ves aided exports of several Latin American countries, increasing such incentives held back Israel and Yugoslavia, while stressing import substitution impaired the export performance of India and Chile. Moreover, export expansion seems highly correlated to economic growth in these eleven economies and suggests that outward-oriented approaches which expect domestic resources to be reallocated according to comparative advantage, capacity utilization and scale economies are most beneficial in the medium term. In the final chapter of Part I, Balassa recommends a system of appropriate incentive schemes which have as much interest to *developed* as they do to *developing* economies, since they aim to reduce distortions in factor markets, improve resource allocation, and thereby accelerate productivity and stimulate growth.

Six case studies

The second part of this volume contains the case studies on the chosen sample of six countries, each authored by internationally-recognized experts with established knowledge of local policies. Since a similar methodology is used, more or less, in examining each country's incentive system, it is possible for the reader to follow fairly complex analysis readily. Each case study warrants a separate review, but three are representative. Berlinski and Schydlowski argue that Argentina's stop-go cycle of growth, inflation and devaluation is a consequence of the import-substituting emphasis in its trade policy and the anti-export bias in its incentive system. Israel's trade liberalization of the 1950s stalled and reversed in the 1960s, and Sussman suggests that failure to return to an outward-orientation in the 1970s can explain export growth slowdown, weak export diversification, and moderate overall economic expansion. Israel's incentive system needs to be rationalized and biases against both traditional (e.g., agriculture) and non-traditional (e.g., machinery) exports eliminated.

By the early 1960s, Korea had exhausted the scope for its import substitution strategy for non-durable consumer goods. Rather than adopting widespread protection of intermediate and durable goods, the Koreans opted in large measure for an export promotion strategy. Nevertheless, as Westphal and Kim point out, incentive policies have discriminated in favor of agriculture and those manufacturing sectors where import substitution retained some potential, but overall Korean effective protection has been low by international standards. Factor utilization and allocative efficiency are shown to have increased as a result of export growth, and this in turn has contributed markedly to Korea's outstanding overall economic performance through the 1960s and 1970s.

At a time when Canadian trade policy for the eighties is under review, this landmark World Bank volume underscores two key considerations. The record of protectionism and import substitution in the developing world shows clearly that this leads to factor misallocation, underemployment and hardening of the economic arteries. Whereas a balanced approach to export incentives, or at least removing anti-export biases, fosters foreign sales which in turn promotes efficiency, productivity and prosperity.

Keith Hay is Professor of Economics at Carleton University in Ottawa. He is director of a five-volume project on Canada/Pacific Rim trade and development policy for the Institute for Research on Public Policy. He contributed an article on Canadian trade policy in the 1980s to the July/August issue of ***International Perspectives.***

A Pacific Community?

by Iain Wallace

Region Building in the Pacific *edited by Gavin Boyd. New York: Pergamon Press, 1982, 282 pages, $US30.00.*

"The greatest blank on the map" has become "a nexus of global commercial and strategic relations." Thus has one recent author (Oscar Spate) summarized the revolution in perceptions of the Pacific Ocean which has been greatly accelerated in recent years by the emergence of Japan as an economic superpower. To what extent have the states bordering the Pacific taken stock of this change? Does the shared geographical orientation which has achieved explicit recognition in the increasing use of the term "Pacific Rim" in itself provide the basis of a durable community of interest among the circumferential nations? If the potential for an institutionalized regional community exists in the Pacific, on what functional bases would it rest, and what problems and opportunities face those interest groups concerned to promote and shape its development? These are the fundamental questions addressed in this addition to the Pergamon monograph series in Policy Studies on International Politics, edited by Gavin Boyd of Saint Mary's University in Halifax.

Boyd and his four collaborators agree that geography alone does not define the actors on the Pacific stage. Canada, the United States and Mexico are included, but the rest of the Western hemisphere is not, to any degree. Japan, Australia and the market economies of East and Southeast Asia are also principals, whereas the Soviet Union and China project their presence from offstage. What is new about the Pacific arena, as Sours's perceptive contribution brings out, is the absence for the first time in many centuries of a dominant hegemonic order, and the presence among the principal actors of a common lack of enthusiasm for a replacement. Hence if Japan and the United States are indisputably the core powers, their respective dependent peripheries have potentially much to gain from a multilateral regional grouping which could increase their policy options and leverage. In the economic sphere there is a buoyant regional trading system to build on. But are there adequate cultural and political commonalities to support the creation of a Pacific equivalent of the European Community, the scenario which Boyd elaborates in his final paper? Surely not.

Although not afforded the chapter-length treatment of those of some other actors, Canadian interests are well documented in Doran's chapter on US and Canadian perspectives. Ottawa's efforts at policy formation are ham-