

Book Reviews

their command and communications systems, trying to avoid being caught in the "window of vulnerability." And that instability can become "utterly alarming in the long run," a time which the professor — one notes with thanks — indicates is not yet quite here.

When the two major powers have strategic doctrines, whether MAD or NUTS, that differ widely this can lead to miscalculation and can fuel the arms race. And when the credibility of the deterrence system each is adopting becomes unstable or evaporates, then low-key crises can be



generated, leading to international ones. It is here, the authors claim, that the real risks lie, in an international crisis that acts as a catalyst to trigger nuclear war unintended by their governments. Such wars, based on false assumptions, start from the cumulative effect of misperceptions, of erratic behavior of leaders under stress, of improper handling of information or from the hazards of "group think," of organizational bottlenecks or operational procedures, and of failure to implement decisions due to their complex nature.

War is never efficient or by the book, any more than crises leading to it are, and Professor Frei details and assesses the unhappy scenarios and notes the urgent need for disarmament negotiations.

An interesting notion is argued by the authors: that nuclear proliferation is unlikely to trigger all-out nuclear war. It is more likely to start local wars, and even then possession of nuclear arms may breed caution in the possessor. Let's hope so.

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Developing the right way

by Keith A.J. Hay

Development Strategies in Semi-industrial Economies by Bela Balassa and associates. Baltimore: World Bank Research Publication, Johns Hopkins University Press, 1982, 394 pages, \$32.50 (US).

In the first nine months of 1982, we have witnessed a new and unsettling global trend towards international pro-

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tectionism, stressing "fair trade" not "free trade," and arguing that trade barriers can sustain national employment and incomes. That argument is widely refuted by the most careful analysis and case studies presented in the volume, whose recurring theme is that barriers to imports impede economic progress, whereas export incentives promote economic growth.

As its title suggests, this very substantial World Bank study examines policies to promote economic development in those countries which are at an adolescent stage of industrial maturity. The particular economies chosen for a detailed study are Argentina, Colombia, Israel, Singapore, South Korea and Taiwan. This is a country-group sufficiently spatially separated, ethnically diverse, and mixed in endowments of land, labor and capital to provide a relatively unbiased sample base. Each one of these countries can be classed as newly-industrialized (NICs), but none of them has yet achieved a well-balanced industrial base. Their policies and achievements are evaluated and compared using, from time to time, the experience of Brazil, Chile, Mexico, India and Yugoslavia as counterpoints.

Each of the six countries chosen for examination has an important international trading sector. Thus, the main thrust of the volume is to examine the interaction between policies that have supported import-substitution and/or export-promotion, with strategies for industrial development. It is well known from previous work on these and other NICs that links between commercial policy and industrial strategy are of vital importance since they may well determine which industries prosper and which perish, while also pushing resources out of one use and pulling them into another economic activity. What is surprising is that economic planners in many NICs have not always sought to use the tariff and foreign trade related subsidies and incentives as integrated elements in their overall industrial strategies. Moreover, there have been contradictory commercial policies in which countries have simultaneously promoted inward and outward oriented policies, sometimes even for the same industry. As with the NICs, it behooves Canada to carefully contemplate a set of trade policies that integrate rationally with monetary, fiscal and regional economic development policies.

Formula for success

The first part of this volume presents a methodological outline and overview of key issues. Bela Balassa gives a comprehensive review of techniques of estimating effective protection and effective subsidy. This latter draws on credit and tax preferences to widen the measures of resource reallocation and distortion. With these in hand the structure of incentives in the six NICs is examined, carefully revealing the inter-industry pattern of incentives and the effects they have on foreign trade. Balassa then looks at development strategies in a wider group of eleven countries (which incorporates the key six), whose candidacy for study rests on their having exceeded \$3,000 million (US) in manufacturing valued-added in 1970. Together they accounted for more than two-thirds of manufactured exports from the developing world. He concludes that by avoiding a bias against exports and against primary industries, Far Eastern economies (Taiwan, South Korean and Hong Kong) have achieved the best export performance. Adoption of incen-