in Japan that if one only criticizes agricultural policy, then it is as though one's research has been achieved. Ogura's work is substantially different from this usual sort of facile analysis. His is a powerful and superb analysis of Japanese agricultural policy. For specialists of Japanese agricultural policy, this book is a must; and having published it in English, Ogura has made it readily available to interested researchers around the world. I highly recommend that all such people give this book a perusal.

(Keizō Tsuchiya)

China's Exports since 1979 by Hong Wang, Studies on the Chinese Economy, London, Macmillan Press, 1993, xiv+262 pp.

In late 1978 China abandoned its autarkic policy and moved to an open-door policy. Since then it has experienced an enormous expansion of exports. Its exports in 1978 were only US$9.75 billion, just 0.8 per cent of total world exports, but these have increased at a rate of 16 per cent per year, reaching US$80.52 billion in 1992, and its share of the world total has risen to 2.2 per cent. Now China is applying for membership to GATT, and upon reentering GATT, it is certain that China will be an even bigger figure in the world economy.

This book by Hong Wang examines the performance of China's exports and analyzes the causal factors and policies that have influenced this performance. The features of this book which make it different from other studies on China's trade[1] are (1) its concentration on China's export sector, (2) its survey of debates on trade theory taking place in Chinese academic circles, and (3) its attempt at a microeconomic analysis of the export performance of Chinese textile and electronics industries.

Before getting into the details of this book, I must inform potential readers that this book, although published in 1993, contains data only up to 1988. Therefore, to those who expect analyses of the most recent details of China's exports, this book may be somewhat disappointing. Yet, since the major characteristics of China's exports in 1988 still remain largely unchanged today, Wang's book will be useful for those who want to know the background of recent structural changes in China's exports.

In Chapter 1 Wang provides a brief review of the history of China's exports before 1976. From the late Ch'ing dynasty up to 1949, China's exports had been largely sluggish. In explaining the reason for this fact, Wang challenges the orthodox view of post-1949 Chinese economists which lay the blame on foreign penetration into China, and argues that the lack of government encouragement and support for international trade were the main reasons for the sluggishness and that foreign penetration rather promoted the growth of exports. This tradition of China to avoid integration into the world economy was reinforced even further under the Maoist government which laid stress on self-reliance, especially after the split-up with the USSR in the early 1960s. Exports were regarded merely as a "necessary burden" to pay for the

[1] An example is a recent book by N. R. Lardy, *Foreign Trade and Economic Reform in China, 1978–1990* (Cambridge: Cambridge University Press, 1992), which concentrates on China's foreign trade system.

import of machinery and equipments. Wang's argument is new in that it regards Mao's self-reliance policy as a reflection of a traditional autarkic bias of the Chinese.

Chapter 2 deals with the changes in Chinese trade theory since China adopted its open-door policy in late 1978. The major breakthrough in trade theory in this period was that Chinese economists began to take a positive attitude toward the international division of labor. This paved the way for the policymakers to pursue an outward-oriented growth strategy. Academic circles then started to reassess Ricardo's theory of comparative advantage which suggests that China should export such goods whose production is less unfavorable to the country, such as labor-intensive manufactures. At the same time new arguments took place on the beneficial effects of exports for domestic economic growth. Wang's detailed survey of new trade theories show that these arguments helped greatly to emancipate the Chinese government and public from their traditional autarkic bias. However, from the theoretical point of view, Wang concludes that the contribution of these Chinese economists to trade theory was very limited due to the fact that they based their thinking on Marxian economics. He argues that further liberation from Marxist tradition will be advantageous for the development of trade theory in China.

In Chapter 3 Wang reviews and evaluates the policies for export promotion after 1978. First he examines China's exchange rate policy of the 1980s. According to his calculations, nominal devaluations of the exchange rate of China's currency in the 1980s resulted in real depreciations, and this did have a positive effect in promoting exports. Wang then reviews the policy of opening up four (and later five) special economic zones (SEZs). Although economists inside and outside China mostly paid attention to the slow growth of exports from SEZs per se, Wang argues that this problem would be hard to solve without the reform of China's centrally planned economy as a whole. This argument, which is based on data before 1987, seems to be outdated and incorrect now, since the exports of Shenzhen and Zhuhai SEZs exceeded their imports in 1989, and even under the austerity policy during 1988–91, when the pace of economic reform was rather slow, the annual growth rates of their exports were 26 per cent and 46 per cent respectively. Next Wang reviews the changes in the management system of foreign trade during the 1980s. Before 1978 foreign trade was monopolized by foreign trade corporations controlled by the Ministry of Foreign Trade, but after 1979 this system was largely decentralized. Industrial ministries and local governments were allowed to set up trade corporations, and a certain amount of autonomy was relegated to these corporations as an incentive to export. After decentralization of the foreign trade system, some confusion took place in the export sector, and some economists laid the blame on decentralization. Wang rejects this view and argues that this confusion was brought about by the lag in reform of the domestic system. While his discussion is persuasive, it would have been better if he had tried to answer the question whether the above-mentioned reform will be enough or if further reform will be needed.[2]

Chapter 4 examines the macro-performance of China's exports during the period 1979–88. China increased its share of world exports and diversified the commodity composition of its exports due to the dramatic rise in its export of manufactures. On the other hand, the distribution of its export market showed a tendency to concentrate, especially on Hong Kong. According to Wang's explanation, this was because China

[2] The Chinese government has apparently taken the latter view in the 1990s because it has now started to relegate authority to carry on foreign trade to a vast number of large and medium industrial enterprises.

made use of entrepôt trade through Hong Kong in an attempt to promote exports to the United States which set trade barriers against China. However it seems to me that the dynamic increase of entrepôt trade has mostly been caused by the transfer of production facilities from Hong Kong to mainland China by Hong Kong capitalists. It has been Hong Kong that has used China, not the opposite.

Chapters 5 and 6 deal with the performance of China's textile and electronic exports during the period 1978–88. Exports in these sectors experienced remarkable growth, and Wang argues that China's price competitiveness, mainly due to its low wage costs, was the main reason for the growth. Wang also points out that the vast increase of domestic production in the 1980s and the comparatively modest pressure of domestic demand created an exportable surplus. This may be true in the case of the textile industry, but it is incorrect for the electronics industry. In fact, the pressure of demand on electronic products was so severe in the late 1980s that the government had to control demand by the allocation of products and through a special consumption tax. Moreover, the method Wang uses in Chapters 5 and 6 to compare China's direct wage costs and those of other countries is not appropriate, because in China firms have to pay for the construction of apartments, medicines, primary schooling, pensions, and the like for workers besides wage payments, and these indirect payments for workers usually considerably surpass ordinary wages and bonuses. Wang also needed to take the rent paid by firms into consideration, since it seems that the cheapness of rent in China is another factor for the price competitiveness of its products.

In Chapter 7 Wang concludes that the expansion of exports is necessary for a developing country like China in that it can promote the acquisition of advanced technology and ideas. China succeeded in expanding exports after 1979 due partly to the implementation of an open-door policy, and partly to post-1978 reforms which brought about an increase in production and improved the quality of industrial products. In response to the "trade pessimists" who point out such factors as the slow growth of world trade, rising protectionism, and the low income elasticities of primary products which create unfavorable conditions for a developing country to follow an export-led development strategy, Wang stresses that an individual developing country can expand its exports considerably by eating into the export shares of other countries through its competitiveness in price and quality. This point is shown clearly in the earlier chapters of this book.

While acknowledging the contribution of this book's analysis to the study of China's foreign trade, I must point out that, besides the minor problems which I have mentioned above, Wang fails to investigate some important aspects of growth in China's exports. One is the role that foreign capital played in the expansion of exports. Although Wang points out that the increase in joint ventures in China's electronics industry led to an expansion of exports (p. 195), he does not investigate how they contributed to exports. In fact, foreign-capitalized enterprises gradually became one of the most important actors in China's exports, accounting for 25 per cent of China's total exports in the first half of 1993. Furthermore, exports in the forms of processing and assembling accounted for 47 per cent of total exports from China in the first half of 1993, and most of the exports in these forms have been undertaken by foreign-capitalized firms or quasi-foreign-capitalized township firms. Thus although the recent growth in China's exports has largely been due to the increase in exports by foreign-capitalized enterprises, Wang's book fails to analyze this aspect of China's export trade.

Second, although the main object of Wang's book is to investigate the appropriateness of an export-led growth strategy (p. 3), it seems that Wang confined himself too much within the export sector. To examine whether a country's export-led strategy is successful or not, it is not enough to point out only the fast growth of its exports. One must also investigate the effect of exports on the growth of the domestic economy. To be sure, Wang does point out that exports stimulated the acquisition of advanced technology (p. 200) and the absorption of unemployed workers (p. 209), but he does not point out the fact that the rapid growth of exports in the 1980s accelerated the process of industrialization in China, especially in the coastal areas. In order to fully estimate the applicability of an export-led strategy, I would urge Wang in his future study to investigate the effect of exports.

In spite of these problems, I feel that Wang's book, through a thorough analysis of China's export trade, has succeeded in demonstrating the main conclusion that a developing country can expand its exports even within an unfavorable trade environment. (Tomoo Marukawa)

Intersectoral Resource Flows and China's Economic Development by Yuming Sheng, London, Macmillan Press, 1993, xiii+188 pp.

Intersectoral resource flows is an important issue in development economics, which gives rise to such important questions as at the initial stages of development (1) which sectors did (or should) contribute resources or capital towards industrialization and (2) what policy measures were (or should be) adopted by governments in the promotion of capital accumulation.

The pioneer in the study of intersectoral resource flows and a great influence in the later theoretical and applied work done in this area is Preobrazhensky,[1] who created the "socialist primitive accumulation" hypothesis for analyzing industrialization in the Soviet Union. Since the publication of Preobrazhensky's idea, the view that agriculture is the only sector in the developing countries capable of contributing resources towards industrialization has become very popular among economists in the countries of the West.

In contrast, the empirical work done by Ishikawa[2] on China during the 1950s has indicated that during the latter half of that decade, the agricultural sector was transformed into a 100 per cent recipient of resources generated in the nonagricultural sector, and led Ishikawa to the normative proposition that at the initial stage of development, it is necessary for resources to flow to the agricultural sector from the nonagricultural sector.

Later Ishikawa[3] extended his time period to support his conclusions about intersectoral resource flows in China, and Nakagane[4] carried out a detailed study simulating

1 E. Preobrazhensky, *The New Economics* (London: Clarendon Press, 1965).

2 Shigeru Ishikawa, "Resource Flow between Agriculture and Industry—The Chinese Experience," *Developing Economies*, Vol. 5, No. 1 (March 1967).

3 Shigeru Ishikawa, "Patterns and Processes of Intersectoral Resource Flows: Comparison of Cases in Asia," in *The State of Development Economics: Progress and Perspective*, ed. G. Ranis and T. P. Schults (Oxford: Basil Blackwell, 1988).