

(Chapter 6) analyses the reasons why Japan's own post-bubble financial system crisis was unresolved, and examines the political tensions in the Japanese system of financial governance and how those tensions shaped policy outputs. Hongying Wang (Chapter 7) shows that in the long run, the crisis may have profound impact on the economic and political development in China.

In the final part, Barry Eichengreen (Chapter 8), Benjamin Cohen (Chapter 9), Thomas Gallagher (Chapter 10), and Miles Kahler (Chapter 11) go on to discuss points related to the concept of global finance, and the role of political leadership in the region. This section also sorts through the controversies surrounding the response of international organizations to the crisis, with some emphasis on issues such as exchange rate regimes. It offers suggestions for how international organizations might go about their business differently in the future.

As far as the issues surrounding the crisis are concerned, one might look for macroeconomic figures for each country study; or seek more quantitative economic analysis, or expect more definitive answers to the issues raised. Instead, this book gives more thought on how institutionally constrained governments (such as those under International Monetary Fund (IMF) conditionalities) can respond to mounting economic policy problems, and provides interesting suggestions on how to improve the global financial system. One message that is clearly expressed by this book is that the health of the global economic system depends on carefully sketched and co-ordinated policy responses from the major international organizations.

In general, the book makes for easy reading, with simple and convincing insights. The chapters in the book are all well written and offer analysis with clarity and conciseness. Since the editors and the contributing authors are mostly Western scholars, the book provides an "outsider" viewpoint. It is a useful reference to better understand the Asian crisis from the political economy perspective.

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Price Interdependence Among Equity Markets in the Asia-Pacific Region: Focus on Australia and ASEAN. By Eduardo D. Roca. Aldershot: Ashgate Publishing Limited, 2000. Pp. xii + 171.

The focus of the book is on the interdependence of Australia's equity market with that of its major trading partners and ASEAN, and among the ASEAN markets. It reports on the results of a study undertaken by the author using weekly data from Morgan Stanley Capital International (MSCI) Inc. over the period from December 1974 to December 1995. The key results of the study can be summarized as follows. The Australian equity market was found to be significantly linked to the ASEAN markets in the long run, although this result was not supported after allowing for Autoregressive Conditional Heteroskedasticity (ARCH) effects. In addition, it was only significantly linked to the U.S. and U.K. markets, and somewhat to the Malaysian, Thai, and Singapore markets in the short run. While the four ASEAN markets (Malaysia, Thailand, Singapore, and Philippines) were not co-integrated, they had significant short-term linkages with each other.

The book is organized into eight chapters. Chapter 2 briefly discusses the concept of equity market integration and its measurement, namely degree of price equality, degree of price co-movement, speed and duration of price co-movement, and degree of barriers. It also covers the various factors, such as economic integration, multiple-listing of stocks, regulatory and information barriers, institutionalization and securitization, and market contagion, affecting equity market interdependence. Researchers in the area of market integration would find the summary of the twenty-six studies in Table 2.1 and the statistical overview of the different econometric techniques in Chapter 3 particularly useful. I would highly recommend that anyone interested in the topic read the excellent coverage, in Chapter 3, on co-integration, error correction models, Granger causality, variance decomposition, impulse response analysis, and Vector Autoregression (VAR) models. In particular, the reader should pay

special attention to the sections on the “Strengths and Weakness of VAR” methodology (pp. 38–39) and “Further Comments on Co-integration Analysis” (pp. 46–47), so as to avoid misusing these econometric techniques. In addition, I would also recommend reading the succinct coverage of ARCH and Generalized Autoregressive Conditional Heteroskedasticity (GARCH) models (pp. 109–14).

Chapters 4 to 6 report the results of the test on price interdependence between the equity markets of first, Australia and the Asian tigers, Japan, United Kingdom and United States; second, ASEAN; and third, Australia and ASEAN. Each of these three chapters is organized as follows. The author first provides some information on the trade and investment flows between the markets being studied, financial deregulation, and some institutional features of the equity markets such as size, trading systems, commission structure, and the extent of internationalization. Following these, the results of the study using the research methodology mapped out in Chapter 3 are presented.

Chapter 7 introduces the ARCH methodology and reports the results of this methodology for the three groups of markets investigated in Chapters 4 to 6. Chapter 8 concludes with a brief summary of the results and their implications.

On the whole, the book is well written and should prove to be a useful reference book for anyone interested in market integration, linkages between various equity markets, financial econometrics, and the Australian equity markets.

That said, I have some comments on the coverage of the book. I must compliment the author for carefully partitioning the data set in Chapter 4 to account for two important structural breaks, namely the financial deregulation that occurred in the Australian market in 1983, and the worldwide stock market crash of October 1987. However, the same cannot be said with respect to the study in Chapter 5 on the ASEAN markets. In particular, the separation of the Singapore and Malaysian markets at the start of 1990 was not taken into account at all. This would explain the high 194 foreign companies out of a total of 326

listed companies on the Singapore bourse in 1989. Restrictions on foreign share ownership have been present in all the four ASEAN markets. Foreigners in Thailand, for example, are restricted to trades via the Alien Board set up in 1987, whilst foreign investors in Indonesia were granted permission to acquire up to 49 per cent of securities issued by listed companies only in September 1989. On the Philippines Stock Exchange, foreigners are required to register their investments in securities with Bangko Sentral ng Pilipinas and can only buy B shares. These restrictions and the changes in them implemented over the years do have an impact on the degree of interdependence in these markets. The differences in the degree of care shown in Chapters 4 and 5 reflect, in my opinion, partly the author’s familiarity with the Australian market and the Australian focus of the book.

While the references are rather up-to-date, the data used in the study is rather dated. As mentioned earlier, the results pertain to weekly MSCI data from December 1974 (or 1988 for the study on ASEAN markets) to December 1995. As a result, it does not cover the period of the recent 1997/98 East Asian crisis and the effects of recent changes to the regulatory environments. Of particular interest to the readers would be the effects of the September 1998 introduction of capital controls in Malaysia, and that of the recent liberalization moves (since early 1998) in Singapore’s capital markets.

I find the presentation of the results a little disappointing. Other than straightforward presentation of the numbers, there is little in the way of analysis and interpretation. For example, the author reports that the results from the Johansen test showed that Australia and ASEAN were co-integrated, while the Granger causality tests showed that Australia was significantly affected by Malaysia, Thailand, and Singapore, but that it did not affect any of the ASEAN-5 markets. It would have been better had the author ventured to provide some explanations as to why Australia seemed to have little impact on the ASEAN markets, whilst it is Granger caused by the Malaysian, Thai, and Singapore markets. The usefulness of the results from the impulse re-

sponse analyses is questionable given the lack of any analysis and interpretations.

Finally, the section on “Implications and Conclusions” (pp. 146–47) is rather disappointing. While the author does try to link his research findings with those in the literature, his claim of the existence of inefficiencies “in the international transmission of news between Australia and the other markets and among the ASEAN markets” (p. 146) is rather weak. His study is not designed to address this issue and I fail to see the basis for such a claim in his results.

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***New Multinational Enterprises From Korea and Taiwan: Beyond Export-Led Growth.* By Roger van Hoesel.** London: Routledge, 1999. Pp. 276.

New Multinational Enterprises from Korea and Taiwan is based on a doctoral thesis, completed by van Hoesel in late 1997, and therefore pertains to one aspect of the high-growth East Asian economic miracle prior to the onset of the financial crisis. Specifically, the book examines Korean and Taiwanese investment activity in the industrialized world, and seeks to test the hypothesis that as a result of their late industrialization, leading companies from these two countries “have not developed the competitive advantages typically ascribed to multinational enterprises (MNEs) from early industrialized economies”. As a result, it is postulated that the outward investment pattern of Korean and Taiwanese corporations will differ from that of MNEs based in Europe and the United States.

Both Korea and Taiwan’s economies are deemed to be at similar stages of development, but have markedly differing business profiles, and foreign direct investment (FDI) patterns. Korea’s bulky *chaebol*, and associated general trading companies, have tended to dominate this country’s FDI activity. In contrast, Taiwan’s business actors have tended to be relatively smaller in scale. Van

Hoesel attributes such differences to “differences in historical, political and ethnic backgrounds” of the two countries. In particular, the links between politics and business have been closer in Korea, and looser in Taiwan. And these differences between the two countries’ business sectors are also reflected in their differing approaches to FDI. In the big scheme of things, the importance of Korea and Taiwan as sources of FDI remains “relatively modest”. Indeed, the application of a “Relative Investment Development Index” suggests that FDI activity by the two countries actually lags behind their economies’ relative stages of development; in other words, they have been relatively slow to invest overseas.

Van Hoesel’s empirical research focuses on the electronics sector, which has witnessed the largest FDI activity by Korea and Taiwan. His findings suggest that while some of the determinants of overseas investment by Korean and Taiwanese firms are broadly similar to those of other MNEs — such as company size and the importance of overseas sales — there are also some marked differences. The speed with which Korean and Taiwanese firms progressed from the “first wave” of FDI activity (regional investments in neighbouring developing countries, seeking markets and cheap labour) to the “second wave” (more global FDI spread, also seeking to acquire strategic assets) was “unprecedented”. The first wave largely took place in the 1960s and 1970s, with the second wave evident in the 1980s and early part of the 1990s. As John Dunning notes in his foreword to this book, as “country specific advantages of the Taiwanese and Korean countries have become more sophisticated, and their firms broadened and intensified their international networks, the need to both exploit the markets of more advanced countries and to tap into their intellectual assets has become more apparent”. But while the Korean *chaebol* ambitiously enacted investments right across the globe (and accumulated massive debt obligations in the process), Taiwanese firms have tended to stay closer to home, rarely venturing beyond East Asia or the United States.

New Multinational Enterprises from Korea and