
***The Future of Foreign Investment in Southeast Asia.* Edited by Nick J. Freeman and Frank L. Bartels. London and New York: Routledge Curzon, 2004. Pp. 288.**

Ever since Singapore took the bold step towards attracting foreign direct investment (FDI) in the 1970s, and grew to be a success, the other Southeast Asian economies did not wait too long to follow suit albeit at a slower pace, and today, there is such stiff competition among the economies to woo FDI for sustained economic growth. Thus, for Southeast Asia, FDI has become somewhat a necessity, and this underscores the importance of the contribution of this book. In addition, much has changed in the circumstances surrounding FDI — the type of economies courting FDI, differences in the kind of FDI sought, the reasons and policies in place for attracting FDI, the nature of parent companies, the effects on and from FDI due to the increasingly globalized environment in the face of liberalization,... The list is endless, and thus the book is a timely welcome to take stock of what has happened and to discuss the future direction of the all-important FDI for this region.

While it is a tough task to present the various facets of the dynamism around FDI in the region in a single volume, the editors of the book have done a good job in the selection of topics which are wide ranging and provide much scope for discussion. Incidentally, I would like to suggest that after the introductory chapter, readers move on to the last chapter by Hal Hill as it is a good review and a critique (to some extent) of the chapters presented in this book. I am not sure whether this made my task of reviewing the book an easy or difficult one. Nevertheless, in retrospect, it is highly recommended that more of the edited volumes take on this integrated approach in order to give the ideas in the book a good bind.

It is thus quite appropriate that I start with the last chapter. Let me first say that I agree with Hill's remark that the seriousness of the decline in FDI due to the 1997/98 Asian financial crisis

is unduly magnified by some of the other contributors. The discussion and supporting evidence provided by Hill in making this point is convincing. There seems to be a preoccupation with the gloom brought about by the crisis, and perhaps this might have been the case at the time of writing. I also disagree with the notion that policy-makers in Southeast Asia are slow to recognize and react to the sorts of changes in global business and FDI activity. While there may be some isolated support for this, one can also ask if being cautious and ensuring that one is ready before reacting impulsively qualifies for such criticism. Economies within the region operate quite differently and institutions in place dictate the pace of reaction to FDI activity and policies governing FDI.

In addition, there is a subtle contradiction in two related views of Hill's. One advocates that Singapore be emulated by the other Southeast Asian economies and another strongly advises that economies move away from the second-best approach of proving incentives to adopt the first-best approach of addressing the source of unattractive features of the host economic environment. When Singapore first started courting FDI, the so-called second-best approach was an important feature and, in essence, was the optimal strategy at that time. Today, a mixed rather than the first-best approach defined by Hill would be best — that is, a combination of both approaches. In times of stiff competition to attract FDI, economies have little choice but to provide incentives in addition to improving the economic and business environment of their economy, or they stand to lose more than they gain in terms of luring FDI. Perhaps the more relevant question to pose for the economies today is, what is the optimal combination of the two approaches that would bring about maximum returns from FDI and help sustain FDI inflows?

Now, I move on to the beginning of the book. The chapters on the future of intra-regional FDI, and the rise of cross-border production networks were good complements to each other, viewed from a different perspective. In particular, the former chapter by Frank Bartels showed good use

of data for analysis but it was found to be littered with far too many abbreviations in the text. The chapter on the possibility of mergers and acquisition activity in Southeast Asia was also well written by Bartels and, once again, his illustrations of existing companies in the region provided the necessary focus on various issues.

The opening up of the second largest economy in the world, China, and its grand entry into WTO was also analysed in the light of its implications on FDI into Southeast Asia, and viewed with apprehension and appreciation. The overview of FDI flows into the transition economies of Laos, Cambodia, and Vietnam was a definite welcome in providing a broader picture of FDI in the region. The chapter on the future of foreign portfolio investment added breadth to the discussion on foreign investment. This is a crucial topic in the wake of the financial crisis experienced by the region.

Another appropriate inclusion was the ASEAN regional co-operation in investment and attracting FDI. Here, issues on investment promotion, investment facilitation, investment liberalization and surveillance was extensively discussed but the thirty-three page appendix highlighting “selected investment issues” could have done with better selection as the length of this appendix was longer than most of the chapters themselves! Perhaps if more space was provided to the one and only empirical investigation on the impact of the ASEAN free trade agreement implemented in 1993, it might have improved considerably. The empirical chapter was disappointing on many grounds — it was hardly appropriate to study the impact of this agreement for just the last four years using data from 1968–97. The chapter was cluttered with far too many tables. The error correction model (ECM) for each country was estimated using different sets of variables without any explanation or justification. The estimation of the ECMs also suffered from insufficient degrees of freedom for any of the results to matter. With the panel data estimation, it was unclear if it was based on the fixed or random effects model. All these econometric issues were not discussed, rendering little faith in the results and any implications based on it.

The other chapter that could have been more focused was the second chapter that attempts to highlight the challenges of the new economy for multinational firms. While the new economy was narrowly defined to mean e-commerce, the discussion itself was too general and did little to focus on the region itself or draw specific examples from e-commerce firms to validate the discussion. Apart from these weaknesses, overall, the book is very well put together and makes an excellent contribution to the understanding of the dynamics underlying FDI in Southeast Asia.

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The Economic Development of Southeast Asia, Vols. I to IV. Edited by Hal Hill, Cheltenham, U.K. and Northampton, U.S.: Edward Elgar Publishing Co., 2002. Pp. 631 (Vol. I), pp. 650 (Vol. II), pp. 622 (Vol. III), pp. 618 (Vol. IV).

The four volumes cover analytical contributions on the ten economies of Southeast Asia, namely, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, which form the Association of Southeast Asian Nations (ASEAN). In six parts, these volumes survey Southeast Asia’s development record by individual experts in and outside the region, in previously published book chapters, journal articles and other papers. The areas covered include macroeconomics management and international dimensions, social and distribution issues, institutions, actors and public policy, which attempt to offer explanations as they record the performance.

By structure, the four volumes are:

- Vol. I Part I: Introduction — 1. Historical backdrop; 2. Country overviews.
Part II: Macroeconomics and International Economics — 1. Outcomes and policy instruments; 2. Exchange rate policy; 3. International financial markets; 4. Financial policy; 5. Domestic saving