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BOOKS RECEIVED

THE WORLD TRADING SYSTEM AT RISK. By Jagdish Bhagwati, Princeton, New Jersey: Princeton University Press, 1991, 156 pp.

"The promise of the Uruguay Round is so considerable, and the downside from its failure would be so unfortunate, that it is hard to see an agreement not finally emerging." When Jagdish Bhagwati wrote this prediction in *The World Trading System at Risk*, the four-year-old GATT (General Agreement on Tariffs and Trade) Uruguay Round anticipated a conclusion in December 1990. By that date, however, the talks had stalled, largely over the EEC's intransigence on agricultural subsidies and tariffs. Although the United States had set a deadline of March 1992, the negotiations proceed slowly, and some observers predict no agreement until 1993.

Bhagwati, a professor of economics and political science at Columbia University, has faith in GATT and its need to survive. In *The World Trading System at Risk*, Bhagwati addresses four threats to GATT which result from a changing world economy and divisive actions spurred by self-interest, panic and stereotyping: unfair trade, managed trade, aggressive unilateralism and regionalism. After addressing these threats, Bhagwati offers some suggestions and some hope for the Uruguay Round.

Cries of unfair trade by labor and business often convince reluctant governments to institute protectionist measures in opposition to GATT. Increasingly, various interests point to more economically successful countries and cry foul, not merely because of tariffs, but because of a myriad of internal factors — from workers' rights to savings rates. These accusations emanate from the United States, due to what Bhagwati describes as "diminished giant syndrome." This syndrome results from the country's inability to cope with its diminished status in the world economy, especially vis-a-vis the rise of Japan. Japan provides an appealing target for unfair trade accusations due to "regressive" U.S. stereotypes.

In addition to, and as a result of, unfair trade allegations, countries increasingly accuse each other of managed trade and demand such protection for themselves. Managed trade clearly violates the GATT

principle of fixed-rule trading. Bhagwati identifies three rationales for these managed trade demands: managed trade already exists, high-tech industries cannot be left to the market and Japan will not obey GATT rules. In response to the first argument, Bhagwati acknowledges that countries do subvert GATT fixed-rule trade, but argues that the GATT structure has kept managed trade within reasonable bounds. As to high-tech industries, Bhagwati suggests "trade management", not "managed trade". That is, there must be a multilateral effort to identify why countries perceive others to have an unfair advantage and then a campaign to eliminate those perceived threats.

However, the bulk of the author's attention is devoted to the problem of Japan's unwillingness to play by the rules of GATT regarding managed trade. Bhagwati admits that Japan historically prefers to trade on a quantitative basis rather than a fixed-rule system, and urges that country to reject its trader mentality and participate in the architecture of trade. Nevertheless, Bhagwati rejects U.S. cultural and economic stereotypes to explain Japan's behavior. For example, countries measure Japan's openness on a quantitative basis, so it is reasonable for Japan to ask: "How much must we import from the Americans to satisfy their unreasonable but persistent concerns and thus to get them off our backs?" In response to the cultural stereotype of the Japanese as predators, Bhagwati simply responds that "[t]he successful always appear predatory."

Other stereotypes, argues Bhagwati, merely result from economic common sense. Thus, the Japanese practice of long-term employment helps keep well-trained, efficient workers on the job, and does not necessarily grow out of some quasi-familial relationship. Likewise, Japan's desire for long-term supplier relationships simply makes economic sense. Finally, there are often harmless reasons for Japan's low imports in certain sectors. For example, generally smaller Japanese residences cannot accommodate large American refrigerators.

Due to perceived unfair trade practices and managed trade, the United States has aggressively demanded unilateral concessions from other nations under the threat of tariffs. Such threats violate the GATT treaty because they are discriminatory. In addition, Bhagwati argues, the violation of GATT threatens the institution itself by flouting its rules and breeding cynicism. Even if others have violated GATT principles, U.S. vigilantism does not right the wrong.

Finally, Bhagwati denies that increased regionalism necessarily threatens GATT. Indeed, Article XXIV of GATT permits free trade areas and customs unions and allowed the creation of the EEC. Yet, despite the success of the Community, regionalism declined until recently. Due to Europe 1992 and the U.S.-Canada Free Trade Agree-

ment, Bhagwati predicts that the growth of regionalism will continue. Regional trade agreements can be economically beneficial and can help accomplish the multilateral goals of GATT by bringing more nations into the agreement.

The U.S. resort to free-trade agreements derives from a perception that GATT is changing too slowly to meet U.S. needs. As the U.S. and other countries form blocs, competing countries feel compelled to respond in kind. Bhagwati fears that countries will begin to be identified by blocs, not multilaterally under GATT, which may undermine the Uruguay Round. These new blocs have also addressed issues, such as services, with which GATT still struggles. Additionally, nations threaten to form blocs in order to extract concessions from others and use blocs as protectionist measures. For example, countries will unite with a high tariff country and adopt that nation's tariff.

Bhagwati supports beneficial trade areas or customs unions, but urges the participants to remember that GATT should be a priority. GATT rules must be imposed, argues Bhagwati, so that all regions compete on an equal basis. New regions are to be encouraged to enter blocs in order to bring more participants into GATT. Finally, Bhagwati urges a rule that each bloc adopt the lowest tariff on a good maintained by a bloc member.

In his last chapter, Bhagwati briefly discusses the Uruguay Round and offers suggestions for its success. Specifically, he criticizes the traditional bargaining approach in which developing countries must offer concessions in new areas (such as services and intellectual property), in return for developed countries' concessions in the old areas (textiles and agriculture). This approach muddles the concerns of countries and reduces the chances of an agreement. Instead, Bhagwati urges a multi-tiered approach that addresses goods and new sectors separately. In terms of goods, developing countries should abandon special protections under Article XVIII(b) and in exchange, developed countries should liberalize agriculture and dismantle restriction on textiles. And in terms of new areas (services and intellectual property), each issue should receive special attention. Thus, for example, developing countries which believe GATT rules threaten their infrastructure — by allowing, for example, foreign entities to control a country's banking sector — should be gradually eased and coaxed into the system.

The World Trading System at Risk is a useful book, not only for those knowledgeable about GATT, but also for those with a less sophisticated understanding of the institution and process. Bhagwati assumes a certain familiarity with GATT and world trade terms and situations. Therefore, the book can be a bit difficult for those lacking a background in international trade. (A helpful appendix is included which

defines certain concepts and provides information about disputes settled by GATT and GATT members.) However, even for novices, the book provides a relatively quick instruction on major GATT issues, current criticisms and threats to GATT, and a provocative perspective on its problems.

TERRORISM, POLITICS AND THE LAW. By Antonio Cassese, Princeton New Jersey: Princeton University Press, 1989, 162 pp.

An international lawyer should no longer write for rulers alone (who may or may not heed his words); he ought now to write mainly for ordinary citizens: he should offer them parameters by which to judge international affairs, and analytical mechanisms for examining the intricacies of the world community.

In the foreword, Antonio Cassese uses this statement to explain the purpose of his book. To achieve this objective he utilizes the hijacking of the *Achille Lauro* as a case study. The *Achille Lauro* was an Italian cruise liner that was hijacked in October 1985. The terrorists were Palestinians whose orders came from a faction of the Palestinian Liberation Organization (PLO) called the Palestinian Liberation Front (PLF). The principal states involved were Egypt, Italy, the United States, and, to a lesser extent, the Federal Republic of Germany. Mr. Cassese states that he uses the *Achille Lauro* hijacking not because the events were remarkable, but because the factual elements were well documented and divergent views towards dealing with terrorism were demonstrated. In his analysis, the author examines whether the states involved respected, or failed to respect, international legal standards on terrorism, and whether their actions were successful in psychological, political, or diplomatic terms.

From the outset, Mr. Cassese's book is written for the layman. He begins by providing a basic framework for both defining terrorism and for the means to combat it. In defining terrorism, Mr. Cassese divides the topic into four forms. The first form is used by those with highly ideological inspirations — either political or religious. The second is employed by those inspired by ideals of national independence (e.g., the IRA, the Kurds, The Tamils). The third form is used by national liberation movements (e.g., the African National Congress and the PLO). And finally there are armed bands or movements that are fighting oppressive regimes, such as those in Latin America. Despite these general classifications, the author explains that developing a definition for terrorism which will be useful in the international sphere is difficult. Broad definitions tend to encompass acts of war while more narrow definitions allow those who commit acts of terrorism to legitimize their acts by, in effect, defining them away.

In outlining the means to combat terrorism, Mr. Cassese states that there are two possible forms of response. The first is 'peaceful' which includes international treaties drawn up to coordinate the anti-

terrorist efforts of states. These treaties normally provide for close international cooperation regarding the capture and imprisonment of terrorists and lay down rules for their extradition or trial. The other response is 'violent' which is the use of armed force to repress terrorism. From this basic framework, Mr. Cassese analyzes the *Achille Lauro* affair to provide the layman with the more specific tools to examine the intricacies of the world community and judge international affairs.

Mr. Cassese first examines the agreement drafted by Egypt to give the hijackers a safe-conduct. The agreement provided that the hijackers were to surrender immediately upon two conditions: (1) no request would be made for their extradition or punishment, and (2) the PLO would take charge of the hijackers. Both the German and Italian ambassadors initialled the agreement and thus the three countries were bound. The United States refused to sign the agreement due to a 1979 Convention of Hostage Taking to which it, the Federal Republic of Germany, and Egypt were parties. The Convention required Egypt to either try the hijackers or extradite them to the United States because numerous passengers aboard the *Achille Lauro* were U.S. citizens.

In assessing the safe-conduct agreement, Mr. Cassese points out that it had several merits. First, it put an end to the hijacking without giving in to the terrorists' demands. Second, the hijacking was to end without any loss of innocent life (however, although it was not clear at the time, one American passenger had already been murdered). A third advantage was that the terrorists were not to go free but were to be handed over to the PLO to be tried. Yet, as Mr. Cassese explains, the agreement also contained ambiguities which overshadowed its merits. The agreement was drafted with the understanding that the hijackers had not murdered any of the passengers. This was not, however, explicitly spelled out in the text of the agreement despite persistent rumors that at least two passengers had been killed. Moreover, since the hijackers had in fact murdered one of the passengers, the agreement would have been nullified, thus, paving the way for the use of force by the United States.

Mr. Cassese then proceeds to assess the actions of the Egyptian, American, and Italian governments in resolving the affair. Once the terrorists had gone ashore it was confirmed that at least one passenger had, in fact, been killed. Thus, the safe-conduct agreement was nullified and Egypt's only legal alternative was to abide by the 1979 Convention. Nevertheless, the Egyptian Government turned a deaf ear and continued to consider the safe-conduct agreement as valid and allowed the hijackers to board an Egyptian Boeing 737 headed for Tunis. As Mr. Cassese explains, Egypt was in a dilemma. If Egypt were to respect the 1979 Convention, it ran the risk of both retaliation from the

Palestinians as well as increased internal tensions from anti-American factions. Therefore, Egypt's only practical alternative was to continue to abide by the safe-conduct agreement. To legitimize its actions, Egypt chose to ignore the murder of the American passenger and base its refusal to abide by the 1979 Convention on the pretext that it was bound by the safe-conduct agreement. Mr. Cassese states that on a cost-benefit basis it may well have been better for Egypt to ignore the 1979 Convention than face a rupture in its relations with the Palestinians. However, by taking this course, Egypt faced serious political repercussions from the United States if the PLO failed to punish the terrorists for the murder of the American passenger.

The author next examines the United States' response to the affair. Unlike the other nations involved, the U.S. had a specific, established policy for dealing with terrorist attacks. Mr. Cassese describes U.S. policy as a repressive strategy based on four main points: (1) no terrorist demands should be met; (2) maximum diplomatic pressure should be applied on the states directly or indirectly involved with the terrorist's actions; (3) if a policy of firmness does not bring a solution, the only alternative is the use of force; and 4) long-term solutions depend upon international cooperation in the form of multi-lateral treaties or economic and political sanctions. The U.S. response to the *Achille Lauro* affair was the use of force. President Reagan ordered four fighter planes to intercept the Egyptian Boeing 737 originally headed for Tunis, forcing it to land at a NATO base in Sigonella, Sicily.

Although it was within the confines of U.S. strategy, Mr. Cassese criticizes the United States' use of force. Not only were these actions in violation of international law set forth in the United Nations Charter, but they endangered the lives of innocent people and set a dangerous precedent for other nations to use similar actions. He asserts that the U.S. response was more deplorable since rational and peaceful alternatives could have produced the same results.

Mr. Cassese gives a more favorable assessment to the response of the Italian Government. The Italians had three main objectives: (1) isolate, both politically and diplomatically, the terrorists and their bosses; (2) prevent the Americans from using force; and (3) avoid damage to Italy's good relations with the Arab states and the PLO. However, after the U.S. forced the Egyptian plane to land in Sigonella, there were few alternatives left open to the Italian Government. The U.S. requested extradition of the hijackers in accordance with a 1983 extradition treaty between the two countries. Italy felt the situation was now governed by Italian criminal law and chose to prosecute the hijackers rather than extradite them to the U.S. Although Cassese feels

that the Italians did breach the 1983 extradition treaty, he explains that it was their only choice in order to preserve their diplomatic ties in the Mediterranean. He states that “[i]n the end, one cannot escape the conclusion that Italy observed international law during the affair when observance suited it politically.”

In conclusion, Mr. Cassese stresses the importance of using diplomacy over violence when dealing with terrorists. He states that multi-lateral and bi-lateral treaties will not solve every crisis, but that armed force should only be used in exceptional circumstances when no practical or lawful alternative exists. The author feels that although force may bring about a quicker resolution in the short-term, the long-term violence can only damage the fragile relations in the international sphere.

ODIOUS DEBTS: LOOSE LENDING, CORRUPTION, AND THE THIRD WORLD'S ENVIRONMENTAL LEGACY. By Patricia Adams. Toronto, Canada: Earthscan Publications, Ltd., 1991, 252 pp.

In *Odious Debts: Loose Lending, Corruption and the Third World's Environmental Legacy*, Patricia Adams, a resource economist and the Executive Director of Probe International, examines the debt crises in Third World countries. Ms. Adams argues that the debt crises resulted from risky loans which were used to finance environmental projects. Through numerous examples, Ms. Adams explains how immense and expensive environmental projects ultimately failed and left the countries with environmental disasters. In order to finance these projects, the Third World countries borrowed billions of dollars from institutions such as the World Bank. The enormous projects failed, but the huge debts remained. Anticipated funds from the environmental projects did not accumulate and, as a result, the debts could not be repaid. The impoverished countries not only had a destroyed environment, but the countries also had to attempt to repay their debts from any remaining funds.

In her introduction, Ms. Adams uses the villages along the Northern Thailand's rivers to demonstrate how such communities survived before various institutions began to finance modern development. The millions of villagers along northern Thailand's rivers relied on the river as well as one another to irrigate their crops, water their animals, and provide for their personal needs. The villagers followed a system called the "muang faai" water management system and developed rules for who received how much water and when. In order for all the villagers to receive enough water to survive, the villagers strictly followed the system. The system worked well to protect those who lived along the river and to protect the river itself. In the 1950's, "progress" began along the rivers of Northern Thailand. With foreign money, engineers began to build a huge dam and reservoir upstream which controlled the flow of the river and the irrigation canals. The villagers in the community could no longer control the water. Instead, the officials in the Royal Irrigation Department controlled the flow of the river. The villagers slowly witnessed the deterioration of their economy and environment. Throughout the book, Ms. Adams utilizes examples such as the river of Northern Thailand to demonstrate how "modernizing" the environments of Third World countries actually destroyed the environments and resulted in huge unpayable debts for the impoverished countries.

The book's primary discussion is divided into four parts. The first part, called "The Environment's Demise," describes additional inci-

dents of how the environments of Third World countries were destroyed by attempts to modernize the environment through such methods as building dams, changing irrigation systems and industrialization. This part also discusses how the environment would sometimes "strike back" and not allow the attempts at modernization to destroy the environment. For example, developers have tried to develop the river front property of the Amazon. However, because the environment refuses to adjust to the forced changes, any development has not only been unsuccessful, but has also resulted in billions of lost dollars. The failed projects and the enormous debts have forced the Third World countries to have "asset sales." In order to pay their debts, the Third World countries sell their assets by getting businesses and banks to move into their countries and invest in their resources.

The second part, called "Easy Lenders," explains how Third World countries were able to borrow an enormous amount of money for projects which did not yield any economic benefit. Various countries were willing to lend absurd amounts of money as long as their countries could get various contracts, such as construction, engineering, and supplier contracts. Instead of determining if the project would be successful, the lending countries were determining how the project could benefit their own country. The book uses the Sicartsa, a massive steel complex in Mexico, as an example of how countries competed with each other in order to lend Mexico money for this venture.

The third part, called "Eager Borrowers," explains how the Third World governments were eager to borrow money from rich countries who were willing to loan them the money. The loans were often lent to the governments at extremely low interest rates. The loans were used to pay off the Third World's debts as well as to pay for industrialization projects which failed to reap economic benefit and resulted in enormous debts.

The fourth part, called "The Third World's Tax Revolt," explains how the environmental disasters and accumulated debt have resulted in unbelievably impoverished countries. The crises became so bad that at the end of the 1980's, the United Nations Children's Fund (UNICEF), called it the "decade of despair." The Third World countries could pay off these debts by "taxation and privatization of their assets." However, because the citizens of the Third World countries do not recognize their debts, the countries do not consider taxation and privatization of their assets as an option. The public refuses to pay for debts which were accumulated without their knowledge or consent. As a result, the debts have become known as "odious debts."

Ms. Adams concludes by explaining how programs are developing in the Third World countries which allows the public to borrow small

amounts of money. Because the borrowers must depend on each other, the small scale Third World financial systems have proved to be manageable and successful.

Overall, Ms. Adams historical analysis provides an insightful documentation of how the Third World countries accumulated their debts and the ultimate destruction of their environment in the process. Her countless examples convincingly demonstrate her point. Ms. Adams, however, fails to thoroughly examine solutions for the Third World debt. She briefly discusses some solutions in the last few paragraphs of the book, but she does not provide the reader with a complete analysis of the solutions to the problem of "odious debts."

FAILURE OF THE DEMOCRACY MOVEMENT: HUMAN RIGHTS IN THE PEOPLE'S REPUBLIC OF CHINA 1988/1989. By Ta-Ling Lee and John F. Copper. Baltimore, Maryland: Occasional Papers/Reprints Series in Contemporary Asian Studies, 1991; 146 pp.

This annual update on human rights in the People's Republic of China (PRC) concentrates on the impact of the Tiananmen Square tragedy on the PRC. In analyzing its impact, *Failure of the Democracy Movement* first describes the events surrounding Tiananmen Square, and then divides the discussion into the political, economic, cultural, and intellectual developments. The book also addresses the interrelation between these areas.

Chapters Two and Three recount the events leading up to the Tiananmen Square crackdown. Student protests, initially about the rampant corruption in the government and the lack of attention to education, soon escalated into demands for democratic reform. Popular support swelled. Deng Xiaoping, leader of the Chinese Communist Party (CCP), was threatened by the widespread protests, and declared martial law on May 20, 1989. Deng believed nothing less would prevent the collapse of the Communist party and socialist system. Independent organizations estimated the deaths at Tiananmen Square to be at least 1000.

The events following Tiananmen Square were equally as harsh. The Communist party ordered mass arrests, executions, and nationwide security checks. Furthermore, students were required to attend nightly classes espousing the ideological tenets of socialism. Ironically, as the CCP tightened its hold on the Chinese people, Communism was collapsing throughout the world, including the overthrow of the Ceausescu regime in Romania, the collapse of the Berlin wall and the defeat of Eastern European Communism. Yet, the CCP continued to violate human rights without major international repercussions. Indeed, the Bush Administration, in an effort to maintain good trade relations with China, did little to condemn the flagrant human rights violations. Many Western scholars interpreted the military suppression as merely reflecting the cultural differences between China and the West. The authors of this work reject this theory, asserting that those who rely on cultural differences ignore the global right to human dignity.

Chapter Four focuses on the political underpinnings operating in 1989. Lee and Copper point out that the Tiananmen incident was spurred by a power struggle within the top levels of the CCP. An internal struggle between the advocates of democratic reform and the ideological hardliners escalated in the late 1980's. The balance of power, however, shifted back to the ideologues after martial law was declared.

Following the Tiananmen tragedy, the hardliners purged reformists from the party and replaced them with those who believed in ideological orthodoxy, party control, and central planning. Deng, once seen as a possible reformer, retreated from that position in order to maintain control of the Chinese people and the dissenters in the CCP. Thus, the hardliners ensured their continuing vitality. Lee and Copper warn that the government's harsh responses have disillusioned the Chinese population and further struggle is probable.

This political situation, Lee and Copper explain, was intertwined with an economic crisis. Inflation, unemployment, decline of agricultural production, and budget deficits unnerved the leaders and angered the people. The CCP reacted with further economic control and regulation, believing that the economic troubles were an indication of the failure of capitalist reforms. These economic decisions of the party affected the political arena; the tightened control over the economy resulted in less freedom for the people and more human rights violations, especially against the entrepreneurs who had prospered when the reformists had greater control. Moreover, the government's increased role in the economy aggravated the existing tensions between the reformists and the hardliners.

Chapter Six focuses on the effect of Tiananmen on the ideological liberalization developing in early 1989. Intellectuals were demanding democracy, freedom of the speech and press, release of political prisoners, and more money for education. After Tiananmen, however, these intellectuals were persecuted. The press was especially affected — publications were banned and books and magazines were seized. After repeated upheavals, the academic community saw Tiananmen as signaling the demise of reform.

The next chapter provides documentation of executions and other human rights violations. The government executed people for both political and economic crimes on the basis of vague, nondescript laws. The authors spotlight some of the more renowned political prisoners, either imprisoned before Tiananmen or rearrested after the tragedy.

Lee and Copper conclude that the human rights violations in the PRC are inherent in the system. As long as the leaders remain grounded in ideological tenets which advocate strict political, economic and social control, no change will occur. The CCP's reaction to the mass unrest — the Tiananmen massacre, the nationwide purge and the social, economic and political control — reversed any prior democratic progress. The intermittent reforms, including the retirement of old officials, separation of the CCP from the government, local elections, freer press, and a fair penal code, were lost. The authors lament the fact that, despite ten years of reform promised by Deng, the PRC remains

unchanged.

The appendices to the book illustrate the clash of ideologies in the PRC. The brutality of the government is documented in "Deng Xiaoping's Talk to Martial Law Troops" and "Document 4 of the Party Central Committee on Post-Tiananmen Purge". Advocates of democracy voice their opinion in "Fang Lizhi's Acceptance Speech for Robert F. Kennedy Human Rights Award" and "Interview with Guan Weiyan, Former President of Chinese University of Science and Technology." Also included is the "Tiananmen Chronology" and a subject index.

This book provides a readable account of the Tiananmen tragedy, helpful to the student unfamiliar with the PRC, as well as the more informed scholar. Although the author's division of the book into political, economic and social developments inhibits a chronological narration of the events surrounding the Tiananmen Square tragedy, it does allow for a tightly focused analysis into each of the key issues that shape the desperate plight of the PRC.