

BOOK REVIEWS

***Global Adjustment and the Future of the Asia-Pacific Region.* Edited by Miyoehei Shinohara and Fu-Chen Lo. Tokyo: Institute of Developing Economies and the Asian and Pacific Development Centre, 1990. Pp. xxii, 585.**

“Global adjustment” has become a very popular and, in fact, controversial topic in economic literature and the media, but to some degree it eludes definition. In the industrial age, the world has never witnessed a moment when the global economic situation was *not* undergoing some sort of adjustment, thus rendering the term “economic *status quo*” an oxymoron. Global adjustment is perpetual. Yet, contemporary pundits generally refer to “global adjustment” to describe the recent matrix of economic changes that emerged in the 1980s, most prominently including: (1) volatility in currency prices; (2) volatility in commodity prices; (3) adjustments in the direction and contents of trade flows; (4) growing nontariff protection outside of GATT; (5) changing financial flows; (6) domestic and international imbalances; and (7) disproportionate changes in economic growth, particularly in the developing world. These vicissitudes and trends have led to, and are results of, an increase in the international interchange among nations on the one hand, but also imply an increased degree of uncertainty on the other. Indeed, the need for

greater subregional, regional, and international co-operation results from these global adjustments. The associated issues are among the most pressing of our time.

Nowhere is this more apparent than in the Asian-Pacific region. Policy and structural changes evolving in the Asia-Pacific have contributed to its becoming the fastest growing region of the world, both in terms of aggregate growth and international trade and investment. But imbalances and conflicts are greatest also in this region, and without any regional co-operative framework to resolve disputes. These apparent contradictions deserve to be described and explored, critically inspected, and reconciled in light of prospects for the future.

There can be no definitive work on such a vast topic. Predictions for the future depend on how one understands the present, and there can be no objective map that charts perfectly the current trends and transformation in the contemporary world economic order. Nevertheless, by bringing together a variety of opinions and perspectives regarding the expansive topic of global adjustment and the future of the Asian-Pacific region, a certain consensus can be reached in specific areas, and parameters can be established where disagreement exists.

This approach is precisely that of Miyoehei Shinohara and Fu-Chen Lo’s edited conference volume, *Global Adjustment and the Future of the Asia-Pacific Region*. Published jointly by the Institute of Developing Economies in Tokyo and

the Asian and Pacific Development Centre in Kuala Lumpur, the volume includes numerous papers and discussants' comments presented at a three-day conference in May 1988 by the "best and the brightest" of Asian scholars, as well as others such as Nobel Laureate Lawrence Klein, to discuss the very issue of global adjustment. Although the book's 585 pages make its reading an ambitious endeavour, the volume is well organized into six parts, the last of which is a set of panel statements, facilitating reference by topics of interest.

The approach taken by the volume presupposes a strong belief in the coming of the "Pacific Century"; it concentrates almost exclusively on developments and prospects in the Asian region, with a clear focus on the role of Japan in regional development. Indeed, the collection's first part, "Global Adjustment and the Role of Japan in the Future of the Asia-Pacific Economy", concentrates on the pivotal role that Japan has played, and will continue to play in the economic restructuring of Asia as the region sets itself for a new round of growth in the upcoming century. Shinohara (p. 12) sees the underdeveloped nature of the capital-goods industry within the Asia-Pacific as a critical ingredient in the firm linking of Japan to regional industrialization, which, in turn, will stimulate intraregional interdependence, a process which is well under way. Trade and investment flows have been growing rapidly of late, and direct foreign investment (DFI) is increasing not just from Japan to the newly industrialized economies (NIEs) and Association of Southeast Asian Nations (ASEAN), but also from the NIEs to ASEAN. Klein echoes the theme of increasing interdependence in the world, and, using the Project Link model, forecasts a slow-down of growth in many parts of the world, but with the Asia-Pacific standing out as a "extraordinary source of growth" (p. 18). He attributes the recent currency maladjustments to the many problems of global adjustment; nevertheless, the process for change is in motion in the Asia-Pacific.

Fu-Chen Lo et. al. present a range of

projections for the region's economies through the year 2000. It is stressed that a smooth transition to a stable and sustained high growth rate requires a common approach to resolving imbalances, implying the need to establish a regional trading system centred on Japan (p. 105). In another piece, Fu-Chen Lo et. al. predicts that by the year 2000, China, Indonesia, the Philippines and Thailand will advance to the status of NIE, and Malaysia, Taiwan, Hong Kong and Singapore will become "more developed countries". (p. 110)

Okita (p. 43) observes that the greater interdependence in the late 1980s has been fuelled by exports to the U.S. market, thereby creating significant dependence on U.S. growth, currency realignments, and protectionism. Japan has a central role to play in increasing its domestic consumption of foreign products and investing overseas, a process that is already in gear. Moreover, the stress on bilateral negotiations ignores the need for multilateral efforts to confront problems resulting from domestic fundamentals and the truly international character of trade and investment relationships, a theme that reappears frequently in the book.

Oshima focuses on the ASEAN region and Japan's role in helping ASEAN continue its long climb toward development, through the attainment of sustained growth, full employment, institutional improvements, technology transfer, and skill formation, and suggesting the creation of a "Japan-ASEAN centre for institution building". (p. 62)

Parts III-IV look at the special problems emerging in global adjustment, including the oil problem (Sadli), primary commodity issues (Hiroshima and Kuchiki), the debt problem (Yanagihara), technological innovation (Wakasugi), the changing role of transnational corporations (Lim), and the future of Japan as a financial centre (Suzuki).

Part V considers regional co-operation. In an important chapter, Narongchai and Suthiphand review the dangerous trends in the international economy, such as increasing protectionism, possible slow growth, and macro-economic

imbalances. They also note (p. 408) that a smooth transition of a shifting trade pattern in the region can be realized without friction only if the industrial structures of more advanced countries can be adjusted to allow free market outlets for developing country products. It is noteworthy, however, that the authors do not discuss the important role of developing countries in this process, i.e. the necessary internal and external adjustments required for sustainable economic growth. Also, they highlight the need for improved relations with Japan, and promotion of steps to increase intra-industry trade as prime ingredients in future growth. Indeed, expanding intra-industry trade will be a central — though often neglected — feature of future intraregional trade and investment interchange. They also predict increasing DFI from the NIEs, a trend that was only beginning at the time of their writing but which has intensified recently. In addition, the piece highlights the need to work at GATT to fight rising protectionism.

Hirata and Nohara discuss the changing patterns in the international division of labour in Asia and the Pacific. They stress the importance of increasing manufactured exports, in line with the Japanese experience, embracing interconnected industrialization and export promotion policies (p. 447). If they had written today, they would write with more confidence that this strategy would be central throughout the region, especially given the moves in this direction in ASEAN in general and Indonesia in particular.

The world is changing rapidly. Several critical events have unfolded since the conference that are likely to figure prominently in the future of the Asia-Pacific, including the bold steps taken in completing the Internal Market in the EC; liberation in Eastern Europe and the Soviet Union, and movements from command to market economies; post-Tiannamen China; the on-going Gulf crisis; the deflation of stock markets throughout the region; and so on. These changes would certainly affect profoundly many of the volume's conclusions.

Moreover, the book exhibits an important

drawback in that its focus is based on an exaggerated Asian perspective, especially with respect to the role of Japan in the region's economic destiny. While the central role of Japan in the region and the rapidly-increasing degree of intraregional trade and investment are obvious, North America and Europe continue to be extremely important economic partners, a fact that should not be ignored. The evolving division of labour stems not only from Asian but also international dynamics.

To sum up, the substantive arguments and analysis put forth in this comprehensive conference volume by its exceptional contributing scholars make for interesting reading, and its insights and conclusions will be useful to not only academics but also policy-makers and private-sector representatives concerned with Asian-Pacific economic affairs.

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***International Economic Pluralism: Economic Policy in East Asia and the Pacific.* By Peter Drysdale. Sydney: Allen & Unwin, 1988, pp. 294.**

The official inauguration of the Asia-Pacific Economic Co-operation (APEC) ministerial meetings in Canberra in November 1989 was the culmination of a long history of non-governmental and semi-official conferences on economic issues of importance to the countries of the Pacific Rim. The subsequent meeting in Singapore in July 1990 and the scheduling of further meetings in South Korea in 1991, Thailand in 1992 and the United States in 1993 confirmed that APEC had firmly established itself as a part of the international institutional framework within which future discussions of major economic issues will take place, and as a