

***Business, Markets and Government in the Asia Pacific.* Edited by Rong-I Wu and Yun-Peng Chu. Routledge, 1998. 348 pp.**

This comprehensive volume arrives at an interesting time in East Asia. While none of the chapters make any mention of Asia's ongoing financial crisis, they address a number of issues that are becoming quite salient as governments in the region attempt to reform their domestic business environments. An important factor that contributed to the present crisis was the internal market distortions which, once uncovered, contributed to the loss in investor confidence. As private and public sector institutions throughout Asia embark upon the legal and regulatory reforms necessary to prevent these problems in the future, they are having to re-examine the historical relationships between business and government. However, as the authors in this volume suggest, there is no existing consensus on what the outcome of the reform process will be; foreign investors and exporters should not necessarily expect Asian business systems to abandon the non-contractual relation-shaped business practices that have characterized business environments in the region for so long and opt for greater transparency and accountability.

The first paper, by Wendy Dobson (pp. 24–47), sets the stage by providing an overview of four different Asian business systems (the *keiretsu*, the *chaebol*, the Chinese family firm, and the Southeast Asian conglomerate) and reviews some of the factors that may contribute to their evolution over time into more contract-based/transparent arrangements. Her paper ends with some comments on how international arrangements, such as the Asia Pacific Economic Co-operation (APEC) forum and the World Trade Organization (WTO), may contribute to reform in this area. Subsequent papers examine the question of convergence in greater detail; some highlight specific national experiences in deregulation and/or changes in particular sectors (Justin Yifu Lin on China; Ushio Chujoh and Hirotaka Yamauchi on air transport in Japan; G. Naidu on the Malaysian power sector; Thiraphong Vikitset on the Thai power sector; John Ure and Araya Vivorakij on telecommunications) while others consider how multilateral trade and investment arrangements may help foster greater transparency (Alan Bollard and Kerrin M. Vautier on APEC and the CER; P.J. Lloyd on APEC).

This collection of conference papers is useful for a number of reasons. First, it reminds us that, even at this time when market-oriented reforms and transparency seem to be the order of the day, there remain significant obstacles to greater convergence and transparency in competition policy, and important questions on whether or not this is even desirable. Secondly, it helps readers understand why

various Asian countries opted for what seem (to Western observers) to be closed and inward-looking business systems, rather than simply attributing them to "corruption" in public and private sector circles.

Many of the authors rightly point to the dearth of laws meant to ensure competition and transparency in domestic business systems, as well as lax enforcement of existing laws, as the principal factors that have shaped Asian business environments (Dobson, pp. 36–38; Ure and Vivorakij, p. 252); in order to reduce transaction costs and risks that could not be regulated through the legal system, corporate managers relied on their own networks of trusted individuals. Some argue that if the legal/regulatory framework was improved, greater efficiency could result (Lin, pp. 78–81). Already, through the use of codes and licensing arrangements, greater competition has been introduced in certain sectors (Naidu, pp. 291–92). However, as noted earlier, the authors are wary of claims that this will necessarily result in any sort of convergence with Western-style business practices.

Dobson, like a number of other authors in this volume, concludes that convergence between Asian and more Western-based models is not likely to happen. While a number of Asian governments (Dobson points to Korea and Japan, in particular) have been encouraging greater deregulation within the domestic economy in order to promote the use of high technology and increase efficiency, decades of government co-ordination has created a series of vested interests. Because further deregulation will jeopardize their privileged positions, they will resist efforts towards greater transparency.

While the volume is quite comprehensive, future studies of the business–government nexus should attempt to address the following issues in greater detail. While a number of the papers touch on the importance of an appropriate legal/regulatory framework, they do not offer very much detailed guidance on what steps could be taken to improve existing laws and regulations. While such an examination would require considerable research in order to be exhaustive and, arguably, falls outside the purview of this text, additional work in this area would constitute an important contribution to this body of literature. A case study approach, where the focus would be on the regulatory environment pertaining to a particular sector in a specific country, may provide a useful way of getting at these important issues.

Furthermore, a thorough assessment of the welfare effects of changing competition policies would also be welcome. Although Ure and Vivorakij take a moment to address this concern, their review is quite brief. Changes to the rules and norms governing domestic business systems have a considerable impact on employment and income levels. Apart from the additional information that this would reveal, other

developing economies that are considering changes to their regulatory environment may be able to draw useful lessons from the experience of others.

A number of the authors look to APEC as a possible mechanism which can help resolve some of the intra-regional disparities in competition and trade policies (Dobson, pp. 43–45; Lloyd, pp. 157–77; Wu and Chu, pp. 188–97). Through additional working groups, continued negotiations and/or convergence with existing sub-regional trading agreements, the hope is that Asian governments will be able to learn from those countries which have strong legal frameworks. Policy-makers and analysts, however, should not put too much faith in APEC's ability to address competition policy issues. At present, only APEC's Committee on Trade and Investment (CTI) has undertaken any work on the harmonization of competition policies (Lloyd, pp. 60–61), and its progress has been slow. The CTI has merged its efforts in this area into the Individual Action Plan (IAP) process. Not only is it difficult to gather relevant and useful information, but competition policy has not been made a priority within APEC and, as a result, it does not get the consistent attention it deserves. While some have suggested that APEC create another working group to focus exclusively on competition policy issues, the possibility of such a group is very slim. APEC officials are reluctant to add any more working groups as doing so would make APEC's work programme more challenging (and cumbersome?) than it already is.

Despite these minor suggestions and criticisms, this volume is excellent and a useful resource for policy-makers and academics alike. Each of its papers serves as a useful reminder that, even at this time when market-oriented reform and integration seem to be the order of the day, significant barriers remain. By taking the time to look at the strategic environment (that is, the nexus of relationships and resulting incentive structures) within which firms in Asia operate, the authors highlight the (often forgotten) fact that there are sound and (given the particular circumstances of the time) "rational" reasons why East Asian business systems have organized themselves the way they have. Through its realistic appraisal of the possible obstacles that may prevent intra-regional convergence in competition policies, the authors have highlighted a number of important issues which policy-makers should take note of.

XAVIER FURTADO
De La Salle University