to vocational education (Chapter 5). It concludes that "Low work force skill levels appear to be less the failure of the market for training than of a generally low level of labor demand" (p. 40). The challenges of increasing demands for quality education and training are highly applicable to Southeast Asian countries.

The World Bank has served development well by pressing actively for the adoption of liberal economic and trade policies, and for adherence to sound macroeconomic policies. This *Report* indicates that much remains to be done.

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The Emerging Asian Bond Market. The World Bank. Washington, D.C.: The World Bank, 1995. Pp. 142.

The World Bank is forecasting that East Asia is about to witness a revolution in the way the region's companies raise financing for investment projects, with a striking shift towards greater reliance on bond issuance as a means of raising capital. With limits now being placed on the terms of bank lending, relatively illiquid equity markets reaching foreign ownership limits, an ever-increasing need for long-term and fixed-interest financing, plus a spectrum of other factors, the already marked growth in East Asia's bond markets seems destined to accelerate further in the coming decade.

This publication stems from a recent World Bank survey of Pacific Asia's major bond markets, undertaken in a bid to both identify the best practices that have allowed these markets to develop in recent years, and propose an agenda of reforms that might permit their development to continue in the future. The survey examined the bond markets in China, Hong Kong, Indonesia, South Korea, Malaysia, the Philippines, Singapore, and Thailand. According to the Managing Director of The World Bank, Gautam Kaji, these bond markets are "poised for growth", and the bank expects that they will "become a major source of financing investments in industry and infrastructure that are essential to sustain rapid development in the world's most dynamic region".

Having now established fairly advanced banking systems and equity markets in these countries (these eight countries have stock markets cumulatively capitalized at around US$1.1 trillion), the expectation is that over the next decade, attention will increasingly turn to capital market issues, and especially bond markets. Until now, the growth in East Asia's bond markets has not matched the growth in the equity markets, and the region accounts for just 2.1 per cent of the world bond market. Significant growth in the bond markets of the region will not only complement the existing equity markets, but also help harness the (long-term, fixed-rate debt) capital required for the impending heavy investment in infrastructure, essential if the region is to meet its economic growth targets. Further, "... well-functioning bond markets will allow policymakers and market participants to manage their risks better, improve liquidity, and reduce intermediation costs relative to comparable instruments like bank deposits and equities", as well as "enable central banks to carry out indirect monetary policy through open market operations". The encouragement for private companies to engage in substantial infrastructural projects, and other large-scale investments necessitates that more bond issues are enacted to raise financing.

Most of the figures tend to support The World Bank's assertion that having grown markedly in the first half of the 1990s, and already fairly substantial in size, these bond markets have the potential to grow considerably further in the coming decade. Together, the East Asian bond markets included in the survey have blossomed from a cumulative size of US$166.7 billion in 1989 to US$338 billion in 1994 of which South Korea is by far the largest, accounting for almost 48 per cent of the regional total. As a percentage of GDP, these national bond markets, in 1994, ranged from just under 6 per cent in Indonesia, to over 72 per cent in Singapore. But the bond markets remain significantly smaller than the equity markets in these countries, which had a cumulative capitalization of US$1,072.8 billion in 1994 (of which Hong Kong was the largest, representing just over 25 per cent of the regional total). And in Malaysia, the equity market capitalisation, as a percentage of GDP, was 282.7 per cent in 1994; compared with just 56 per cent for the bond market. Even in China, the equity market exceeds the bond market, in terms of total capital and percentage of GDP. When compared with some of the industrialized countries, East Asia's bond markets also look small, at least in terms of scale. In 1994, the cumulative size of the bond markets in the countries surveyed (US$338 billion) was slightly less than that of the United Kingdom alone (US$365.9 billion), and way behind that of Germany (US$1,719 billion), Japan (US$3,442.7 billion) and the United States (US$7,429 billion).

When compared in terms of percentage of GDP, Singapore's figure is close to that of Japan's, the Philippines is slightly higher than that of the United Kingdom, and only Germany and the United States have bond market sizes (as a percentage of GDP) that are substantially larger than those of the surveyed countries. None the less, the thirst for capital in Pacific Asia, to feed the economic growth rates being projected (7.7 per cent), is undoubtedly greater than that of the industrialised countries, and the world as a whole (2.7 per cent). And the cumulative capital figures are awesome. The World Bank forecasts that East Asia will require US$8 trillion in investment in the decade between 1994 and 2004, if the region is to sustain current growth rates, and the banks and equity markets alone cannot provide this quantity of capital. China alone is projected as needing US$3.3 trillion in private gross domestic investment between now and 2004, with Korea requiring US$21 trillion, Thailand at US$931 billion, Indonesia at US$681 billion, and Malaysia seeking US$449 billion. Much of this capital will be focused on the industrial sector, infrastructure and housing needs. Currently, around 5 per cent of GDP is spent, on average, on the region's infrastructure, but a recent World Bank study calculated that this figure will need to rise to 8 per cent. Similarly, meeting the housing needs of a rapidly urbanizing trend will require spending equivalent to 5.3 per cent of GDP.

Until now, East Asian firms have financed around 40 per cent of their investment from internally generated capital, whilst another 40 per cent has come from the banking sector. Remarkably, of the remaining 20 per cent, approximately half has come from the issuance of equity, and half — that is around just 10 per cent — from domestic bond issues, borrowing from abroad, or foreign bond issues. But looking ahead, the World Bank identifies four factors that will act, in concert, to increase East Asia's need for domestic debt (that is bond) financing: (1) the need to mobilize substantial quantities of financing for investment in infrastructure and housing, which requires long-term fixed-rate capital; (2) structural changes in these national economies, away from labour-intensive manufacturing, and towards more capital-intensive production, again requiring long-term debt financing; (3) strains on the banking sector to provide long-term financing, as a result of risk-based capital adequacy requirements currently being introduced; (4) and increased demand for fixed income investment vehicles from the region's emerging community of institutional investors. The major issuers of these bonds are expected to be the corporate sector and state enterprises, with the World Bank forecasting that the former will increase the cumulative size of bond issues from US$77 billion in 1994, to US$500 billion by 2004, primarily in Malaysia, South Korea and Thailand. The region's major buyers of the bonds will come from the countries' central provident funds, worth around US$109 billion. For example, Singapore's CPF had assets of S$55.5 billion at the end of 1994. And predicted expansions in the region's insurance and mutual fund industries will create more potential buyers of fixed income securities. By 2004, the

World Bank forecasts that East Asia's institutional investors will be capitalized at almost US$400 billion.

Looking to the future, this survey proposes an agenda for the growth in the region's bond markets, which includes further reforms of the financial sectors in each of these countries, greater regulatory reforms, and improvements in the "institutional infrastructures" of these countries. The latter encompasses credit rating agencies, more efficient clearing and settlement systems, custody, insurance, benchmarking, and "the development of strong networks of intermediaries that will facilitate primary and secondary trading". A need for improved liquidity in the markets is also desirable, as are tax regimes that view equity securities and bonds equally. On a more broad note, efficient bond markets require well-informed actors, who in turn require more widespread training and education on the utility, practice and performance of bond markets.

In addition to this Asia-wide volume on the region's bond markets, a series of country-specific "background papers" have also been published by The World Bank, focusing on each of the individual markets examined in the survey.

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Economic Cooperation in the Greater Mekong Subregion Toward Implementation. By Asian Development Bank Manila: ADB, 1994. Pp. 406.

This volume is the summary of the proceedings of the Third Conference on Subregional Economic Cooperation among Cambodia, China, Laos, Myanmar, Thailand and Vietnam that was held in Hanoi in April 1994 under the auspices of the Asian Development Bank (ADB). Of the two prior meetings,[1] as well as the subsequent gatherings,[2] this one was by far the most important because a blueprint for the development of the region was produced. Not only did the participants agree on which sectors were to be emphasized and developed, they also settled on 76 specific priority projects for which they would like funding.

This third conference, as Noritada Morita, the Director of the ADB's Programs Department (West), said in his introduction, "was decisive in that it marked the transition from consultation and background studies to feasibility assessments and implementation". The conference endorsed projects in six broad sectors: transportation, energy, environment and natural resource management, human resource development, trade and investment, and tourism.

The ADB has targetted the transportation sector as its first priority. Indeed, 30 projects, or over 40 per cent of those that the Third Conference recommended, were in this category. Eight each were in the road, rail, and water subsectors, while air accounted for the remaining six. Of the other five sectors, the Conference endorsed only two projects for immediate construction, both of which were energy related. The rest of the priority projects consisted of forums, studies, and initiatives that are designed to enable the participating countries to handle and foster the growth that will follow from the improvements in the transport sector.

In looking at the transport projects, many of them are worthwhile, but there are several that, if they are ever to be built, need to have much higher levels of demonstrated traffic demand. Moreover, some projects, especially those in the rail subsector, would duplicate the routes of other projects and are not the appropriate mode for the traffic that would be generated initially.

The proposed US$1.2–1.8 billion rail line from Yunnan province through either Laos or northern Myanmar to northern Thailand is a case in point. To justify this large outlay would require more traffic than the route would be able to generate. Additionally, this project would run parallel to a road that the conference has also proposed. In opening up areas, railways are not as flexible as highways. The former require large consignments of heavy and/or bulky goods that need to be