

in the above areas. Negotiations between India's Export Inspection Council (EIC) and its respective counterparts in ASEAN countries to reduce transactions costs of bilateral trade in certain products such as electronics, food, and electrical and telecom appliances may be one such practical measure. A code of conduct between India and ASEAN on movement of natural persons represents another possible avenue to better utilize human resources and reduce transactions costs.

The RIS has done a valuable service in publishing this volume. It deserves to be widely read in India and the ASEAN countries. It will be useful to academics, researchers, and policy-makers, and also to those contemplating thesis topics on Asian economic co-operation and on the impact of globalization in developing Asia.

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***Japan and China: Cooperation, Competition and Conflict.* Edited by Hanns Gunther Hilpert and René Haak. Hampshire and New York: Palgrave Macmillan, 2002. Pp. 233.**

This book is a collection of ten essays on economic relations between Japan and China. The main theme is whether these relations will be co-operative or conflictive. The topics discussed are numerous, ranging from trade to overseas Chinese role. I will introduce and review critically each chapter and then give a general comment at the end.

In the introduction, one line of explanation is problematic. On page 2, it is stated that the past 2,000 years of Sino-Japanese relations have sometimes been harmonious and mutually beneficial, and antagonistic and conflictive at other times. Those who know Japanese history find this line very strange since the first Japanese mission to China was not sent until the year 600 A.D.

Chapter 1 is a general overview of economic relations by Kwan. According to his analysis, the rise of China created a "hollowing out" of Japanese

domestic industries and escalating trade friction between the two countries. The bilateral economic relations, however, can be complementary rather than competitive, whereas ASEAN and China relations remain competitive. This statement is backed up by his calculation of correlation coefficients of each country's specialization indices. The Standard International Trade Classification (SITC) breakdown is too big to believe in this statement, since in some cases complementarities may occur in more detailed classifications of goods. Within the machinery and transportation equipment sector, for example, complementarities are equally important.

Hilpert's treatise on trade in Chapter 2 tries to bridge the discrepancies between statistical data given by Japan and China. Including Hong Kong trade, narrows the gaps. This exercise has been carried out by adjusting the IMF Direction of Trade data. He calculates trade intensity using the revised data and observes that it has been increasing. The conclusion that Sino-Japanese trade interdependence is increasing, implying co-operation, is difficult to accept.

Nakagane, who is a well-known China expert, writes Chapter 3. Although his descriptive analysis is informative and pertinent, his regression analysis on Japanese foreign direct investment (FDI) to China is not entirely persuasive. With sixteen annual data points and FDI environmental changes during this period, one cannot believe in the fits as the author claims. In order to assess the future relationships, Nakagane argues that both sides have complained from time to time. While Japanese firms have complained about insufficient infrastructure, the Chinese side has shown dissatisfaction with Japanese FDI. Nakagane concludes that this situation will probably lead to a very delicate relationship in the future.

In Chapter 4, Bhattasali and Kawai provide an evaluation of China's entry to the World Trade Organization (WTO) using a Computable General Equilibrium (CGE) model. They focus on the likely developments in agriculture, manufacturing, and services, as well as those in the aggregate economy, and conclude that the short to medium-term impacts will be significant while the long-term

impacts will be minor. The conclusion turns out not to be surprising. Lots of simulation exercises have been carried out without the model specifications. It might be too much to ask for them to include the results of other chapters in their simulations, but the book surely would become more integrated if this step were taken.

In Chapter 5, Taube discusses Japan's role in China's industrialization from a general viewpoint. The discussion here is of the common sense variety. "Japan certainly did play an important role in China's industrialization process over the last two decades. The Japanese influence has been exerted over various channels, none of which played a dominating role by itself; Japan's impact on China's industrialization has to be understood as the combined effect of various influences." Such a bold statement disappoints the reader, who wants more detailed follow-up on the mechanisms of this combined effect.

Chapter 6 by Inaba deals with Official Development Assistance (ODA). He describes macroeconomic, sectoral, and social impacts of Japanese ODA to China by pointing out the implications of recent institutional changes in Japan, and the shift in focus to social development, development of the poorer interior regions, agriculture environmental protection and institutional capacity-building. At least two things seem lacking in his discussion. One is the current state of the Japanese fiscal balance, and the other is China's graduation problem, which will further lower the volume of Japanese ODA to China in the future.

Kameyama introduces global warming problems in Chapter 7. She surveys the issues of climate change and regional co-operation. She maintains that the Sino-Japanese relation may improve by utilizing institutions established under the climate change regime, and that success for such improvement lies significantly in the hands of China. The logic presented here needs to be scrutinized more closely.

Haak discusses the strategies of Japanese companies in China in Chapter 8, employing resource-seeking and market-seeking concepts. Their success depends on deciding on the right

strategy or the right strategy mix. Japanese companies should focus on capability-building for better technology and quality and should develop their strategic management. The ideas are all right but more concrete examples would be helpful.

Chapter 9 is informative on Japan's role. Marukawa conjectures the following: Japanese firms are risk averse, but they will not change their decision easily; the core competence of Japanese firms is found in the production of sophisticated key components; China is increasingly used as a production base to supply products to Japan.

Zhu contributes to Chapter 10 on overseas Chinese economic activities. The importance of overseas Chinese cannot be overemphasized since they are the driving force of expanding trade, promoting technology transfer, playing a role of middlemen and partners, applying their human networks, etc. The conclusion of this chapter rests on some statistics given. Unfortunately these are not direct overseas Chinese activities.

Having given an overview of each chapter, we now provide some general comments on the book as a whole. The main theme of co-operation or conflict has been treated to some extent in all the chapters, but I buy Nakagane's argument most. Economic agents maximize profit (welfare) and in doing so, they end up with co-operation or conflicts. The recent incidents involving leek, *shiitake* mushroom, and *tatami* mat indicate that protectionism in Japan will be countered by high tariffs for major products like automobile and telecommunication equipments in China. Conflicts and co-operation will prevail interchangeably.

This collection of essays would be helpful to those interested in current and future Sino-Japanese economic relations.

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