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## BOOKS RECEIVED

RESISTING PROTECTIONISM. By Helen V. Milner. Princeton: Princeton University Press, 1988, 301 pp.

In *Resisting Protectionism*, Helen Milner attempts to answer the puzzling question of why trade policy was markedly different in the 1920s and the 1970s when key economic and political pressures influencing policy were uncommonly similar. Both periods were characterized by declining hegemony and ailing international economies; however, the 1970s (1971-1981) were notably less protectionist than the 1920s (1921-1931). The author claims that a change in the way domestic and international economies are consolidated has affected the trade preferences of domestic industries and has consequently influenced trade policy outcomes. This study focused on trade preferences and did not directly examine the influence of public opinion, ideology, organized labor, domestic political structure, or other possible factors.

The book is basically divided into three sections. The first section presents the principal question and main argument. The argument brought forth is that the increased international economic interdependence of the post-World War II period was the primary reason that protectionism did not spread widely in the 1970s and early 1980s. It is theorized that firms with greater international connections are less protectionist than more domestically oriented firms. Thus, the entry of a greater number of American industries into the international economy transformed domestic preferences and ultimately hindered resorting to the defense of protectionism as was observed in the 1920s.

In the second section, case studies are presented to examine trade policy argument over time and across nations. The author specifically examines three sets of cases: six U.S. industries in the 1920s, six U.S. industries in the 1970s, and six French industries in the 1970s. The central concern, in the analysis of each of these case studies, was to ascertain the extent of the industries' international ties to determine the effects of the nature of their trade policy preferences in the predicted fashion.

The third and final section of the book uses the cases presented to draw conclusions. Chapter 6 reviews the evidence about firms' trade policy preferences in the three sets of cases and concludes that internationally oriented firms are less protectionist than more domestic ones, even under similar economic difficulties. Chapter 7 examines how divisions among firms in an industry affect their ability to attain their pref-

erences. It also looks at other factors influencing firms' capabilities to shape trade policy outcomes and finds that industry preferences are among several important factors that shape trade policy. Chapter 8 compares the French and American trade policy processes and considers how even a "strong state", that is, one which has a state-led policy system highly resistant to industry pressure, like France, has firms which influence trade policy.

Chapter 9, the final chapter, broadens the discussion of international and comparative political economy. Broader ramifications discussed are the relationship of the argument about rising international interdependence to other arguments about interdependence, the insight that the comparison of the French and U.S. cases may give on various aspects of comparative politics, the relationship of this study's conclusions to key theories in international political economy about the sources of free trade and cooperation, and its policy ramifications.

In conclusion, it is emphasized that although increased interdependence subjected the American economy to new foreign competition, it also greatly augmented international economic ties for some firms. These ties expressed themselves in the form of exports, imports of critical inputs, multinational production, and global intra-firm trade. The expansion of these international ties by American firms between the 1920s and 1970s reduced their interest in protectionism and thus promoted a relatively open market in the 1970s, despite system pressures for closure. Furthermore, the author goes on to generalize that (1) an international economy with high levels of interdependence may promote continued international cooperation in trade and (2) protectionism will be most likely in sectors troubled by foreign competition and lacking strong international economic ties.

*Resisting Protectionism* is straightforward and easy to read, even to the lay person with a limited knowledge of economics. The author presents her arguments clearly and provides a number of case studies to back her position.

COFFEE AND DEMOCRACY IN MODERN COSTA RICA. By Anthony Winson. New York: St. Martin's Press, 1989, 184 pp.

Anthony Winson's work presents a comprehensive survey of Costa Rica's gradual transformation from an outdated political and socio-economic structure dominated by a coffee oligarchy into a liberal democracy with a diversified economy. Specifically, this book focuses on the factors leading to the Civil War of 1948 and the repercussions for Costa Rican class structure. Winson provides a unique critical analysis of the political structure established by Jose Figueres Ferrer, the central figure in Costa Rica's revolution. This foundation, put into place by Figueres ultimately sets Costa Rica apart from its Central American neighbors.

The first two chapters of the book depict the state of Costa Rica's class system prior to the 1940s. This agrarian society consisted of three basic class groups: a sizeable landless labor force, a mass of small and medium coffee farmers, and a small group of large coffee farmers who typically served as processors of the product. It is this latter group, the *beneficiadores*, which controlled the political, economic and social structures of Costa Rica.

As Winson points out, it is important to understand that before 1948 Costa Rica was (and still is to some extent) primarily dependent on the coffee industry. Although farming and production costs were relatively high compared to neighboring Latin American countries due to a shortage of labor and a dearth of technology, Costa Rican coffee established and maintained a niche in the world market because of its superior quality. The so-called coffee oligarchy was able to dominate Costa Rica for so long by virtue of its total control over the nation's one-industry economy: it controlled the flow of credit to the coffee farmers; it predominated the coffee processing arena; and it regulated and controlled marketing and commercialization of the coffee product. In essence, the coffee oligarchy was so influential that the State was nothing more than a medium for its policies.

Chapter Three discusses the factors which ultimately resulted in the transformation of Costa Rica. The world economic decline of the 1930s created a crisis for the Costa Rican coffee oligarchy and its agro-export framework. In effect, this political bourgeoisie lost its grasp on the State, and new political forces began to emerge in the 1940s. The ultimate struggle was between the reactionary remnants of this oligarchy and the progressive forces of the popular front. After a brief, yet violent struggle, the eventual victor was the progressive camp under the leadership of Jose Figueres.

The bulk of the remaining chapters illustrate the features put into

place by Figueres and his interventionist State and the effects this had on the Costa Rican class structure once dominated by the *beneficiadores*. The underlying formula for releasing Costa Rica from the throes of its oligarchic past included the promotion of an "active" State, developmentalism and ameliorative social reforms. Winson explains in great detail the methods of implementation and the effects of new technology, cooperative operations and public welfare programs which collectively strengthened the role of the State at the expense of the former coffee oligarchy. Fundamental to this dramatic transformation were the increase of coffee productivity, the nationalization of the banking system and the diversification of the national economy.

Winson concludes that the Costa Rican development under the leadership of Figueres has the following implications: Costa Rica was transformed from a backward technical basis to one of the most technically advanced coffee economies in the world; the capitalist class of growers/producers has emerged in a stronger position vis-a-vis the processors who formerly controlled the oligarchy; and the general economy of Costa Rica has benefited from diversification.

Although Costa Rica shares a common cultural heritage and early history with its Latin American sister states, it stands alone in terms of its development and transformation over the past 50 years. The crucial difference lies in the decline of the coffee oligarchy in the early 1940s. This enabled the progressive opposition to get its foot in the door. Unfortunately, as Winson suggests, countries such as El Salvador and Guatemala are bound to systems of strict class structure due to modern military regimes which have proven to be staunch defenders of the oligarchies' interests. Thus, even though Costa Rica provides an interesting case study in the development of liberal democracy in Central America, the conditions which facilitated the transformation of this nation are no longer in place to make this a viable option for other countries. Consequently, it is imperative that new models for implementing and developing democracy must be considered in this region of ever-increasing importance.

THE TAIWAN RELATIONS ACT: A DECADE OF IMPLEMENTATION. Edited by William B. Bader and Jeffrey T. Bergner. Hudson Institute and SRI International, 1989, 149 pp.

On December 15, 1978, President Jimmy Carter announced the establishment of full diplomatic relations between the United States and the People's Republic of China (PRC). On April 10, 1979, President Carter signed the Taiwan Relations Act (TRA) into law, establishing a system of informal, yet direct relations between the government of the United States and the government of the Republic of China on Taiwan (Taiwan). On the tenth anniversary of the TRA, *The Taiwan Relations Act: A Decade of Implementation*, provides an explanation of the TRA itself and reviews the evolution of United States - Taiwan relations since the TRA was passed. Chapters Two, Three, and Four, written by various authors, review the political and diplomatic relations, security relations, and economic relations, respectively, with each chapter followed by commentaries of Congressional leaders who were actively involved in the creation and implementation of the TRA.

Chapter One reviews the evolution of the TRA, focusing on the events which led President Carter to sever formal relations between the United States and Taiwan. This chapter also outlines the remarkably swift action Congress took to create a de facto international treaty, the TRA, in response to the President's action.

Political and diplomatic relations is the focus of Chapter Two, written by Harvey J. Feldman. The TRA as enacted, managed to establish in law America's continuing concern for Taiwan's security and the safety of its people. By stating that Taiwan shall be treated as a state and its government as a sovereign government for all purposes of United States' law, Section 4 of the TRA provides a stable, legal basis for United States - Taiwan relations in the absence of diplomatic relations. Additionally, the creation of two moderately unofficial instrumentalities, the American Institute in Taiwan and the Coordination Council for North America, has created the functional equivalent of a diplomatic relationship.

Chapter Three, written by Dr. Stephen P. Gilbert, describes the security relationship which has existed between the United States and Taiwan prior to and under the TRA. Prior to 1979, the United States and Taiwan had established a collective defense arrangement aimed directly at the PRC. Taiwan's armed forces were equipped almost entirely with American weapons and Taiwan relied heavily on American military to offset the PRC's military power. After the implementation of the TRA, things have not drastically changed. Gilbert is quick to

point out, however, that the future does not hold bright prospects. Because the United States may play a substantially lesser role in world politics in the upcoming decades, Taiwan's security may be impacted. At present the United States is the only country willing and able to assist Taiwan should the PRC attempt to reunify China. Gilbert therefore asserts that Taiwan should 1) continue its cautious approachment of PRC, 2) vigorously pursue becoming self sufficient in weaponry, and 3) remain economically strong and use this as a diplomatic tool to strengthen relations with countries around the world.

Jimmy W. Wheeler and Andrew G. Caranfil in Chapter Four, discuss commercial relations between the United States and Taiwan. Without the legislative action of Congress enacting the TRA, commercial relations would have been severely affected by President Carter's decision to recognize the PRC. Not only would it have been impossible to enforce contracts between the United States and Taiwan, but financial exchanges and the resolution of outstanding disputes would have been hampered. Fortunately, the TRA is both general and flexible enough to deal with any commercial issues which arise and should continue to provide an effective framework for managing United States - Taiwan relations. The key challenge in the future is to deal with the growing importance of Taiwan in the global trade and financial system. Wheeler and Caranfil assert that the U.S. and Taiwan should work together to develop an appropriate multinational role for Taiwan and a strategy to achieve it.

Chapter Five is an overview by Bader and Bergner of the TRA, the implementation of the political relationship, security and economic relations under the TRA, and the challenges of the next decade. *The Taiwan Relations Act: A Decade of Implementation* is a well written book which provides a simple explanation of the history of the Taiwan Relations Act and how it has stood the test of time. In addition, the Commentaries at the end of Chapters Two, Three, and Four, by Senators involved in the creation and implementation of the TRA, provide useful insight into the Act itself.

WORLD ECONOMIC AND FINANCIAL SURVEYS - INTERNATIONAL CAPITAL MARKETS: DEVELOPMENTS AND PROSPECTS. By a Staff Team from the Exchange and Trade Relations and Research Departments, Washington, D.C.: International Monetary Fund, 1989, 138 pp.

*International Capital Markets* reviews the major trends in the financial markets from the October 1987 stock market break to date. Particular emphasis is given to the challenges confronting financial institutions both in their domestic industrialized markets and in the developing country markets. Also emphasized are the evolving strategies for the management of risk in the international financial arena.

Chapter One presents an overview of the recent developments and identifies the key issues that should be addressed. Important trends in the geographic and functional integration of the financial institutions, the multilateral coordination of supervisory control and debt financing of the developing countries are revealed.

Chapter Two expands the analysis as it relates to markets in the industrialized nations. The banking, securities and related derivative products markets each receive separate coverage. The last item mentioned pertains to the innovations, made possible by the liberalization of capital controls, in financial instruments and techniques for the transformation and reallocation of financial risk. Examples of such derivative products commented on are interest rate futures contracts, Eurodollar options contracts, currency futures and swaps.

Chapter Three stresses the developing countries and observes the patterns of capital flows to these countries from the financial institution lenders in the industrialized nations. Responses to the financial woes of the developing countries and their lenders and new aspects of debt management and financial packaging capture attention here.

Chapter Four examines the changing regulatory and supervisory environments. This chapter describes driving forces behind the breakdown of national borders as the financial services markets become increasingly integrated internationally. The financial aspects of the two largest motivational factors in this integration movement, the Canada - United States Free Trade Agreement and the European Community's Single Market Plan, are analyzed with particular concern for the necessity of multilateral agreement on capital adequacy requirements for banks and coordination of securities regulation.

Finally, Chapter Five concentrates on the equity markets and their effect on macroeconomic stability. This chapter analyzes the difficulties encountered by various stock exchanges during the heavy trading that occurred in the stock market break of October 1987. The effect differ-



ences in trading systems, trading strategies and clearing systems had in ameliorating or exacerbating the problems inherent in handling the heavy volume of trading encountered on those days are each explored in turn. In conclusion, this chapter summarizes the agreement and disagreement found in the recommendation reports from various organizations concerning regulatory, supervisory and structural changes compelled by the market break.

TREATY CONFLICT AND POLITICAL CONTRADICTION: THE DIALECTIC OF DUPLICITY. By Guyora Binder. New York: Greenwood Press, 1988, 226 pp.

In the introduction of his book, *Treaty Conflict and Political Contradiction: The Dialectic of Duplicity*, author Guyora Binder states, "The modern international legal system rests on a paradox - its legitimacy derives from the sovereignty of nations, yet its function is the constraint of such sovereignty." It is an examination of this inherent dilemma of international law - the tension between state sovereignty and the need to impose legal order within the international community that provides the basis for this interesting and well-written treatise on the implications of conflicting treaties.

As the focal point for his discussion, Binder has chosen the Camp David Agreements between Israel, Egypt and the United States which were concluded in March of 1979. Prior treaties between Egypt and other Arab nations had committed Egypt to a mutual defense alliance with its Arab neighbors and to an advance of the cause of Palestinian nationalism - aims which were in potential conflict with the requirements of the Camp David Accord. The question raised by Egypt's actions is which, if any, of the conflicting treaties prevails.

Binder tackles this question in a novel and richly thought-provoking manner. Rather than simply analyzing current case law and current legal opinion, the author instead leads his readers on a guided tour of the political, social and philosophical history which provides a basis for modern international relations. Beginning with the basic question of whether a treaty obligation confers property rights (the remedy for breach of which would be specific performance) or liability rights (the remedy for which would be damages), Binder looks to philosophical theory to explain the basis of each view. Having thus provided his readers with a theoretical framework, the author discusses the evolution of current thought through an analysis of the efforts of the International Law Commission to codify the law of treaties. Finally, Binder looks to political and social history to explain the continued support for the two conflicting views of treaty obligation - namely, that either the later conflicting treaty is void, or that both conflicting treaties should be treated as enforceable.

The major strength of this book is its author's skill at keeping his theme in focus. Throughout the discussion, which includes such disparate elements as quotations from Hegel and Machiavelli, the author relates the various theories to the basic conflict between the sovereignty of nations and the existence of an international legal order which necessarily curtails that sovereignty in at least some respects. This tension

between two opposing forces, those of nationalism and of internationalism, provides the central thread around which the author has woven a rich tapestry of political and legal analysis.

*Treaty Conflict and Political Contradiction* will not satisfy those readers who require nothing more than a textbook exposition of current views on the topic of conflicting treaties. On finishing this book, the reader may well be left with as many questions as answers. However, it is not the author's aim to provide "answers" in the sense of predicting judicial behavior when faced with a given question. Instead, the author's goal, as he himself put it, is to ". . . attempt to learn about political conflict in the international system by reading legal argument as political and social theory." At this, the author succeeds admirably. However, by its nature, this approach yields a product far more theoretical than practical and, thus, will best serve the needs of the reader who seeks perspective rather than case law.

HUMAN RIGHTS AND DEVELOPMENT. Edited by David P. Forsythe.

New York: St. Martin's Press, 1989, 369 pp.

While separate issues of development and human rights have been a theme of numerous debates in recent years, the interrelationship between development and human rights have been left relatively unexamined. As a result of an international conference sponsored by the Human Rights Committee of the International Political Science Association, *Human Rights and Development* attempts to address the difficulty in effectuating human rights policies in developing countries.

In the past, "development" and "human rights" rhetoric has been ambiguous and undefined. Traditionally, the view taken by politicians, financiers, and multilateral organizations defines development as economic development. Proponents of this concept assume that economic development automatically enhances human rights conditions. In doing so, they ignore civil, political and social aspects of development.

In a compilation of twenty articles, the authors reject the traditional view of economic development and reiterate the importance of political choice in implementing human rights. The first section, with contributors from Mexico, Nigeria, India, Norway and USA, details private sector initiatives in support of human rights. For example, in El Salvador, a women's group formed in response to missing family members has evolved into a group for political change. In the Philippines, a network concerned with human rights and the medical profession has brought pressure upon doctors who participate in torture, mistreatment and political murder to discontinue their heinous acts.

The second section analyzes the public sector through foreign aid policies in the United States, the Netherlands, West Germany, and the United Nations. Multilateral organizations, while espousing human rights policies, rarely practice what they preach. The United States has repeatedly tied foreign aid to political objectives, which understandably, has had little effect on human rights development. Only the Dutch have taken an integrated approach, recognizing that civil/political rights are intertwined with economic, social, and cultural rights.

A third section examines private and public sector initiatives in four country studies: Turkey, the Sudan, India and Bangladesh. The tradeoff between economic development and human rights is a recurring theme throughout this publication. The country studies show how the political structure of a nation has the greatest influence on human rights, particularly, the ruling elites who make decisions about who will benefit — or be excluded — from economic growth. The editor comments that there is a pervading absence of human rights where ruling

elites have no sense of obligation to govern for the well-being of all.

The final section presents two overviews of the process of development and human rights. Jack Donnelly concludes that repression is unavoidable during development stages where economic growth is the only goal. The reader is left with the question of whether human rights violations are therefore necessary for economic development. Kathleen Pritchard takes a holistic approach. Pritchard argues that economic development is a means to achieve conditions where people can utilize all of their human rights (not just socio-economic rights). Therefore, development is naturally interrelated to human rights. Most interesting is her conclusion that national government revenue, rather than gross national product, is the catalyst for improving human rights conditions.

In his conclusion, the editor suggests that perhaps both Donnelly and Pritchard are correct in their analyses. A commitment by the elite to human rights obligations combined with national government revenue may be the effecting force necessary to improve political/civil and socio-economic conditions. In any event, the future of human rights is dependent upon the private sector.

Although this study provides only a brief capsule, it is an informative overview of the issues underlying human rights in developing countries. Most notably, it illustrates the problems associated with human rights issues and emphasizes how little we really do know about human rights.

HONG KONG COUNT-DOWN. By George L. Hicks. Hong Kong: Writers' & Publisher's Cooperative, 1989, 136 pp.

*Hong Kong Count-Down* is an informative and insightful collection of previously published articles regarding the impending transfer of administrative control of Hong Kong from Great Britain to China. Its author, George Hicks, is an Australian economist who has resided in Hong Kong since 1975; his current research interests are the non-economic factors behind East Asian economic growth.

The author is highly critical of British policy concerning the transfer, and predicts highly destructive consequences for Hong Kong beginning in 1990. He predicts the collapse of the Hong Kong economy as the direct result of a middle class, professional and entrepreneurial "Brain Drain." This "Brain Drain" will be caused by a lack of confidence in the ability of China to maintain Hong Kong's prosperity.

Noting that no one is predicting that Hong Kong will be better off after the transfer, the author reasons that people in Hong Kong are very skeptical of Hong Kong's official optimism. He contends that this skepticism is quite reasonable due to many factors, among which he includes a critique of the concept of "one country, two systems" which he says will result in both economic and ideological tension. He further predicts that skepticism is the only way to save Hong Kong from financial collapse, if that is possible at all.

He recommends that everyone who can do so obtain passports which will enable them to leave Hong Kong and resettle. He reasons that only the threat of vast migrations will keep the Chinese government in line.

The author predicts that without a check on its conduct, China will ruin Hong Kong. This is specifically due to the fact that it will not be able to separate politics from economics. While he posits that even an authoritarian capitalism might keep Hong Kong a financial leader, he predicts that the best that China can do is "Red Capitalism." He defines "Red Capitalism" as an unorganized mess of social and economic goals and ideas, which, most importantly, is incapable of separating the political and economic spheres which is necessary to the financial health of Hong Kong.

Regarding British responsibility for Hong Kong's situation, Hicks contends that the British have abandoned the residents of Hong Kong, not unlike the way the world abandoned Polish and German Jews in World War II. While the British government has the power to ensure that the citizens of Hong Kong have elections and a fair degree of autonomy until the transfer in 1997, the British government has merely been passive in the face of China's efforts to stifle freedom. He charges

that the British government has abandoned its commitment to Hong Kong in the interest of better relations with Peking.

The author calls the situation in Hong Kong the tragedy of the 20th Century and predicts that China will learn a lesson about capitalism while causing the complete ruin of Hong Kong.