

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

vehicle for future co-operation on a series of priority projects.

Peter Drysdale, the author of the book under review, has been directly involved in the gradual emergence of a Pacific economic community and his expertise and intellectual energy were factors in Australia playing such a key role in initiating the institutionalization of economic co-operation among the countries of East Asia and the wider Pacific basin. This book, which examines in some detail the arguments for greater economic co-operation in the region, is, therefore, essential reading for anyone with an interest in the newly-developing APEC.

Drysdale begins by providing a theoretical discussion of economic integration both in general terms and with reference to the economies of the Pacific region. He also presents a survey of the Pacific economy arguing that its success has been built upon "a framework of multilateral trade arrangements and ties provided by GATT" which has been "underwritten by the leadership role played by the United States" (p. 76). In successive chapters the author looks at various aspects of the Pacific economy, exploring the ways in which an open non-discriminatory trade and economic regime can be further developed and supported. He examines the extent of interdependence in the region, the role of energy and resource trade, the growing industrialization in East Asia and the movement of capital around the Pacific. Drysdale concludes by looking at various ways in which institutionalized regional economic co-operation can be achieved and what type of trade regime should be sought.

The emphasis throughout the book is on economic issues and the economic imperatives which are increasingly creating a sense of regionalism, and on the Pacific Rim's place in the emerging global economy. Despite the wide-ranging and excellent discussion developed by Drysdale some readers will be disappointed that not more is said about the importance of exchange rates, especially the fluctuations in recent years, and their impact on investment and the economic development strategies of various

countries within the region. For the ASEAN countries in particular the Plaza Accord of 1985, which set the stage for the appreciation of the yen, and the later the appreciation of the South Korean won and the New Taiwanese dollar meant a dramatic increase in Japanese and later Taiwanese investment as business sought cheaper input costs for manufactured goods. This trend has clearly increased the rate at which the ASEAN economies are being integrated not only into the Japanese economy but also into the economies of South Korea and Taiwan. It also presages a change in the relationship between the United States and the region as Japan has begun to export its trade surplus with the United States to key ASEAN countries such as Thailand, Malaysia and Singapore. It may be that in the near future the United States will begin to think in terms of its trade balance with the Asian-Pacific region as a whole and not just with the individual countries.

Other readers may feel that there is too little discussion of the political dimensions of the move towards Pacific economic co-operation. For example, some of the smaller states have expressed the fear that they do not have the bureaucratic expertise to participate meaningfully in a rapid institutionalization of economic co-operation or to negotiate on anything like an equal footing with the larger powers such as Japan and the United States. Interestingly it may be that the creation of APEC, rather than undermining the cohesion of ASEAN as a regional grouping as some had originally feared, will act as a stimulus to bolstering ASEAN's institutional capacity. Moreover, while the inclusion of the United States and Canada in APEC may detract from the possibility of the emergence of an Asian-Pacific or Western Pacific sense of regionalism, for the ASEAN Countries in particular the presence of these two countries can act as a counterweight to the influence of Japan.

Still other readers of this book may be disconcerted by the heavy emphasis in the analysis on the relations between Japan, the United States

and Australia. Yet it is clear from the outset that this is the work of an economist who is based in Australia and who sees that the growth of economic co-operation is of great importance to the continued economic prosperity of his own country as well as the wider East Asian and Pacific region. The analysis understandably flows from this perspective. Overall it must be underscored that this book makes a major contribution to an increasingly significant topic.

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***Agricultural Trade and Protection in Japan.* By Jimmye S. Hillman and Robert A. Rothenberg.** Aldershot: Gower for the Trade Policy Research Centre, 1988. Pp. 96.

This is a small but important study on Japan's agricultural policy, focusing on the problem of how agricultural protection has emerged and persisted. Presenting a precise analysis on the subject from three different perspectives (1) the objectives of domestic economic planning, (2) the political coalition of farm and nonfarm interests, and (3) the response of international commercial diplomacy (p. 1), the book under review has done a superb job in coming to terms with nagging farm problems in Japan.

The book has three main chapters in tandem with the aforementioned three perspectives. Chapter 2 deals with the competitiveness of agriculture in Japan. The authors point out that there is a structurally built-in factor to aggravate agricultural protection and there are two sides of this competitive disadvantage: (1) the decisive comparative advantage that the manufacturing sector has achieved, and (2) the high comparative costs, or low productivity, of Japanese farmers relative to farmers in exporting countries (p. 6).

In a nutshell, the postwar policy of industrial development has exacerbated sectoral imbalances which has led to the systematic protection of Japanese agriculture, as embodied in the 1961 Agricultural Basic Law.

Consequently, what has happened in Japan is partial disengagement, that is rather than leaving the farm and moving to the place of non-farm work, the farmer himself has found outside employment on a temporary and seasonal basis. The emergence of massive part-time farms has in turn severely retarded productivity in Japanese agriculture. As the authors claim, "High returns to rice have been largely responsible for the entrenchment of small part-time farmers, which has obstructed concentration of land and capital needed for the viability of full-time farming" (pp. 30-31).

Chapter 3 deals with political aspects of Japan's agricultural protection. While recognizing the close relationship between the ruling Liberal Democratic Party (LDP) and the farm associations, the authors correctly argue that "the party that has dominated politics in the post-war era, the Liberal Democrats, receive more than three-quarters of their seats in the Diet from rural districts. Liberal Democratic governments have little incentive to promote an unfavourable shift in the balance of power" (pp. 37-38).

Furthermore, the Japanese public at large are concerned with increasing import dependence and insecurity, as the 1973 American soyabean embargo amply demonstrated. As a result, the view that trade liberalization may be detrimental to food safety has come to be shared among the public. This is a critical factor because "[a]lthough contradictions in its food policy grow more apparent every year, as long as the public accepts them, decisive choices can be indefinitely deferred" (p. 57). Thus, agricultural protection is portrayed as the *modus operandi* of a general policy on food in Japan.

Chapter 4 focuses on agriculture and foreign economic relations and takes a close look at the conflict that has been developing between Japan and the United States. The authors emphasize