

from China — which has absorbed a huge slice of East Asia's foreign direct investments (FDI) in recent years — is perhaps another reason why there is an urgent need to reconsider current economic development strategies.

For readers that follow the developments in Southeast Asia, the penultimate chapter by K.S. Jomo, "Rethinking the Role of Government Policy in Southeast Asia", argues that for historical reasons the Southeast Asian experience is very different from its Northeast Asian neighbours. He offers a more nuanced explanation for the rapid economic expansion experienced by the newly industrializing economies of Southeast Asia, which focuses on "the nature of business-government relations and their implications for industrial policy, industrial capabilities, and the financial crisis beginning in mid-1997" (p. 464).

In the concluding chapter, Joseph Stiglitz provides his own thoughts on the region since the 1993 World Bank study. He argues that it is important to take note of the counterfactual: Could East Asia have performed much better than it actually did (without industrial policy)? (p. 518) Regardless of the controversy over the kind of industrial policies that were implemented in East Asia, he observed that almost all the countries in the region had industrial policies. This would seem to indicate that these policies are a vital part of East Asia's economic development model.

This book is highly recommended for readers that would like a greater understanding of the East Asian growth phenomenon. However, a chapter focusing on the development of small and medium enterprises (SMEs) — particularly in Southeast Asia — would have made this book a bit more complete. The development of domestic SMEs were found to have fallen behind during the miracle years. This "soul-searching" that economic policy-makers are currently undergoing would definitely include re-examining the role of SMEs in revitalizing East Asian economies.

#### REFERENCES

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***Rethinking Development in East Asia: From Illusory Miracle to Economic Crisis.* Edited by Pietro P. Masina. Surrey: Curzon Press, 2002. Pp. 326.**

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This edited volume, consisting of fifteen chapters, is the product of a conference at Roskilde University in October 1998. While the conference was timely, with much of East Asia in deep recession, the pace of events in the region and volume of timely research into the crisis gives this volume a dated appearance. The bibliographies at the back of the edited chapters largely trail off in 1999.

The authors adopt a "political economy" framework. The power relationships, both political and economic, between the developmental state, the transnational corporations (TNCs), and the multilateral institutions are examined. Institutional, Marxist, and Structuralist flavours pepper the content of the individual contributions. The conclusion is that the Asian crisis was systemic. Authors reject explanations of the crisis as the product of "crony capitalism" and attack World Bank explanations of the preceding period of growth as the product of limited government intervention.

This book is not about the Asian crisis *per se*. Rather, the crisis is viewed as an example of "inherent contradictions" in the system that it highlights. The crisis is seen as the product of two forces: regional economic development strategies, heavily reliant on international markets and capital flows; and an unstable international financial framework within which such institutions as the TNCs, International Monetary Fund (IMF), World Bank, and U.S. Treasury exercise an over-arching

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influence, all with the shared objectives of international integration and globalization.

This volume is strongest in elaborating the development of this system. The chapters by Ngai-Ling Sum (Chapter 3), and Chandrasekhar and Ghosh (Chapter 6), in particular relate the immediate circumstances of the crisis, that is, the reversal of historically high private capital flows, to the underlying vulnerabilities of the structure that constitutes the “East Asia Model”. These two chapters, together with the contribution by Putzel (Chapter 8) are the strongest empirical contributions.

The deficiency of a structural analysis, and this volume is a good example, is that “the model” is applied to the region as a whole with little in-depth consideration of country variations. Specific influences operating at the country level, in terms of economic structure or government policy responses, are often ignored or brushed over. Six chapter titles of the book are dedicated to four countries: Thailand, South Korea, Vietnam, and Mongolia. There is little on Indonesia and Malaysia.

Thailand is examined by a number of contributors. The result is unsatisfactory. For example, Bullard’s Chapter 7, “Taming the IMF: How the Asian Crisis Cracked the Washington Consensus”, produced this howler: “By early 1997, it was evident that Thailand’s boom was about to bust, with a slowdown in export earnings” (p. 146). In fact, export growth was negative in 1996, resulting in a rising current account deficit and currency speculation. The seeds of the crisis lie in 1996, a fact Bullard misses.

There are important omissions. There is no mention of the Bangkok International Banking Facility (BIBF). The possible connection between the establishment of this institution and the observed accelerated increase in short-term capital inflows, particularly international interbank loans from 1993 is simply not noticed. In part, this oversight is due to the inadequate statistical treatment of the structure of short-term capital inflows. Also overlooked is the authoritative Nukul Commission Report (1999) into the Bank

of Thailand’s foreign exchange market policies and foreign exchange transactions in 1997.

Discussion of Malaysia is limited. Exchange controls imposed in 1998 attracted few references, mainly in a political context, as a challenge to the IMF’s position on open markets. There is no detailed assessment of the impact of controls. Considering the critical view adopted with respect to IMF policies and the “Washington Consensus” on liberalization of capital markets, this is surprising.

More serious are the unsubstantiated hypotheses advanced. In the introductory chapter, Masina, asserts: “The development trajectories of East Asian economies, and of China in particular, represented a threat of the global domain of those forces governing the process of globalization. Thus, there is reason to believe that this perceived threat might have motivated ‘triadic capital’ to a strategic design to impair the growth prospects of East Asia and China.” (p. 9). The acceptance of this hypothesis in the Conclusions (Chapter 15, p. 319) is central to the book’s pessimism concerning the future of the export-oriented model in the region.

The chapter by Xing, Hersh, and Schmidt (Chapter 2) addresses aspects of this hypothesis but fails to convince.

No substantial evidence is presented. The hypothesis contradicts the basic “East Asian Model”, which is taken as the template. The TNCs of the United States, Europe, and Japan (“triadic globalization”) control East Asian development via the levels of foreign investment and technology transfer and access to developed markets. The hypothesis assumes a degree of discretionary power in these countries that the model implicitly denies. Secondly, it is unclear why recession and slow growth would be welcome. Recession lowers profits, reduces investment outlets, and, in the corporate uncertainty of recession, threatens corporate failure or takeover. Thirdly, the hypothesis assumes a degree of unity among the TNCs that observed oligopolistic rivalry denies. The statistical evidence on private capital flows to the region indicated that between 1997 and 1999, FDI

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was the most stable component of aggregate private capital flows. Short-term international interbank loans were the most unstable.

The methodology of “systemic contradiction” implies a radical reappraisal of the “export-orientated” growth model. What alternative is offered? While confident in critique, the authors are less at ease in suggesting alternatives. These contrary attitudes are captured by C. Dixon (Chapter 5, “The Developmental Implications of the Pacific Asian Crises”). Dixon ranges widely over neoliberal policy but devotes one sentence to this question: “It may well be that the Pacific Asian crisis proves to be the catalyst for a major and long-overdue paradigm shift towards the establishment of increased national control over trade and financial regimes” (p. 106). This is extremely vague. On the one hand it might suggest a minimalist strategy of long-term control on certain capital account transactions. Alternatively it could be the basis for widespread government intervention and centralized planning.

In conclusion, this is an interesting but ultimately disappointing book. Its value is in the presentation of a political economy perspective on the crisis. The book interprets the Asian crisis as a turning point, with respect to the East Asian model but its conclusions are unconvincing. It falls far short of providing an agenda for development that its title promises.

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***Productivity and Economic Performance in the Asia-Pacific Region.*** Edited by **Tsu-Tan Fu, Cliff J. Huang, and C. A. Knox Lovell.** Cheltenham: Edward Elgar, 2002. Pp. 447.

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After the onset of the work of Young (1992) and the World Bank (1993) on the East Asian miracle economies, there has been a proliferation of papers and books on this hot topic. This edited book is an attempt to delve further into the Asia-Pacific

economies’ productivity growth performance after their 1999 book entitled *Economic Efficiency and Productivity Growth in the Asia-Pacific Region*. The sixteen chapters in this volume are organized into three parts. Part I consists of four general issues relevant to these economies; Part II has five studies on Taiwan; and Part III covers seven studies on individual economies in the region.

True to its stated objectives to include recent issues, three of the four chapters in the first part of the book is devoted to central banking and crisis issues, given the recent debacle of the 1997 financial crisis. A model on systemic risk in the financial system sets the stage for this part. This is followed by the evidence of the mixed influences of the importance of media and the judiciary on the regulatory environment of the banks of the East Asian economies. The next chapter on the effect of crisis on productivity and competitiveness is insightful, whereby a brave attempt is made to identify the sources of the crisis and the growth consequences of the crisis. The use of the index of International Competitiveness to rank the Asian economies in this chapter is also interesting although it may leave readers thinking that more could be squeezed out of this index as the analysis is not commensurate with the effort that went into the construction and formulation of the index. In addition, the last paper in this section sits somewhat uneasily as it discusses income inequality, an issue that does not seem to blend in with the other papers. It must, however, be acknowledged that this paper’s attempt to use the Data Envelopment Analysis to embrace the concept of social welfare in different countries is excellent given the robustness of the empirical investigation and the interesting results obtained.

Part II is an exclusive discussion on the Taiwanese economy, and that is quite acceptable given the location of the conference from which this edited volume was born and, hence, the number of interested participants and papers. While the second paper in this section traces the contribution of technological progress in both the aggregate and sectoral production of the economy and investigates technological biases, the third paper highlights the deregulation efforts on the