

hour, with greater emphasis on national-level interventions. On the same topic, Chia Siow Yue suggests that the less developed members of ASEAN “will have to ensure a favourable business and investment climate to attract more FDI from within ASEAN and the richer ASEAN economies would need to respond with more financial and technical assistance and private sector investment.” (p. 112).

The edited volume was published before the outbreak of the COVID-19 crisis, which has now been classified as a pandemic by the World Health Organization (WHO). In a short span, the crisis has significantly reshaped ASEAN’s geopolitical and geo-economic landscape, and is a litmus test of its institutional capacity and leadership. In this scenario, the “One ASEAN One Response” policy, initiated by the Association’s leaders in 2016, should be implemented. Aimed at responding to disasters (both in and outside the region), it involves meaningful participation of relevant stakeholders to achieve the speed, scale and solidarity needed to mitigate the negative consequences. As the world reels under the pandemic, and like the book suggests, ASEAN needs to continuously improve in the areas of leadership, crisis management and overall cohesion.

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***The Future of China’s Bond Market*, edited by Alfred Schipke, Markus Rodlauer and Longmei Zhang.** Washington, DC: International Monetary Fund, 2019. Pp. 420.

China’s bond market has gained greater international recognition since the country’s transformation into the world’s second largest economy. At the end of 2017, the national bond market capitalization had reached 9 per cent of the global GDP, up from about 1 per cent in the early 2000s. The liberalization of the Chinese capital market, increasing globalization of domestic companies, and the inclusion of the renminbi (RMB) in the IMF Special Drawing Rights (SDR) basket have all contributed to the heightened interest in the nation’s bond market segment.

This book is very timely in providing a comprehensive overview of the Chinese bond market, and will appeal to both financial market professionals as well as academics. One interesting point is that, while the title refers to the future of the bond market, a large portion of the book is also devoted to documenting its historical progression.

There is no doubt that the rise of China’s bond market has been impressive. Nevertheless, there continue to be several challenges that need to be addressed to further enhance the market’s performance. By bringing together contributors from the International Monetary Fund, People’s Bank of China, China Securities Regulatory Commission, the Ministry of Finance, and the China Clearing Depository Corporation, this edited volume skilfully combines global expertise with detailed local knowledge to provide an in-depth analysis and policy recommendations. The book will appeal to academics conducting research on China’s financial system and investors looking to participate in it.

The book is divided into four parts. The first part provides a broad outline of the Chinese bond market and its place in the global financial system. It charts the rise of the market and elaborates on the different types of its constituent bonds. The authors also shed light on the process of opening up the national bond market and offer important suggestions to further reform and strengthen the segment. The two chapters

included in this part efficiently summarize the key developments and challenges of the market and serve as a comprehensive introduction to readers looking for a thorough overview.

The second part of the book provides a detailed analysis of six segments of the bond market in six distinct chapters. Chapter 3 focuses on sovereign bonds, whose market in China has grown to become the third largest in the world. Despite the expansion in demand, however, the low liquidity associated with such bonds suggests the yield curve of the financial instrument may not provide adequate information about the prevailing market conditions. This chapter also includes ample discussion regarding China's monetary policy operations, and how gradual reforms over the years have improved the informational efficiency of the yield curve.

Chapter 4 looks at the credit bond market, which encompasses instruments such as enterprise bonds, corporate bonds, medium-term notes and commercial papers. It is important to note that state-owned enterprises (SOEs) dominate the market for enterprise bonds, while private firms tend to issue the other instruments. Even though banks remain the primary source of financing in China, bond financing has been picking up pace in recent years. The credit bond market, however, does face the challenge of housing too many different submarket segments, each with a distinct—and sometimes conflicting—set of regulations and trading platform. Another challenge is the perception of implicit government guarantees.

Chapter 5 then analyses the local government bond market, which has not just grown rapidly, but also overtaken the sovereign bond market. In particular, it highlights the factors that have led to this swift take-off. The author claims that, prior to mid-2014, such bonds were not too valuable as local governments were, in general, not permitted to issue financial instruments directly (except for a handful of limited cases). Hence, the majority of the fast growth can be attributed to: first, the change in government policy allowing provincial governments to issue their own bonds subject to an annual cap; and second, the debt swap programme permitting the conversion of various loans into bonds. The author notes that, while the market has grown tremendously, several impediments persist, such as low liquidity, a narrow investor base and fragmented regulations.

The remaining three chapters in this part of the book focus on the more recent developments in the bond market. Chapter 6 draws the readers' attention to China's treasury futures market, which was launched in 2013. Although this segment has also contributed towards improving the efficiency of the national bond market, further reforms are needed, mainly in the form of introducing more long-term products and diversifying the investor base. Chapter 7 records the exponential growth witnessed in the green bond market, which was only introduced in December 2015. The market is still nascent, but has enormous growth potential, given the increasing attention being paid to climate change. Being one of the early leaders in green bonds means that other countries are looking at China to draw lessons on develop their own green bond markets. Chapter 8 examines the market for asset-backed securities (ABS) in China. There are many different segments in this market, similar to what is seen in the credit bond market. The author traces the development of the ABS market since the 1990s and the setbacks along the way, and argues that, once improved regulations and procedures were put in place in 2014, the market started taking off.

The third part of this volume is composed of six chapters, which focus on policy recommendations aimed at reforming China's overall bond market. Given its technical nature, this section of the book will appeal more to policymakers looking for lessons on further developing bond markets in other countries. Each chapter inspects a particular challenge and provides reform suggestions. Chapter 9, for instance, elaborates on means to further liberalize the market, whereas Chapter 10 offers policy recommendations to stabilize it. Likewise, the focus of Chapter 11 lies on attracting more foreign investors. The three other, relatively short chapters deal with means of: improving market liquidity; reducing (if not eliminating) the perception of implicit guarantee; and enhancing policy communication.

The final part of the book is devoted to studying the development of two offshore Chinese bond markets, one in RMB and the other in US dollar. Both markets have shown steady growth and the two chapters in this part examine the contributory factors.

Overall, this book has achieved its aim of providing a handy, comprehensive guide to the Chinese bond market through a mix of detailed description and updated statistics. It analyses the historical development of the market segment, identifies the challenges it faces, and offers practical reform solutions—all in equal measure.

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