calls on the United States to take leadership in co-ordinating debt relief.

Much of this is now underway. The Baker Plan was launched in 1985 to pressure official lenders and especially commercial banks to accelerate their lending, with liberalization by the debtor countries as a *quid pro quo*. Although it demonstrably failed — in fact commercial bank lending fell sharply while the Plan was in place — the last three years have seen considerable increase in bilateral and multilateral official lending. The Brady Plan, announced in March of 1989, stands a better chance of success because it has offered banks debt relief as an alternative to further lending. Voluntary debt conversion into exit bonds, as well as debt buybacks, will be underwritten with substantial commitments of funds from the IMF and the World Bank. If these funds prove sufficient to sign up some banks for debt relief, the debtors' growth prospects and ability to pay may improve enough to induce other banks, who eschew debt relief, to lend more.

To the reader familiar with East Asia, Latin America's debt woes may seem unnecessary and self-induced, since countries like Indonesia, Korea, Malaysia, the Philippines, Taiwan, and Thailand all had comparable debt-to-GDP ratios in the early 1980s. Since then, only the Philippines has experienced serious difficulty in making payments. Moreover, all these countries except Indonesia have reduced their ratios of debt service to exports, most of them dramatically. Indonesia has suffered from the decline in oil prices, but it has conscientiously met IMF adjustment conditions and in recent years has garnered a lion's share of new lending. Indeed in 1988, 80 per cent of new commercial bank lending went to just three countries: China, India, and Indonesia.

Southeast Asian debtors have achieved this by growing out of their debt: by expanding exports so rapidly that their debt service burdens have plummeted. For example, Korea's ratio of debt service to export revenue fell from 24 per cent in 1986 to an estimated 11 per cent in 1989. The difference from Latin America is that all these countries (except the Philippines) kept government spending and government regulation under control. The result has been manageable internal deficits, moderate-to-low inflation, and dramatic increases in productivity and export production. Sadly, Latin America now needs debt relief and new lending, but success in the long haul will depend on continued liberalization and privatization. For readers in Southeast Asia, Mr Langoni's book stands as a powerful case study of mistakes to avoid.

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How to End Up an Utter Failure as Minister of the Economy: Lessons That Emerge from 20 Years of Argentine Economic Policy. **By Juan Carlos de Pablo.** California: International Center for Economic Growth, 1988. Pp. 48. ***Some Problems in Implementing Economic Policy.*** **By Jesus Silva-Herzog.** California: International Center for Economic Growth, 1988, Pp. 20.

The design of good economic policies, not only in Argentina and the rest of Latin America but also in other parts of the world, including Asia, requires two important ingredients: the first is an expert knowledge of the way in which economies work and the details of the existing economy in which the economic policy is to be implemented. The second is a detailed knowledge of the political situation, the power matrix of competing ministries and the social pressure groups that will impinge on the policy formulation and implementation process. The knowledge and experience thus required goes far beyond what an economic technocrat can offer, and that is one reason why the post of Economics Minister is frequently filled by more politically oriented and politically experienced decision-makers. However, their knowledge of economics may be more general.

If it is true that the design and implementation of economic policies cannot be left to the economic technocrats, the question arises how economics expertise enters the decision-making forces. Juan Carlos de Pablo in his very humourously written and sometimes sarcastic analysis indicate a checklist of fatal mistakes that the Minister of the Economy is likely to make on his way to utter failure. These include the belief:

- that the political power of the government of which he is a part, and his own political power within that government, are unlimited;
- that time is necessarily on his side and that there is time to think things over;
- that it is important for his advisors, but not for him, to understand economic issues, and that the implementation of economic policy can be delegated in its entirety to others;
- that statistics tell the whole truth or that they tell only lies;
- that legislation can regulate economic affairs and that implementation problems are merely problems of "enforcement";
- that there is no need to explain policies or actions because, in the final analysis, the people won't understand, and that anyway selling economic policies is the journalist's concern;
- that traditional ways of doing things do not count or that they are the be all and end all;
- that his efforts will possibly be applauded or that history will remember him with gratitude;
- that his predecessors failed because they were incompetent; and
- that there is nobody waiting in the wings to become Minister of the Economy.

This listing already indicates the recommendation emanating from de Pablo's analysis: he advocates a middle way, which avoids the excesses indicated by his list of common mistakes. However, this may not be sufficient to solve the problem of combining economic expertise on the one hand and political savoir-faire on the other. Nevertheless, de Pablo's essay is stimulating and raises a number of important issues. In addition to the 28-page essay, the slim volume contains a number of appendices that are interesting in themselves but only loosely connected to the subject matter of the essay.

Silva-Herzog assumes that an economic policy has already been formulated with a solid theoretical foundation and points out that, in fact, in the great majority of cases, problems of implementation rather than of policy are responsible for the failures experienced by programmes designed to affect economic alignment or reform. "There is little point in knowing what must be done if we do not know how to do it." Unfortunately, Silva-Herzog does not address this question directly but devotes most of his short piece to a description of Mexico's economic development from 1982–88. While this may be interesting for students of Latin American development, it is neither necessary for an analysis of problems in implementing economic policy nor is it covered by the title of his essay.

In the second part of the booklet Silva-Herzog deals with the implementation issue proper and discusses the need to appreciate political and social constraints relating to the policy, including the ideological predisposition of the head of the government. He suggests that the formulation and implementation of policy cannot be done by consensus and that there must only be one person in charge. Also, it is necessary to recognize that not all programme variables are under government control and that clear priorities must be set, even where the programme pursues multiple goals. Issues of credibility, coordination of policies, the realism of objectives, the difference between decisions and implementations, consistency, adaptation, and social dialogue are also taken up.

One of the reasons why there is so little treatment of these issues in the economic literature is that they may appear obvious to most students of the subject. However, the slogan frequently heard in this part of the world, that is, that "the plan was good, but the implementation was bad" is an indication that there may be a need for a more systematic analysis of the subject.

Both of these small occasional papers of the International Center for Economic Growth are welcome, since they stimulate our thinking of what happens and what needs to be improved at the point where the word gets transformed into the deed.

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***China: External Trade and Capital.* A World Bank Country Study.** Washington, D. C.: The World Bank, 1988, Pp. xix, 308.

This country report is based on the findings of a World Bank mission that visited China during October 1986. The mission was accompanied by a Chinese counterpart team from a number of government agencies.

The report gives a comprehensive and very detailed view of China's reforms of foreign economic relations after the adoption of an "open door" policy at the end of 1978. To my knowledge, there exists no other volume dealing with the international dimension of Chinese economic reform policies in greater detail. Developments after 1986, of course, are not covered in this book. Nevertheless the volume does give an insight into the strategies and consequences of China's policy of opening up, which is useful for today's economists and businessmen alike, since it is more than a descriptive historical review. Reform policy options are evaluated and that leads to the formulation of recommendations about reforms of trade institutions, about conduct of exchange rate policies, and about reforms of foreign exchange allocation. The conclusions result from an analysis that reveals contradictions and inefficiencies of China's development towards a dual price/planning system. Measured by the yardstick of the World Bank team's view, this casts some shadows of doubt on the continuity of China's strategies of economic reform. Unfortunately, the present situation tends to support this scepticism.

The World Bank study consists of the Main Report (pp. 1–92) and of five Annexes (pp. 93–308). The Annexes take up and explore more deeply those issues treated in the Main Report's chapters I–IV. Readers looking for a comprehensive review of China's international economic policies could concentrate on these chapters or might benefit from the summary where the World Bank's message is condensed into thirteen pages.

Chapter I presents the well-known arguments and statistical evidence in favour of outward-oriented trade strategies. By comparison to outward-oriented developing countries, China's "open door" policy is characterized as still inward-looking (heavy reliance on administrative trade systems, quantitative import restrictions, high and highly variable tariffs on imported goods). Although the trade system has been reformed and has evolved rapidly from 1978 to 1985, this assessment is supported by an economic analysis of the impact of the present trade system (Chapter II).

This 1986-trade system resulted from the decentralization of foreign trade administration and from some reforms of foreign exchange allocation mechanisms. The centralized Foreign Trade Corporations (FTCs) lost their monopoly power, when provincial authorities created their own FTCs and when ministries established corporations to engage in external trade in their products directly. Furthermore, this process of administrative decentralization had been accompanied by the introduction of foreign exchange retention rights at the provincial and at the enterprise level. These reforms of the trade system and of the foreign exchange allocation system are explained and documented in detail. The World Bank group's view on the new trade system is critical of the "air-lock" of the FTC