

of dominance by the two principal trading partners, Japan and the United States, and mounting protectionist sentiment in the Western economic powers.

In sum, what message can be gleaned from this comprehensive volume? It is certainly an interesting if not moderately depressing analysis. Traditional free market economists would despair at some of the recommendations for greater regionalization and an increased focus in the Third World on domestic economies — a policy which flirts with autarky. Yet it would be wrong to dismiss such prescriptions out of hand as they are symptomatic of a broader malaise which afflicts the international economic arena — self-centred policies of the developed world manifested by protectionism and intervention in the market which exacerbate economic conditions in the Third World and which subverts efforts at remediation. Some of the prescriptions are incontestable — especially those stressing the need for efficient institutions, administrative competence, and consistent development objectives and policy. Yet it is ironic indeed that the universal and traditional palliative for many of these ills — economic growth — faces an ominous new constraint in the form of ecological destruction.

On an optimistic but perhaps naive note, the solution to this litany of global problems requires first and foremost their clear delineation — in this respect, this volume succeeds only too well.

PETER N. NEMETZ
*Faculty of Commerce and
Business Administration
University of British Columbia*

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Meeting The East Asia Challenge: Trends, Prospects and Policies. By Alan Bollard, Sir Frank Holmes, David Kersey and Mary Anne Thompson. Wellington: Victoria University Press For the Institute of Policy Studies, 1989. Pp. 186.

Stepping Stones to Freer Trade? Canadian, Australia and New Zealand Perspectives. Edited by Sir Frank Holmes. Wellington: Victoria University Press for the Institute of Policy Studies and the Trade Development Board, 1989. Pp. 72.

A collaborative effort involving the Institute of Economic Research and the Institute of Policy Studies resulted in *Meeting The East Asia Challenge*. The collaboration proceeded from a recognition that rapidly growing East Asian economies are bringing about significant structural changes in Pacific Rim production, trade, and investment patterns. Understanding how to respond to the phenomenon poses a challenge to New Zealand's policy-makers. The intent of the study is to help fill the gap in understanding the nature of the changing economic relations that follow from East Asia's dynamic growth.

The study proceeds in two parts, the first consisting of a review of trends and prospects in trade and investment in East Asia, and New Zealand's stake in the region. By East Asia, the authors mean Japan, the People's Republic of China, the newly industrializing economies and the ASEAN states. Their sketch of the highlights of each country's growth and export performance and prospects, while brief, is nevertheless useful to readers who are unfamiliar with the region. More interesting, however, is Part One's three chapter elaboration of New Zealand-East Asian merchandise trade, invest-

ment flows and trade in services ranging from tourism to education, to air service links.

Even more interesting, though, is Part Two's focus on policy design and implementation in New Zealand in response to the opportunities and challenges that growing East Asia presents. Indeed, a number of key policy areas are discussed, for example from immigration and official development assistance issues generally, to specific bi-polar issues linking New Zealand to Japan, South Korea and Hong Kong. A theme running through the discussion is that New Zealand is a partner with East Asia and, as such, has much to gain from even more liberalized trade, investment and financial flows with its regional neighbors.

The focus placed upon the benefits of cooperation and liberalization carry over to *Stepping Stones*, a volume that could be read in tandem with *Meeting the East Asian Challenge*. In this volume, Sir Frank Holmes and seven other distinguished contributors stress "the Pacific factor", and generally call for freer trade and investment flows among Australia, Canada and New Zealand within the GATT framework.

Stepping Stones was published in response to invitations accorded to Canadian and Australian researchers to respond to initiatives proposed by Holmes and his co-authors in *Partners in the Pacific* (PIP), a report commissioned by the New Zealand Trade Development Board and published in 1988. Their responses to PIP make up the second part of the book.

Part one contains two extremely interesting, thoughtful and provocative chapters by Holmes. In them he makes the observations that,

Although all three countries have substantially reduced protection in recent years, and seem likely to continue to do so, significant barriers remain to their trade with one another and with the outside world. For example, Australia and New Zealand still have relatively high tariffs on manufactured goods by comparison and with most other industrial

economies, including items of considerable interest to Canadian exporters. Canada's system of supplying management for some primary products involves some severe barriers to access by New Zealand, Australian and other exporters. Other non-tariff barriers impede transactions in services in all three countries.

The gradual elimination of these barriers among them would be useful as a stimulus to greater competition and innovation in the protected primary, manufacturing and service industries. The creation of a CANZ market of about 45 million relatively affluent people which is relatively free of barriers would focus attention on opportunities for specialisation and exchange which are currently being neglected, as well as opening up new ones as the barriers are reduced. It would also be a stimulus to the improvement of transport and communication services to facilitate trade and investment. (p. 9)

Holmes believes that a CANZ agreement is worthy of serious consideration. He recommends that CANZ governments explore the possibilities of further freeing trade among themselves in accordance with GATT's principles and machinery, and the Uruguay Round framework. He suggests that not only could a PIP-based initiative impact positively on the CANZ via improved intra-group trade and investment relations, but an agreement could foster more constructive links to the South Pacific Forum and ASEAN nations.

The respondents, who contribute six essays, critically evaluate Holmes' points but reach no strict consensus on them other than agreeing that they should stimulate substantive discussions within the three countries. There is, however, a theme of reality, and perhaps caution, contained in the responses. The contributors are quick to note the limits to what might be expected to emerge from any such discussions. Characteristic of the "reality theme" is a set of points made by Canadian Robert York,

The three countries have broadly similar industrial structures; all are heavily biased toward the sale of primary and agricultural products in their export markets. Because of

their endowments, exploiting comparative advantage has meant that each sends far more exports to third countries than to one another. For example, Canada and Australia compete heavily in third-country markets for several products, including grains, metals, minerals, and fuels, while Canada and New Zealand are competitive in forest products. Thus, since these products account for a large proportion of their total exports, trade liberalisation is unlikely to generate a significant increase in trade among the three countries in these important products. (p. 44)

Because of such factors, York points out that,

Australia ranked as Canada's twelfth most important export market in 1987, while New Zealand ranked only thirty-fifth. A CANZ agreement would not alter the basic factors that have made these two countries such relatively minor trading partners for Canada. Canada's trade is dominated by the all-important US market, which has over 240 million consumers and which is where 75-80% of

Canada's exports go. Whether or not Canada becomes even more dependent on the US market in the wake of the bilateral agreement will depend on how successful Canadian industry is in rationalising its industrial structure, and then on whether or not successful enterprises continue to depend on US purchase or seek other market opportunities elsewhere. (p. 44).

As a non-New Zealander reader, each book was a treat because of its informative and non-trivial contents. Each book established a sense of New Zealand as a part of its region, indeed its world, and not a place separate and remote from them. The quality of thinking reflected in the contents of each volume is sharp, clear, disciplined and creative. As a consequence, the books are recommended enthusiastically and without reservation.

ROBERT L. CURRY, Jr.

*California State University, Sacramento
and the Institute of Southeast Asian Studies*