Masashi Nishihara sees another dilemma in attempting a different mix in Japan's security relationships. New military deployments will set off alarm bells in China, and possibly destabilize the region. However, with China enhancing its defense structure in what Beijing perceives to be a post-cold war power vacuum, and North Korea creating a nuclear weapon capacity, the U.S. must affirm its continued defense role in Northeast Asia or risk a slide into conflict and confrontation by the region.

A skeptical interpretation of Japan's past defense calculus is the main contribution of Kenneth B. Pyle, who considers Japanese policy as favouring continuation of the U.S. security umbrella. It is imperative for Japan to be assimilated into a regional security structure, and for it to play a more responsible role in regional multilateral security arrangements.

The third part of the book examines political economy issues, with Kent E. Calder suggesting a more active Ministry of Foreign Affairs and a larger foreign aid bureaucracy — as if interventionism in domestic politics by the diplomats will be more effective in a global role, and a bigger bureaucracy is better. Edward J. Lincoln examines trade and investment, and notes that foreign investment in Japan and by Japan will lead to greater international sensitivity and reduced parochialism, with direct investment as a form of hostage-taking to moderate government behavior. In the chapter on Japanese capital exports, Danny Unger notes how the Japanese economic model is increasingly attractive to the NICs of Asia. An analysis of Japanese technology demonstrates the extent to which it is a contributor to — as well as a beneficiary of — the global pool of scientific and technical knowledge, although one should be wary in using the number of patents as an indicator of creativity.

The book is a solid contribution to understanding Japan's place in the world, and the constraints on change. It would have been more complete if an essay summarizing some of the ideas on Japan as a developmental state and the new thinking on the closed nature of the Japanese economy was included.

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INTERNATIONAL ADJUSTMENT AND THE JAPANESE FIRM. *Edited by Paul Sheard. St. Leonards (Australia): Allen & Unwin (in association with the Australia-Japan Research Centre, Australian National University, Canberra). 1992. xii, 251 pp. (Figures, tables.) A$29.95, paper. ISBN 1-86373-417-1.*

MANY foreign firms view Japanese keiretsu and other long-term interfirm associations (and Japanese regulations) as responsible for the closed nature of the Japanese market.

Paul Sheard, who has made major research contributions to our understanding of Japanese firm behaviour, has collected in this volume ten papers on Japanese corporate groups and how they affect market access in Japan. These papers were presented in a conference entitled "Japanese Corporate Organization and International Adjustments" held at the Australian National University in September 1988. The papers are carefully summarized and interrelated in an introductory chapter.

The paper by Paul Sheard and Christopher Findlay and the one by Masahiko Aoki examine the general workings of Japanese firms in comparison with Western firms. Both papers emphasize the use of standard economic theories, including organization and bargaining theories. Sheard and Findlay note that Japanese-style interfirm relationships among nonintegrated firms cannot be said *a priori* to be less market-oriented than Western style business relationships that involve highly integrated firms with market-governed interfirm interactions. They note that foreign firms wishing to do business with Japanese firms face a menu of relationship choices ranging from arm's length export and import contracts to long-term associations with Japanese firms. The thrust of the papers in this volume suggests, however, that arrangements of the latter type are much more likely to succeed.

Sheard and Findlay also speculate on the possibility that Japanese firms may change their practices in response to lessons learned from their foreign operations. So far, the considerable interest Japanese firms have shown in transferring relevant foreign technologies and technology management methods from abroad is in contrast to their lack of interest in transferring other Western management know-how and organizational practices. Aoki's discussion of the long-term interdependent nature of Japanese business practices explains why Japanese firms cannot simply adopt Canadian personnel management practices in their home operations, such as those for dealing with female workers, even though these firms do adopt these practices in their Canadian operations.

The papers by Motoshige Itoh and by Banri Asanuma discuss, respectively, how long-term interfirm arrangements for product distribution and for supplier-manufacturer transactions, which many foreign firms view as impediments to their market access, can be economically efficient under certain conditions. In discussing international technological linkages involving Japanese firms, the paper by Ken-ichi Imai points out that the distinction between the firm and the market is becoming increasingly "fuzzy." Thus there are conceptual problems in relating the notion of market access to closed interfirm relationships. The vertically linked (but not ownership-based) interfirm relationships found in the Japanese tourism industry, and the potential effects of these on market access, are discussed in the paper by Peter Forsyth and Neil Smith. They find that airline regulation is a more serious problem than interfirm relationships are.

The paper by Christopher Findlay, James Crowley and Melissa Gibbs discusses how Australian exporters of fresh produce (e.g., seafood, fruit, vegetables) have accomplished the successful vertical integration of the system of production and transport using various types of contracts and ownership. The two papers by Sheard, reprinted from the *Journal of the Japanese and International Economies*, discuss, respectively, the interfirm risk-sharing function of the Japanese general trading firms and the bank-based risk-sharing mechanisms for firms in the declining Japanese aluminum industry. Japanese general trading firms facilitated massive imports of aluminum during a recent restructuring period. Sheard points out that this is contrary to the standard notion that corporate groups generally impede imports.

All papers in this volume are readable without a specialized knowledge of economics. The volume would provide useful supplementary readings for courses in various disciplines on contemporary Japan.

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JAPANESE CITIES IN THE WORLD ECONOMY. *Edited by Kuniko Fujita and Richard Child Hill. Philadelphia (Pennsylvania): Temple University Press. 1993. xi, 311 pp. (Tables, figures.) US$44.95, cloth. ISBN 1-56639-034-6.*

IT has long been recognized that the evolution of cities cannot be understood solely in terms of their local or even national functions. In an age of globalization, urban development is dependent on the way it is linked into the wider system. Needless to say, the strength of the linkages between different cities and the world system varies greatly. Nevertheless, insofar as the development of the world economy has created an interlinked economic system, different cities perform the roles allocated to them within that system.

This is an approach which has been employed to explain urban and regional change in the developed world, and the theme of the book edited by Fujita and Hill stems from this argument. Most of the twelve essays discuss the period from 1975 to 1990 when Japan's economic growth slowed, compelling it to forge a role in the world economy beyond one based on traditional mass production and export-led industries. The oil crises of the 1970s and the rising value of the yen in the late 1980s forced Japanese corporations to concentrate on new economic activities. These are now focussed on product design and development, the manufacture of high value-added sophisticated industrial and consumer goods and components, corporate control of overseas production and sales networks, as well as international finance.

Chapters by Miyamoto, Douglass, Fujita and Hill and others show that this new role for Japan has had diverse outcomes among its top three major urban centers. For example, Tokyo has captured most of Japan's international financial industries and now ranks alongside New York and London in the global financial system. Together with its hinterland Tokyo has also been successful in securing much of the nation's new high technology machinery industries and R and D laboratories. By comparison, Osaka and the surrounding Kansai region have had to reshape a problematic industrial base still concentrated largely on textiles and heavy industries, and are challenged in attempting to retain their share of economic activities. Their strategy is to target new industries and the fast