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Introduction

The Pacific Basin has witnessed a rapid growth in development and trade. As a result of an increased need for basic raw materials, a demand for efficient semiskilled labor, and détente, the future appears bright for a still faster expansion.

To mark the opening of the West Coast office of the National Bureau of Economic Research, a conference on "International Trade, Finance, and Development of Pacific Basin Countries" was held on December 6-7, 1974. Papers and discussion covered a variety of related topics. Among them, several appeared particularly useful to the nonspecialist in international trade desiring an overview of the current state of knowledge. In order to make this information more widely available, three of those papers have been selected for inclusion in this volume.

In "The Characteristics, Motivations, and Effects of Japanese and United States Direct Investments in the Pacific Basin," Steven Kohlhagen critically reviews existing studies on the motivations of investors and the characteristics of private investments in the region. He furnishes the reader a basic grasp of both past events and the major issues facing investors or those governments interested in attracting or controlling foreign investments in their economies. Growth in knowledge concerning direct investments depends upon a further development of theories that can be made operational and upon their actual testing.

Bert G. Hickman and Lawrence J. Lau survey national econometric models in the Pacific Basin and evaluate the feasibility of linking them. They find that trade between Latin America and the Western Pacific is relatively unimportant, but that the relationships among the other nations of the region are significant. The Pacific Basin forms a logical area for

study. There is a direct interest in the relationships that exist within it. In addition, it contains significant examples pertinent to other areas. Hickman and Lau examine the types of econometric models available to explain both income and trade in the developing countries. A strategy distinct from that used among developed countries may be necessary to link the trade and balance of payments of these countries with those of developed countries, and development of such linkages appears both feasible and worthwhile.

Kozo Yamamura presents "A Retrospect and Prospect on the Postwar Japanese Economy." Observers of the Japanese economy have been impressed by the fact that growth in real output averaged over 10 percent a year for two decades. Yamamura examines the sources of this growth. He also analyzes the changes that appear probable because of the internal pressures created by such growth and because of outside shocks resulting from the 1973 oil crisis and increased concern over both prices and availability of other raw materials in the future.

The value of each of the papers to readers is greatly enhanced by the authors' inclusion of extensive bibliographies of the topics covered. Each paper is followed by a brief summary of some of the discussion it called forth at the conference. These summaries aid in sharpening and raising questions with respect to the problems considered.

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