

flows in the region and analyses the impact of these flows on the Asia-Pacific economies, documenting, in particular, the increasing role of Japan both as financier and source of technology transfers. The rising importance of the Yen, discussed by Takatoshi Ito, is underscored by the fact that now more than half of Japan's exports to Asian countries is denominated in yen, although only a quarter of Japan's imports from these countries is similarly denominated. In addition to capital movements, the region is witnessing human capital flows, a topic addressed in Glenn Withers' paper. The environment and its inter-relationship with trade and growth is explored in the paper by Kym Anderson; clearly, however, environmental policy is in its infancy in national policy, let alone in a harmonized, regional context and in future there will be some difficult challenges facing Pacific countries as these countries attempt to reconcile their domestic environmental policies with those of their trading partners. In a highly interesting final paper, Hadi Soesastro attempts an integrative exercise linking the unfolding post-Cold War trade with security and political implications for the Pacific region, cautioning against the danger of splitting the Asia-Pacific economy into a U.S.-led NAFTA and EAFTA, a Japan-led East Asian FTA.

At this point in time, the future course of world trade is less than clear, not only pending the implementation of the Uruguay Round and the timing of the economic turnaround in major industrialized economies, but also because the eruption from the end of the Cold War era is far from over in the former Soviet Union, in Eastern Europe, the Balkans and elsewhere. In the meantime, dynamism in the Pacific region continues undiminished, with China now as the fastest growing economy in the world, and some observers are predicting that the twenty-first century will be the *Pacific Century*. President Clinton, in the November 1993 Seattle summit with 14 APEC leaders, called for the creation of a *Pacific Community* pledging American readiness to be a "full partner in Asian growth".

Is this overly optimistic, wishful thinking? Some, no doubt, will think so pointing out that the scenario glosses over the many sources of discord which divide Asian and American nations: for example, environmental standards and human rights are often perceived in Asia as a sort of "Western Crusade" designed to impose new "conditionalities" on trade, while there is concern in many Asian capitals that NAFTA is nothing else than a North American Greater Co-Prosperty Area intended to counter-balance Fortress Europe. Neither are future risk and uncertainty limited to foreign affairs: on the domestic front there are pending regime changes in several Asian nations such as China, Indonesia, Malaysia to cite the more apparent cases, with far-reaching, yet unpredictable, consequences for world economy. On the other hand, the same pragmatism which has guided and fuelled much of the post-war Asian growth may well triumph over scepticism. Only time will tell!

None of the above, however, reduces the value of *Pacific Dynamism* as a well-timed publication full of up-to-date facts and perceptive analysis. This book is a treasure house of useful information, and is essential reading for anyone interested in the past, present and future of trans-Pacific trade.

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***Open Regionalism? NAFTA, CER and a Pacific Basin Initiative.* By Sir Frank Holmes and Crawford Falconer. Wellington: Institute of Policy Studies, 1992. Pp. ii and 238.**

The central theme of the Holmes and Falconer volume is that the movement towards open regionalism in the Pacific Basin will not end with the North American Free Trade Area (NAFTA)

and other currently functioning arrangements. Because of this, Australia and New Zealand should consider pursuing a specific set of policies to assure that they are fully included within the scope of the emerging Pacific regionalism.

While their work emanated from New Zealand's Institute of Policy Studies, the co-authors broaden their analysis to the wider context of New Zealand's closer economic relationship (CER) with Australia. Holmes and Falconer begin their analysis with the assumption that Canada, Mexico and the United States will establish a NAFTA at the beginning of 1994. They note that New Zealand and Australia have strong and direct interest in how and when NAFTA will develop. They point out that,

Inevitably, a regional free trade area involves discrimination against outside exporters and internal barriers are removed and duties and restrictions on imports from non-members remain. If the regional arrangement fosters more rapid growth, including growth of demand for imports, some of the potentially adverse effects on outsiders may be offset. They would be further offset if some of the barriers to outside trade were reduced simultaneously, for example, as a result of a successful outcome to world trade negotiations. But a more restrictive arrangement, which did not produce faster growth of imports, could be harmful not only to New Zealand but also to other countries with which New Zealand has important trading and investment links, and indeed to trade, investment and prosperity in the world generally (p. 1).

Chapter two and three provide superb analyses of the objectives, issues and likely outcomes of NAFTA, and the Enterprise for the Americans Initiative (EAI). Chapters four and five go on to analyse the potential implications of NAFTA and the EAI on world trade and investment and, in particular, its likely impact on Australia and New Zealand. Following this, they move on to the most interesting part of the book where, in chapters six through eight, they consider various policy responses. Their focus includes a Pacific Basin Initiative linking free trade areas within the region. They also concentrate their attention on

existing institutions, particularly APEC.

The co-authors' perspective embraces open regionalism and, with respect to NAFTA's potential impact and East Asia's response to it, they reach a set of conclusions. Most prominent among them are the following which capture the essence of their volume.

1. A NAFTA agreement will be ratified by the USA, Canada and Mexico in a form close to that which has been revealed in summary in August 1992.
2. NAFTA will not be the end of the road of regionalism in the Americas.
3. As these regional arrangements and linkages develop in the Americas, the deepening and widening of the EC will continue.
4. Whether NAFTA will be good or bad will depend on such things as whether it accelerates the growth of members' output and income, exports and imports; and whether the resultant growth of imports from outsiders is adequate to offset diversion of their trade resulting from the discrimination which is inevitable with regional freeing of trade.
5. The likelihood of an open approach by NAFTA and its extension under EAI counsel against a wait and see approach by CER. New Zealand and Australia should begin now to explore the prospects for the development of some kind of free trading linkage as part of a Pacific Basin Initiative.
6. It would be for NAFTA and parties such as CER to decide what the nature of such an association would be and what special terms would be negotiated in particular cases (pp. 188-94).

This is an interesting volume. It weaves an intellectual mosaic combining generally accepted theory and policy perspectives with a distinctly novel and creative set of ideas about institutional specifics. As such, the book is informative, thought-provoking and original, and consequently it is strongly recommended.

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