"bank-of-payment" (p. 172) which should read as "balance of payments".

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Exchange Rates and Foreign Direct Investment in Emerging Asia: Selected Issues and Policy Options. **By Ramkishen S. Rajan.** London and New York: Routledge, 2012. Pp. 215.

The author is no stranger to both themes of exchange rates and foreign direct investment (FDI) and is eminently qualified as an Asian expert. Many chapters in this book are revised versions of co-authored articles with globally affiliated colleagues, noted in the Acknowledgements (p. xxiv). Forewarned is forearmed for readers as the author is as mathematical and quantitatively inclined as any econometrician.

This two-part ten-chapter book is well supported by research and empirical evidence in statistics and figures. It is as elucidating as it is timely with the global financial crisis (GFC), rising China, India and the rest of Asia, in emphasis. Six chapters in Part 1 cover exchange rate regimes and policies, the rest in Part 2 on FDI in emerging Asia. Each chapter title is posed as a question with the "answers" and concluding remarks as highlights.

Chapter 1 is on Singapore and Taiwan as small, open economies in contemporary globalization, managing exchange rates and build-up of foreign exchange reserves (Figure 1.2, p. 4, pre-GFC). Their de facto sterilization and capital mobility policies are seemingly justifiable versus no sterilization in most monetary models on exchange rates and balance of payments (BOP). In contrast, Singapore and Hong Kong remain the most open (ratio of trade to gross domestic product) small city-states, but diametrically opposite in monetary exchange rate policies. Competitive, rivalrous, successful development models, all three are exemplary, enjoying BOP and foreign reserve surpluses.

Chapter 2 is on exchange rate pass-through (ERPT) transmission, appropriately shedding more light into the currencies of developing and emerging economies via changes from trade prices. In particular, pricing-to-market (PTM) elasticities for India's top five export markets (the United States, China, United Arab Emirates, Singapore and Hong Kong (pp. 34–44) are estimated. Post-GFC, as more intra-Asian trade is needed, more research is urged as in "most of developing Asia, the literature supports incomplete ERPT" (p. 34), with ERPT highest for Thailand and Indonesia, but somewhat lower for Japan (p. 44).

Chapter 3 broadens the de facto exchange rate flexibility in strong evidence of heavy currency management in Bangladesh, India, Indonesia, Pakistan and Sri Lanka. With the rest in fixed U.S. dollar exchange rate regimes, India is a managed floater, joining other East Asian economies in building up reserves (Figure 3.1, p. 56) and leaning against the wind to manage global volatility. Decoupling or East-West as growth engines is controversial, East Asia's currency undervaluation has lessons for South Asia in resource reallocation, fiscal consolidation and productivity of non-tradeable sectors. They impinge on domestic reforms, notably for India with poorer infrastructure to also heed the political economy of the U.S. branding China as a currency manipulator, as a start as of now.

Chapter 4 shows the vulnerability of shocks versus emerging Asia's pre-GFC benefits as relatively open to global trade and FDI. Using the classic Swan framework (Figures 4.1–4.5, pp. 67–73), the author assesses policy responses with more questions posed for maintaining both internal and external balances. As post-GFC's "new normal" possibly includes a lower standard of living for the United States and the European Union, short-term policy responses for interest rates and exchange rates to shocks are as hard for Asia. Nuances and idiosyncrasies mean no template "one-size-fits-all". All suffer the socio-politics of jobs at risk. Consequently, domestic politics inevitably always prevail over any cooperative international political economy order for overall sustainability.

The classical "trilemma" or "impossible trinity" of juggling a fixed exchange rate, free capital movement and an independent monetary policy remains. The author underscores a prisoner's dilemma (p. 74) in exchange rate policies.

Chapter 5 analyses some issues of global macroeconomic imbalances in trade and overall BOP, notably, China and East Asia vis-à-vis the United States. China's structuralist approach in a two-sector model of tradeables and non-tradeables allocates resources with intended or unintended consequences on real macroeconomics and sectors. Its renminbi undervaluation is another reminder of the United States pressuring Japan then in the 1980s. Neither "doing the right thing" is any panacea to fundamental American BOP imbalances and competitiveness. This time is different as the GFC is extended from the made-in-U.S. subprime mortgage crisis to the eurozone contagion. Asia getting wiser as Japan did with U.S. rhetoric, is a reality check for all, the United States included in confronting issues of exchange rates and FDI.

Part 2 begins with Chapter 6 in an overview of selected Asian FDI policy issues in tandem with international production, trade and technological developments. Transnational corporations (TNCs) and FDI go hand-in-hand to maximize the usual benefits (Table 6.7, pp. 110–12 on productivity findings around the world) and minimize the costs in strategically balanced policies. The conclusion is clear that permanent poverty eradication in the vast Asia-Pacific region remains a particularistic nation challenge more so to mitigate as post-GFC. Lessons of successful Singapore notwithstanding, the ultimate political will to act on policies makes a difference.

Chapter 7 is pioneering to investigate South-South FDI and outward FDI (OFDI) in Asia at both bilateral and intra-Asian levels for the period 1990–2005. The augmented gravity model is the framework examining the determinants of FDI flows including transactional and informational distance, and variables of the real sector, financial and institutional quality. The results confirm that free trade agreements (FTAs, pp. 132–38) are in the right direction for intra-regional FDI activity, albeit the Asian FTA noodle-bowl.

Singapore's development strategy and policies crafted accordingly for OFDI for maintaining international competitiveness is the case-study in Chapter 8 with three goals. One goal is telling its unique story since 1960. Two is Singapore Inc burnishing Japan Inc's government-led *keiretsu* via government-linked companies (GLCs) and tripartitism wherever appropriate. Finally, identifying the challenges of Singapore Inc. by an external "examiner" is as refreshing as it is necessary. That said, Singapore is a *sui generis* case unto itself in cross-cutting policy implementation.

India is the next FDI case-study in Part 2, Chapter 9, often compared and contrasted with rising China, both billion-populated. Less aggressively globalized, India is at a crossroads plus its role the subcontinent in the first instance vis-à-vis China in and outside Asia. The findings reaffirm India's infrastructural handicap, currently finessed by the corporate private sector as the last resort, without China Inc.'s state-owned enterprises (SOEs) for all its warts in dual roles as directing economic growth plans and controlling ownership. India Enterprise is neither here nor there with a dysfunctional government.

Chapter 10 revisits the efficacy bilateral capital flows in the extant literature. The gravity model is in the context of new modalities of FDI and information communication technology (ICT) vis-à-vis distance as impacting various types of capital flows differently, namely, FDI, foreign portfolio investment FPI and mergers and acquisitions (M&As). Limiting to such equity flows for the period 2000–07, the chapter concludes that distance affects FDI via M&As relatively more than FPI. Distance has an almost equal inhibiting effect on FDI via M&As and FPI as broadly similar financial transactions with different ownership thresholds.

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