

makers seem to be focusing on Vietnam (Schröder 2021). Do these changes signal the end of the long domination of Japanese MNCs in automotive production in the region? And will these developments lead to the emergence of a new “Detroit in Asia”? Perhaps the authors can be persuaded to write a second volume in view of these questions and other emerging trends in the Southeast Asia.

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***The ASEAN Way: Sustaining Growth and Stability*, edited by Ana Corbacho and Shanaka J. Peiris.**
Washington, DC: International Monetary Fund, 2018. Pp. 308.

The Asian Financial Crisis (AFC) had a deep and long-lasting impact on Southeast Asian economies. The crisis had adverse economic effects and brought about significant policy reforms in its aftermath. The overall goal of this book is to provide empirical evidence on how policies (monetary, exchange rate and macroprudential) and institutions related to the financial sector have evolved since the AFC. The volume focuses on the five original member states of the Association of Southeast Asia Nations (ASEAN-5), namely Indonesia, Malaysia, Singapore, Thailand and the Philippines. In general, the period covered straddles from the pre-AFC phase (early 1990s) to around 2017. This coverage enables an in-depth comparison between the two major economic crises that have hit the region—the AFC (1997/98) and the Global Financial Crisis (GFC, 2008/09)—and the intervening periods.

The nine chapters that make up the core of this book are organized into three parts. Part 1, which comprises two chapters (Chapters 2 and 3), provides a broad assessment of the monetary policy and financial stability in the region. Specifically, Chapter 2 examines how ASEAN-5’s monetary policy frameworks have evolved over time. The chapter provides useful descriptions of the governance structure of the five central banks, their monetary policy frameworks (for example, inflation-targeting) and the supporting role played by exchange rate flexibility. The overall performance of the policy frameworks in the post-AFC period, evaluated in terms of inflation and growth, is positive. Chapter 3 then provides a useful overview of the differences and similarities in the structure of financial systems across the ASEAN-5 countries. Important similarities include the extensive presence of financial conglomerates and government ownership in the financial sector. In terms of financial stability, several measures indicate that the financial systems in ASEAN-5 economies have become more resilient in the post-GFC era (up to 2017).

Part 2, which is composed of three chapters (Chapters 4, 5 and 6), is devoted to the assessment of policy responses to global cycles and spillovers. Chapter 4 provides evidence on the impact of global financial shocks on domestic financial conditions. This is done through two transmission channels: first,

the global financial cycle, which drives capital flows and asset prices; and second, US interest rates, which affect monetary and credit conditions. This naturally leads to detailed analysis of both pathways, which is undertaken in Chapter 5. The monetary policy responses are assessed by estimating the Taylor rule reaction functions, which indicate that ASEAN-5 central banks respond to both domestic stability conditions (such as inflation) and external conditions (such as US interest rates). From time to time, exchange rate interventions are also undertaken to deal with capital flow shocks. Chapter 6 analyses the use of macroprudential policies, which have recently become more important in light of the limitations of monetary policies in ensuring financial stability. This chapter provides useful classification and descriptions of the various types of macroprudential tools. Through a number of examples, the authors show that the use of macroprudential policies in ASEAN-5 has evolved towards broader prudential instruments (for example, real estate and credit-specific tools). These tools have also reduced the procyclicality of credit and asset price growth.

In Part 3 of the book, four chapters are devoted to future challenges in the areas of monetary policy (Chapter 7), economic vulnerability (Chapter 8), macroeconomic policy synergies (Chapter 9) and regional financial integration (Chapter 10). Chapter 7 examines the various ways in which monetary policy frameworks need to be upgraded in response to the “new normal”, which is characterized by the normalization of monetary policy in advanced economies, inflationless economic recovery, and low natural rates of interest. In Chapter 8, policy improvements related to financial sector regulation and macroprudential frameworks are discussed with the view of addressing future economic vulnerabilities arising out of greater financial interconnectivities and corporate debt trends. Chapter 9 then explores the effectiveness of combining different policies to manage economic fluctuations, maintain financial stability and sustain long-term economic growth. These combinations include synergies between monetary and macroprudential policies, and between monetary and fiscal policies. In the final chapter (Chapter 10), an overarching empirical analysis of the state, drivers and benefits of ASEAN financial integration is undertaken. The discussions on policy challenges end with the recommendation that a gradual approach to regional financial integration is best suited for the region.

Overall, the volume provides a rich and detailed analysis of how monetary and macroprudential policies have evolved in the ASEAN-5 countries since the AFC. The book effectively interweaves policy issues with rigorous empirical analyses. Readers will also benefit from the comparative approach of the book as it highlights not only the structural and institutional diversity across the five nations but also some of the similarities and differences in their policy responses. Although the ongoing COVID-19 pandemic has changed the economic landscape, much of the analysis covered in this book remains relevant.

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