

Book Reviews

EDITED BY TERRY A. BARRINGER

Small States: Beyond the Pale?

Effectiveness of Aid for Trade in Small and Vulnerable Economies (Economic Paper No. 91)

Massimiliano Cali, Mohammed Razzaque and Dirk Willem Te Velde

London, Commonwealth Secretariat, 2011, pp. viii + 128, ISBN 9781849290487 (paperback)

Internet Gambling Offshore: Caribbean Struggles over Casino Capitalism

Andrew F. Cooper

New York and London, Palgrave Macmillan, 2011, pp. xvii + 201, ISBN 9780230293458 (hardback)

Consider the question: if the world's smallest (and often island) states suffer from structural and permanent weaknesses that are associated with their small size and enisled geography, what else to do but accept these polities as vulnerable and beyond development? Can one do anything meaningful with and to such small states except offer them largesse and aid, taking solace in the fact that they are small and never likely to dent one's coffers much? Although not politically correct, some observers may be tempted to think that, given the real threat of sea-level rise, 'wishful sinking' and a generous but targeted immigration policy would be a fine way of resolving the predicament of at least some such small states, once and for all.

The situation on the ground is, however, more complex: the case for the preferential treatment of small state exports rings increasingly hollow under the current neo-liberal World Trade Organisation (WTO) regime; but aid disbursements to small states, especially by the European Union, Australia and Japan over 2002–07, have maintained per capita levels that are *five times larger* than those disbursed to other, developing countries. Meanwhile, there are some other grounds for optimism. First of all, assisting small states to adjust to their relative disadvantage in participating in international trade can help these same states to develop and sustain a stronger export orientation of whatever products and services they can sell competitively. Second, promoting such 'competitive exports'—including internet gambling—even in the face of big state intransigence and hostility, is not necessarily an impossible quest.

These two books provide a respective coverage of these possibilities, doing so in markedly different ways. Cali, Razzaque and te Velde are economists with the Overseas Development Institute and the Commonwealth Secretariat. They go about

their craft by means of a thorough and meticulous quantitative exercise (although not all readers of *The Round Table* will be excited by the econometric formulae on pp. 38–42) that is, as they claim, one of the first to assess the effects of aid for the promotion of trade (AfT) on small and vulnerable economies (SVEs). Such an analysis would have been hampered in the past because of a lack of reliable data and benchmark criteria; thanks to the impressive empirical models developed by Cali *et al.*, however, this handicap has now been largely overcome. As a result, the authors are able to suggest a number of tentative observations: perhaps most importantly among these, that aid for both trade facilitation and export infrastructure has a significant positive effect in reducing the costs of handling exports; this is so for developing countries generally, but especially so for SVEs. Also, when discriminating by economic sector, AfT for SVEs appears to have the most positive impact on tourism and mineral exports. The authors, while cautioning against the assumption of causality, conclude by suggesting some advice to actual and potential donors: they should consider targeting their aid policies and programmes to specific trade-related constraints, and increasing the rate of AfT disbursement while maintaining this over longer time-spans. A generous annexe details the AfT projects that have been approved in SVEs since 2005; one wonders, however, why the long description of some of these projects has not been translated into English from the original Spanish or French.

Cali *et al.* remind readers of the disproportionate obstacles involved in the export of products from small (and mainly island) states. It comes as no surprise that, in 2000, a Commonwealth/World Bank Joint Task Force had warned of the need for small states to reposition themselves in the global economy by moving further up the value chain and venturing more aggressively into knowledge-based and service industries (p. 3). These sectors, at least, are less likely to suffer from diseconomies of scale, isolation and remoteness from key import/export markets, or low value added at home. Indeed, many of the small states and territories with high mean GDP per capita today—excluding petroleum exporters—have managed a transition to a service-driven economy. Here, tourism and financial services loom large; but so do unorthodox ‘exports’: internet domain names (Tuvalu), detention services (Nauru), bottled mineral water (Fiji), flags of convenience (Bahamas), military and communication facilities (Ascension, Okinawa), medical education (Saba, Grenada) and postage stamps (Pitcairn). To these rentier incomes, one can add another industry that has been growing fast in many countries during the last decade: internet gambling (IG)—the first internet casino was launched only in 1995. Surely, large states would look with satisfaction at small states demonstrating innovation and sophistication by making a transition from precarious primary commodity exports (banana, sugar, phosphate, copra) to that of IG?

Not so. Antigua and Barbuda (henceforth Antigua), one of the world’s smallest island states (total land area: 440 km²; population: 86,000), developed an attractive platform for IG, so much so that this soon became the country’s second largest export sector after tourism. Antigua’s high-quality international fibre-optic cable connections ensured that it had the necessary infrastructure to provide state-of-the-art gambling services over the internet. This new industry was, to all intents and purposes, a glowing example of a rare competitive advantage that could secure Antigua’s position in the international marketplace. The United States, however, nervous at the capital flight of US dollars moving away from domestic gambling to

this pesky Caribbean offshore jurisdiction, and citing moral principles, decided to clamp down: in 1998, federal prosecutors charged 21 US citizens connected to offshore IG. Antigua not only decided to respond to and challenge the United States' prohibition on the cross-border supply of online gambling services, but to do so using the mechanism of the WTO. In the end, the WTO's appellate body found in favour of Antigua; but Antigua found out, to its chagrin, that even the WTO cannot force the United States to change its laws.

Andrew Cooper's study is an illuminating and multidimensional account of the context, stakes, *dramatis personae* and outcome of this 'David and Goliath' contest. It is an elegantly written, well-supported, fast-paced thriller that shifts from Geneva to New York, from the offices of international tax consultants to those of the US State Department, from the US under George Bush Jr to Antigua under the Birds, the Office of the US Trade Representative, and the Antigua Online Gaming Association, but then also swooping much lower to profiling significant industries and individuals, showing how what appeared at face value to be a US–Antigua showdown was roping in considerable, and mainly commercial, vested interests ('casino capitalism'), plus some heavy ideological baggage on the US side. All along, Cooper is cognisant of the limited and often naive theorisation of small states that are typecast as either powerless victims or as heroic 'mice that roared' and got away with it; the *realpolitik* narrative is a much more nuanced account that privileges both structure and agency.

Cooper does well to question the assumption that small states typically adopt 'rule bending strategies', or seek 'strength in numbers' to get their way. In this particular case, Antigua certainly did not adopt either of these approaches. Instead of being a 'norm entrepreneur', Antigua decided to use a standard mechanism of redress to press its case (and did obtain a favourable ruling); it also decided not to actively generate support and mobilise solidarity for its stance and arguments from other countries—by championing free and fair trade, as well as by exposing the double standards of the United States in defending its gambling industries on home soil but demonising those offshore. The one instance where I have to disagree with Prof. Cooper is his description of European enclave states as 'non-democratic' (p. 32). The Luxembourgers are certainly not amused.

All told, two very different books, grounded in different disciplines, but which prove to be quite complementary in informing our understanding of the small state predicament in the 21st century.

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The Cambridge Companion to Gandhi

Judith M. Brown and Anthony Parel (Eds)

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The first thing to say about *The Cambridge Companion to Gandhi* is that it is not an encyclopaedia packed with dictionary-length entries, but rather a middle-sized