labor intensive. The reasoning is that developing nations have an abundance of raw materials and unskilled human resources, and that the introduction of advanced technology only assists the well-educated and displaces the large number of untrained.

Bierstecker's research supports the critical approach that multinationals facilitate the introduction of inappropriate capital intensive technologies into developing nations via two mechanisms. First, research and development is undertaken in the industrial country of the parent firm where capital intensive technology abounds. Second, a complete transfer of production processes ordinarily takes place with little or no adaptation to the developing nation. As support for the arguments of the critical writers, he reports that the Nigerian Council for Science and Technologies conducted a survey of all manufacturing establishments in Nigeria to obtain information about the nature and amount of their research and development. This survey indicated that only thirteen percent of the responding firms reported any form of annual expenditures on research and development.

Multinationals, to a large extent, not only affect the extent and feasibility of technology transfers but also affect the consumption pattern of a host country. The neoconventionals argue the change in patterns of consumption are not inappropriate because they reflect the influences of the market place (better products at lower prices). The critical writers respond that multinationals change patterns of consumption by artificially creating "taste patterns."

In many countries, including Nigeria, multinationals have encouraged the increased consumption of such inappropriate products as skin lighteners, cosmetics, soft drinks and baby formulas. The necessity for such products in a developing country is questionable, particularly for those products such as artificial sweeteners and preservatives, which have already been banned in such *developed* countries as the United States. Such products may be harmful to the economic development and national health of many developing nations.

In the last part of the analysis of the impact of the multinational on the developing country, Bierstecker deals with the development of allied groups ("compradors") of the multinationals. The term "comprador" (the Portuguese word for buyer) refers literally to those professional intermediaries who organize the access of foreign traders to the local market. Bierstecker uses

"comprador" in his work to refer to indigenous personnel employed in the managerial positions of the multinational firms, who manage the personnel and labor necessary for local production and provide advertising techniques for the successful exploitation of the local market.

The critical writers contend that the presence of "comprador" groups produce both economic and political problems because host country interests are likely to suffer when such a group is confronted with a conflict of loyalties, particularly since multinational wage rates tend to run higher than those offered by domestic corporations. The neoconventionalists respond that such conflicts are not only infrequent, but in the rare instances they occur, the "comprador" will be able to steer a middle course.

Bierstecker's research supports the argument of the critical writers. In Nigeria, instances of conflict are being noted. There is evidence that Nigerian multinational managers have not been successful in resolving the conflict in loyalties. The Nigerian government assailed the multinationals for circumventing the original intent of their "indigenization" program (a program designed to increase the participation of Nigerian citizens in their economy) by not making sufficient shares available for purchase, delaying the transfer of control and creating indigenous fronts while maintaining actual control over the enterprise. Bierstecker's chapter on "comprador" groups (Chapter 8) confirms what many developing nations have already learned through misfortune, namely the impossibility for a single national to do justice to two independent sovereigns.

This study offers a valuable review of the research done by opposing writers on the effects of a multinational on a developing country. It would be in the best interest of government and multinational policy-makers to consider the issues raised by Bierstecker. Recent international developments have demonstrated the consequences of the intentional or accidental influences of multinationals on host countries and the need for more research on the issues the author raises.

Charles S. Thompson

Clockwork Debt, by Pierre Dhonte, Lexington, Mass., Lexington Books, 1979. Pp. 124.

This book examines the overall changes in total debt structures. It details the problems that have arisen from overextension of debt and how solutions have been arrived at through renegotiations. Part III looks to the criticisms of borrowing and how optimal debt can be determined. Part IV puts recent trends in perspective and examines the favorable and unfavorable factors that are involved. The Appendix provides statistical material regarding the distribution of debt.

International Indebtedness and the Developing Countries, by George C. Abbott. London, Croom Helm Ltd., New York, Sharp, Inc., 1979. Pp. 312. \$25.00.

Massive foreign debts contracted by the developing countries threaten to disrupt the international economy. The service problems connected with the loans, combined with the lack of foreign funds on concessional terms for development, are a potential threat to creditor as well as debtor countries. To prevent a repeat of the international debt crisis of the inter-war years, Abbott suggests a debt moratorium, followed by cancellation of questionable forms of debt accumulation and servicing agreements incurred in the name of development. Debts and development should be integrated by policy-makers to make debt relief an end in itself, thus freeing funds for development.

Taxation of Branches and Subsidiaries in Western Europe, Canada and the U.S.A., by S.N. Frommel. London, Kluwer Publishing Ltd., 1978. Pp. 296.

This is a concise planning reference for professionals who will consider tax implications of their companies' or clients' foreign operations through branches or subsidiaries in Western Europe, Canada and the United States. Comparative surveys cover each nations' treatment of taxes on business income, net worth and dividends. Frommel also examines pertinent treaties, conflicts of law, residence requirements and financing. The volume is well-indexed for quick and effective reference.

Fundamental Issues in Trade Theory, Ed. Ian Steedman. New York, St. Martins Press, 1979. Pp. 231, \$25.00.

Fifteen essays from three British and one Italian economist present overwhelmingly complex analyses of trade theories such as "Heckscher-Ohlin-Samuelson", "Ricardien", and "classical." The pages are rich with tables, graphs, equations and formulas. A typical paragraph matter of factly suggests "[e]lementary calculations show [the domestic marginal rate of transformation in production] to be given by

$$\left[\frac{dY_2}{dY_1} \right] = k = \frac{a_1(B_2 - A_2) + A_1(a_2 - b_2) + a_{21}(B_2 a_2 - A_2 b_2)}{(B_2 a_2 - A_2 b_2) + a_1(B_2 a_{12} - A_2 b_{12}) + A_1(b_{12} a_2 - a_{12} b_2)}$$

The "fundamental issues" as explicated here require more than fundamental knowledge of economics to comprehend.

International Economic Problems, by Leonard Gomes, New York, St. Martin's Press, Inc., 1979. Pp. 180, \$17.95.

This book focuses on the clash of national interests with the constraints of an interdependent world economy. It begins with a discussion of the issues involved in the current Tokyo Round of multilateral trade negotiations. This is followed by a consideration of the trade problems of the third world and an analysis of the new frontiers in East-West trade. The integration of money markets across the Atlantic is examined, together with the role of the Euro-dollar in this development. The problems of the international monetary system are discussed, including the failures and achievements of the Bretton Woods System. The role of multinational corporations in the world economy is the topic of Chapter VI. Dr. Gomes concludes with a survey of recent empirical and theoretical explanations of the pattern of international trade in manufactured goods.

Economic Relations Between East and West: Proceedings of a Conference Held by the International Economic Association at Dresden, edited by Nita G. Watts. New York, St. Martin's Press, 1978. Pp. 246.

In light of renewed Cold War rumblings, this collection of East-West trade and finance analyses will prove as potentially instructive to economic Cold War warriors as to the strategists of East-West cooperation for whom

these papers were originally presented in 1976. Among the subjects examined are: the claim that differences in socialist and capitalist systems will systematically produce an edge for the socialist countries involved in East-West trade, fulfilling Lenin's prediction that "the capitalists will compete to sell us the rope to hang them with"; the restrictive effects of Western tariffs and similarly restrictive Council for Mutual Economic Assistance (CMEA) measures; the European Economic Community's (EEC) stimulation of growth in East-West trade; the benefits and viability of future CMEA-EEC trade agreements; the effects of non-convertibility of CMEA currencies coupled with their rising debts to the West; and the credit worthiness of CMEA countries. In reading these analyses which encourage the development of mutually beneficial trade, one must note an unarticulated underlying presumption which reflects the spirit of detente present when these articles were written — that it is possible and sensible to separate economic from political issues, a presumption which recent international developments call into question.

The Impact of the Newly Industrializing Countries on Production and Trade in Manufactures, Report by the Secretary-General. OECD Publication, 1979. Pp. 96, \$12.00.

This report seeks to demonstrate how increased trade between industrialized and newly-industrialized countries can be mutually beneficial. An illustrative sample of ten middle-income developing countries was singled out for the purpose of this report. The report contains tables which demonstrate shifts in patterns of output and trade, followed by a discussion of the factors at work, the policies and problems of the AICs (advanced industrial countries) and the NICs (newly industrializing countries). The annex of tables looks to imports and exports for the OECD in different manufactures, and the report closes with a survey of research into the employment effects of changes in trade flows.

The New Protectionism: The Welfare State and International Trade, by Melvyn B. Krauss, New York, New York University Press, 1978. Pp. 119.

In this non-technical guide, Krauss leads the reader through the "New Protectionism"—the sum of all government interventions into the private economy as they affect international trade. The "Old Protectionism" refers

exclusively to trade-restricting tariffs or trade-expanding export subsidies. It fails to reflect the importance of the interventionist, or welfare, economy over the market economy. In language intelligible to the student or lay economist, Kraüss introduces and interrelates merchantilism, economics, of the tariff, hidden redistribution, quotas, production subsidies, income transfers, guest workers, capital flight, dumping, domestic subsidies, taxes and many other price and non-price influences over world trade.