

BOOK REVIEWS

DOI: 10.1355/ae32-3h

***Asia Rising: Growth and Resilience in an Uncertain Global Economy.* Edited by Hal Hill and Maria Socorro Gochoco-Bautista.** Cheltenham, UK: Edward Elgar and Asian Development Bank, 2013. Pp. xvi + 424.

Asia Rising takes stock of Asian economies in the aftermath of the 2008–09 Global Financial Crisis (GFC) and evaluates challenges and opportunities for continued growth. It opens with an editorial overview; continues with thematic chapters on a variety of topics linked by a common concern with investment; and concludes with country studies of Malaysia, Indonesia, India, China, Thailand and the Philippines. The seventeen contributing authors are economists either in regional academic institutions or at the Manila-based Asian Development Bank.

The book's central concern is, in the editors' words, "how developing middle-income Asian countries maintain their economic dynamism and navigate through deep economic crises against the backdrop of continuing global uncertainty and instability" (p. 3). The focus is on macroeconomic dimensions, notably in managing the inevitable slowdown from earlier decades of rapid growth and dealing with the effects of external economic challenges, like the GFC, that threaten to push domestic savings, investment and financial development off their desired paths. The primary contribution is to help us understand better how investment, the wellspring of economic growth, is affected by global shocks in a set of economies with imperfect markets, policies and institutions.

Authors of the thematic chapters deploy a wide variety of methods and data. Chapter 2 by Emmanuel De Dios and Geoffrey Ducanes,

entitled "Institutions and Governance", deploys a linear regression model with a 164-country data set to investigate the influence of institutions on change in investment/GDP ratios from 1991–95 until 2002–06. They conclude that "governance and institutional factors do exert an influence on investment in Asia and that they form part of the explanation of the observed investment behaviour in the region". Similarly, Chapter 3, by Douglas Brooks and Eugenia Go, sets up a Solow-type aggregate growth model and then proposes a large array of infrastructure investment proxies to be included as additional explanatory variables, in estimates based on a panel of 123 countries over the period 1971–2005. They report (among other things) that investments in telecomms, road and air transport systems and "energy consumption" all support economic growth. However, this chapter reports neither data nor econometric results, so it is impossible to evaluate the authors' claims. More generally, the use of global data sets and generic models in both these chapters makes it *a priori* difficult to identify phenomena specific to developing Asia.

In other thematic chapters, Kyoji Fukao (Chapter 4) sets up a dynamic macro growth model and uses it to evaluate the likely impacts of an exogenous drop in productivity growth on capital accumulation and other indicators of economic structure and performance. Charles Horioka and Akiko Terada-Hagiwara (Chapter 5) and Shin-ichi Fukuda (Chapter 6) present careful examinations of Asian (rather than global) cross-country data to explore, respectively, the role of demographic trends as drivers of household savings rates, and the contribution of financial development to investment growth. Diane Desierto (Chapter 7)

presents a textual analysis of ASEAN investment treaties.

The six country chapters document responses to the 1997–98 Asian Financial Crisis (AFC) and GFC, taking a more narrative approach. Chapters on China (by Siow Yue Chia) and Thailand (Bhanupong Nhidiprabha) are both very nice examples of near-term macroeconomic history. As with the earlier chapters, a concern with investment (or, in some cases, the lack of it) is common to nearly all the country chapters. Several make the point that domestic investment rates were quick to decline, yet slow to recover during the 2000s for reasons that went well beyond the AFC itself to deeper weaknesses, notably the lack of complementary infrastructure or governance institutions. These are conclusions that were anticipated in the thematic chapters. Surprisingly, however, there is not more direct treatment of the role played by international financial markets, which during the 2000s tended to offer higher risk-adjusted returns with lower planning horizons than could be found in much of Asia following the AFC and accompanying exchange rate floats.

Looking beyond trends in investment, there is another fascinating, if understated theme running through several chapters: the persistence of the policy trade-off between steering growth and development toward specific goals and simply allowing markets to work. Tham Siew Yean's chapter (Chapter 8) exhibits this dilemma in its analysis of the Malaysian government's ongoing tensions between promoting growth and rebalancing economic opportunity among racial groups. Likewise in Ali Kuncoro's chapter on Indonesia (Chapter 9), the tension between development goals and market incentives is again a significant back-story. In the wake of the AFC, Kuncoro notes, Indonesia's economic conditions and business confidence did not provide strong incentives for new investment, which lagged as a consequence. Seeking to restart growth, the government and Bank Indonesia leaned hard on financial institutions to extend credit — even to the extent of punishing banks that underperformed on mandated lending targets. The ultimate failure of this strategy may be becoming fully evident only now, as Indonesian GDP growth slips steadily

down from its pre-AFC heights to below 5 per cent annually.

A title like *Asia Rising* implies a fairly ambitious subject matter domain, even for economists. Inevitably, the focus must be narrowed if the book is to achieve any depth. In *Asia Rising*, the editors have made the decision to focus on short-run stabilization and medium-run drivers of investment and savings — which are themselves key determinants of long-run economic growth — without getting too deeply into growth itself, let alone a host of other relevant development questions. Coverage of the chosen topics, especially in country chapters, makes for very rewarding reading. Where the volume strays into longer run questions, it reveals a few weaknesses. These are internal to some chapters, such as De Dios and Ducanes' chapter on institutions and governance, which by treating measures of institutional strength as exogenous, leaves us wondering how to interpret the dynamics of growth in countries like Singapore, initially poor and corrupt but later wealthy and uncorrupt. But more tellingly, to the extent that thematic chapters dwell on long-run subjects, their connections to the country chapters are somewhat weaker.

Empirical studies of shocks and responses are inevitably backward-looking, and it is fair to ask what lasting value resides in a volume consisting of studies prepared in the midst of the GFC. However, the threats that global instability pose to developing Asia are substantial, exogenous, and continually evolving, and this certainty ensures that insights in this volume will remain relevant for some time to come.

One need only think of the current challenges in late 2015 to regional macroeconomic stability posed by China's growth slowdown and the belated North American economic recovery. The former has depressed terms of trade for resource exporters and slowed export demand growth for regional manufacturers linked to the China-centred regional production-sharing system. The latter, as U.S. interest rates begin to rise, will begin to drive up investment costs in a region marked by a high degree of international capital mobility. Consequently — and especially while developing Asia's other two major markets, Japan

and the EU, remain depressed — pressures for diminished planned aggregate investment, together with lower net export balances across the region, will most likely create or widen output gaps. These in turn will exert downward pressure on employment growth, wages and earnings, and will create new stresses on public sector budgets in economies where — as the editors remind us in their introduction — spending on infrastructure, healthcare, education and social protection is already inadequate. These stresses will be most evident where institutions are less robust and growth policies are less well designed. As long as global instability interacts with these challenging areas of domestic development, *Asia Rising* will continue to provide a valuable reference for Asia-focused researchers and policy analysts alike.

IAN COXHEAD

*University of Wisconsin-Madison, Taylor Hall,
427 Lorch St, Madison, WI 53706, USA
email: ian.coxhead@wisc.edu*

DOI: 10.1355/ae32-3i

***The Oxford Handbook of Asian Business Systems.* Edited by Michael A. Witt and Gordon Redding.** Oxford: Oxford University Press, 2014. Pp. xvi + 735.

Containing thirty chapters and weighing in at more than 700 pages, the *Handbook* can credibly claim to be a comprehensive reference work on Asian Business Systems (ABS). The roots of this school of thought are rather eclectic, drawing on the Varieties of Capitalism literature that focuses mainly on Europe, as well as historical and political economy work that examines Asian economies. In essence, the ABS school focuses on the institutions “governing economic activity inside and outside firms”, thus seeking to understand how structural characteristics of different countries influence the composition and functioning of firms and business groups. Given its institutional roots and geographic focus, readers will also find many references to the East Asian Developmental State and Chinese business networks.

Due to the breadth of the topics contained in this work, as well as the overall high quality of the various chapters, this aim can be said to have been largely achieved. The individual chapters are excellently written, the main bodies of theory are systematically engaged with, the major economies in the region are covered, and the thematic chapters are very well chosen.

Excepting the introduction and conclusion(s), the book has three sections. The first, and longest, is comprised of thirteen chapters, each dedicated to one Asian economy. The standard Northeast Asian countries are included, along with India and the largest Southeast Asian economies. In addition, the book has the unexpected but welcome inclusion of Laos — a small and largely unexplored case. The strength of this section is that the various chapters follow a template — inspired by the ABS framework — that seeks to set out the principal institutional characteristics of each country as they are perceived to affect the workings of business groups. Thus, each chapter has a section on issues such as the role of the state; structure of the financial system; patterns of ownership; prevalent firm structures; and labour.

While this template is comprehensive and greatly facilitates comparison across countries, its effectiveness is hindered by several issues. First, the reader is not taken through the principle economic characteristics of each country, such as its overall wealth, structure, composition of exports, and openness to trade. These structural issues, surely, are vital to understanding the context within which business groups flourish (or not). Second, the various sections would have benefited from using standard statistics such as: tax revenue as a proportion of GDP (the role of the state); the size of the bank sector, bond market and stock market as a proportion of financial assets (the financial system); and the market value of the largest corporations (ownership and corporate governance). This second point is partially, but not completely, mitigated by chapters on corporate governance and financial systems in the subsequent section of the book. In addition, given the primacy afforded to institutions, the section on the “role” of the state could also be expanded to look at its structure and bureaucratic capacity.