Steve Charnovitz, *The New World Trade Organization Agreements: Globalizing Law Through Services and Intellectual Property*, 40 Journal of Economic Literature 933–934 (2002). Book Review



congratulated for their no doubt considerable effort in bringing this tribute together.

RONALD BEWLEY
*University of New South Wales*

## F International Economics

*The New World Trade Organization Agreements: Globalizing Law Through Services and Intellectual Property.* By Christopher Arup. Cambridge; New York and Melbourne: Cambridge University Press, 2000. Pp. xiii, 340. $54.95. ISBN 0–521–77355–5.
*JEL 2001–1376*

The World Trade Organization (WTO), now seven years old, has spawned many books that seek to explicate how it works. Some of the authors just replay what is in the agreements that led to the establishment of the organization. Other authors lob criticism that is often ill-considered.

The quality of this well-organized book rises above most of the new literature. It focuses on two agreements in the WTO, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the General Agreement on Trade in Services (GATS). Arup contends rightly that these are the two most innovative WTO agreements. His insight is that they should be analyzed together in one volume. On the whole, he pulls it off and leaves the diligent reader much more informed about these two intricate agreements.

A broad theme of the book is that TRIPS and GATS—and the WTO generally—effectuate a "globalization of law." Foreign suppliers, backed by WTO rules, press for domestic "legalities" to be adjusted. Arup calls this process "inter-legality" and shows how WTO rules, foreign law, and domestic law will "inter-mingle" and lead to "new hybrid legalities." This process is not necessarily a convergence of law. Rather, Arup examines the "interface" of legalities to show how the WTO will influence domestic law.

Arup views the WTO as supporting a "neoliberal agenda of regulatory reform" that seeks "efficient regulation." He argues that GATS and TRIPS can make local legalities mindful of and receptive to the legalities which foreigners bring with them. More insightfully, he shows how both agreements promote regulation (what he calls "re-regulation").

The book delivers what it promises. Part 1 discusses the global context and provides a primer on the WTO. Part 2 starts with a lengthy chapter on GATS itself and then presents a case study of its influence on trade in legal services. Part 3 begins with a chapter on TRIPS and then presents a case study of how TRIPS addresses genetic codes. Part 4 presents another case study selected to show the interplay of GATS and TRIPS. The topic is telecommunications media, particularly content-based. The book's conclusion provides some interesting reflections on the future of the WTO.

The chapters on GATS are very well done. The author's explanations of national treatment, the modes of supply, and scheduling are careful and lucid. He discusses the results of the negotiations so far, and how much market access continues to be controlled by national governments. The author points out that services trade and GATS rules will introduce fresh, foreign perspectives, enable cross-border transactions and affiliations, and lead to a questioning of the value of local knowledge and custom. It may also undermine the competence of local regulation.

The case study on legal services discusses the global market and the difficulty in providing cross-border services, as opposed to a commercial presence in the foreign market. The chapter reviews the nature of the commitments made in the Uruguay Round and thereby also provides a good illustration of the GATS scheduling concepts discussed earlier. The sections on Japan, the European Union, and the United States provide the details of the limited progress so far in promoting better market access, and the reasons for resistance.

In view of the complexity of TRIPS, any author will have a difficult time summarizing it in one short chapter. Arup's summary is nicely done. He begins with a useful review of the negotiating history of the agreement. Then the book discusses the coverage in TRIPS (patents, copyrights, etc.), the nature of the disciplines, the relationship with intellectual property treaties, and the way that TRIPS interacts with domestic law. One topic that is not dealt with sufficiently is parallel importing, particularly in regard to medicines.

For the TRIPS case study, Arup uses genetic breeding, particularly regarding plants. The study provides some insights into the interface between TRIPS and the International Convention for the

Protection of New Varieties of Plants (UPOV). He also discusses the Convention on Biological Diversity. One topic explored in some depth is the property rights of indigenous people, which leads to the more general issue of TRIPS as a carrier, or mediator, of values.

The last case study looks at digital on-line media as a way of examining TRIPS and GATS in conjunction. The chapter provides a good deal of useful information on what has transpired in the WTO on telecom, and on the WTO's cooperation with the World Intellectual Property Organization (WIPO). As he notes, many of the issues of TRIPS' application to digital commerce remain unresolved. The case study also points out that property rights plus market access for transnational corporations can lead to excessive market power in the absence of effective regulatory control. Indeed, that is one theme in the book—that the WTO devotes insufficient attention to competition policy.

This is not a reference book on GATS and TRIPS. It is too densely written to provide a quick answer to a question. Instead, the book will be most useful to readers who want to dig into the subtleties of these agreements. Arup provides copious footnotes to political science, economics, and legal literature. One weakness in the book is its limited attention to the emerging WTO case law. The book's strength is its organizational framework, its clarity, and its ambition in tackling the two difficult topics of TRIPS and GATS.

STEVE CHARNOVITZ
*Wilmer, Cutler & Pickering*

*International Financial Contagion.* Edited by Stijn Claessens and Kristin J. Forbes. Boston, Dordrecht and London: Kluwer Academic Publishers, 2001. Pp. viii, 466. $135.00. ISBN 0-7923-7285-9. *JEL 2002-0518*

A central element in the discussion of contagion is whether the widespread nature of recent crises is due to weak economic conditions in affected countries, i.e., fundamentals-based contagion, or to herding and investor behavior unrelated to economic conditions, i.e., "pure" contagion. While these views are not mutually exclusive, their policy implications vary greatly: If weak domestic fundamentals are the most important contributors to the occurrence and spread of crises, improvement of fundamentals is essential. On the other hand, if contagion is due to the behavior of investors and other financial agents in ways not directly related to market fundamentals, more supervision or regulation of financial markets might be warranted.

The 16 papers in this volume provide a comprehensive theoretical and empirical analysis of this and other issues concerning the nature of contagion, with a particular emphasis on the role of financial linkages. The papers were prepared for the conference entitled "International Financial Contagion: How It Spreads and How It Can Be Stopped" sponsored by the World Bank, Asia Development Bank, and the IMF in February 2000. (The discussant comments are not included.) The overall message—like that from former President Truman's two-handed economist—is that everything matters. Generally contagion strikes the weak, not everyone; that is, a country's vulnerability is generally related to its fundamentals. However, it is also apparent that financial channels may transmit shocks and magnify the severity of crises in ways not directly related to fundamentals. In other words, the punishment for weak fundamentals may exceed the crime.

The book is divided into four sections. The papers in the first section provide an overview of the current literature on contagion, starting with an excellent introductory chapter by the editors. Stijn Claessens, Rudiger Dornbusch, and Yung Chul Park compactly survey the existing theoretical and empirical work. Kristen Forbes and Roberto Rigobon explain the methodology of defining and empirically testing for contagion. Matthew Pritsker presents a conceptual framework for classifying the various channels by which contagion might spread through financial markets.

The second section contains papers analyzing the role of different mechanisms, markets, and agents in transmitting shocks during recent financial crises. José de Gregorio and Rodrigo Valdés find that, while both fundamentals and trade links played a role, regional effects possibly reflecting pure contagion were most important, though this may merely reflect their inability to fully proxy for the former. Barry Eichengreen, Galina Hale, and Ashoka Mody focus on how developing country debt markets reacted during the crises of the 1990s; they also find evidence