

BOOK REVIEWS

***Political Economy of East Asia: A Business Model.* By Linda Low.** New York: Nova Science Publishers: 2004. Pp. 363.

In the book's introduction, the author informs her readers that the task is to derive from both the literature on the East Asian economic "miracle" and on the post-financial crisis beginning in 1997 "a generic business model for East Asia in the context of the new economy ... where (g)lobalisation, information communication technology, knowledge-based economy, deregulation and emerging new competition set the challenges for the new economy" (p. 1). Within her modelling exercise, the author accounts for challenges caused by "rapid technological change in the new globalised economy (and this) means greater creative destruction and risk of premature obsolescence to companies and workers of capital, job skills and earning power" (p. 1).

The volume points out that East Asian companies are managed via business practices that are based upon business models that operate within the context of microeconomic structures and overall macroeconomic systems throughout the region. With these points in mind, Professor Low sets out on an imposing task by reminding readers that her business modelling exercise is based on a broad, qualitative macroeconomic environment rather than a narrow quantitative microeconomic focus on specific firms and industries. A "generic model" is developed mainly on the practices of companies in "first-generation"

Northeast Asia (Japan, Korea, and Taiwan) economies. It is distinct from a "customized model" based upon business practices in "second-generation" Southeast Asian or ASEAN economies. However, the distinction is becoming less pronounced as globalization has the effect of "flattening out" differences between the regions' business practices and, therefore, business models based upon those practices.

The book contains nine chapters, and they are linear in thematic content and continuous in terms of the linkages among a wide range of topics that are forged throughout the volume. The volume is literate and extremely well researched and documented. The chapters that cover the political economy part of the book integrate growth theories and models, East Asian development models before and after the financial crisis, macroeconomic policy in open economies, trade policy and Asian regionalism, and global economic, social and technological competitiveness. The volume concentrates on the concept of competitiveness and presents a discussion of findings contained in five measures of competitiveness. Two of them are highly quantitative: one is the *World Competitive Yearbook* featuring a World Competitiveness Scoreboard that in 2003 ranked the United States no. 1, Peoples' Republic of China no. 2, Thailand no. 7, Malaysia no. 8, Taiwan no. 11, and Japan no. 14. Another is the Global Competitive Report, which ranks Finland no. 1, the United States no. 2, Taiwan no. 5, Singapore no. 6, Japan no. 11, and South Korea no. 18. Three more qualitative

measures, A. T. Kearney's Globalisation Index, the United Nation's Human Development Index, and the Corruption Perception Index of Transparency International, are also analysed.

The findings of the five competitiveness measures show that East Asian business models and practices, in association with the political economy of well-managed economic systems, have resulted in solid national economic performances measured by income, output, employment growth, and price level stability. The analyses of competitiveness and other political economy factors provide the intellectual foundation from which the author constructs a modelling exercise that explains how and why the business models work. The emphasis is on the two previously mentioned East Asian business models — generic and customized. The author constructs a culturally based East Asian generic model where, "Unlike market theory, ... a cultural approach deems an economic system as a product of social order ... (wherein) society produces economy ... Culturalists reject structuralism and materialism of political economy and market theory, but see economy as a subjective product of social action" (p. 259). The culturally based generic model is one in which business operations take place within a state-centred development environment wherein social action is taken to support business activities. In effect, the government's actions are proactive and culturally based and centre on fostering and supporting the concentration of ownership among powerful business families and their trusted associates. The "web of partnerships, or networks" that are created in this manner become the political economy within which business owners and those who they trust operate. Their operations produce a "social order" that in turn produces an economic system that government supports.

Once these basic points have been made, the author goes on to discuss the organizational structure of East Asian firms whose management is network-oriented and government-supported. Management and organization, in this context, leads to competitive advantages within "one's own cultural environment" (p. 272). For business executives and/or diplomatic officials who are new

to East Asia, understanding the nature of Professor Low's business models could prove to be extraordinarily valuable. Westerners will likely view the conduct of business from a market theory perspective with which they are familiar. Consequently they could fail to understand and appreciate the nuances put forth by Dr Low.

In her final two chapters, the author develops a "customised business model that follow idiosyncratic features in various economies ... (mainly) the matured Northeast Asian business models in Japan, Taiwan, Korea" (p. 277). Business models in transitional economy such as China and in emerging Southeast Asian nations also are examined. The examination resulted in a customized model that reflects openness to external forces and consequently "customization" will continue to become more pronounced. Globalization will continue to bring about more openness in the form of new trade patterns, technology transfers, foreign direct investments, and new management ideas and resources. New business cultures will emerge and when they do they will challenge the ability of governments and entrenched business interests to resist customization.

The author points out that in East Asian countries, dynamic associations with global economic forces will continue to take place and consequently: "Nothing is ever definitive and final about any business system and model" (p. 346). This will require future research to focus on the various aspects of socio-economy, political economy, and global technology that will shape the nature of business practices and models that seek to explain them.

The volume is dynamic and forward-looking: it will find its niche among an audience of readers who concentrate on scholarly literature and "think pieces" dealing with East Asian political economy, and business operations. It will also be useful both to advanced undergraduate and graduate students in international business, international economics, and East Asian regional courses. This reviewer recommends the book enthusiastically, without reservation but with one potentially serious caveat. Prospective readers must keep clearly in mind that

this volume is so crowded with new concepts, innovative propositions, and information that a “quick read” will not be possible. The book provide information to readers only if they are willing to work their way through them carefully and thoughtfully. By doing so they will have treated themselves to an engaging mosaic of creative ideas, valuable insights, and useful information.

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Developing Asian Bondmarkets. Edited by Takatoshi Ito and Yung Chul Park. Canberra: Asia Pacific Press at the Australian National University, 2004. Pp. 178.

This edited volume is the outcome of the 2003 Financial Forum organized by the Pacific Economic Co-operation Council in Thailand. The nine contributors are financial experts/academics from Hong Kong, Japan, Korea, and the United States. This book is an attempt to delve into developing bondmarkets in Asia region after the 1997–98 financial crisis. The editors expect the research output of this book to get the attention of policy-makers in ASEAN+3 and other APEC governments.

The volume consists of an introduction and six individual chapters. Chapter 1 “Overview: Challenges and Strategies” is written by the editors. It offers a quick overview of bondmarkets in Asia and the significance of the Asian bondmarket development. The editors stress that the policy-makers in the region have recognized the importance of bondmarkets in mitigating future currency crises but concrete actions are yet to be taken. In this chapter, readers will get a good bird’s-eye view of the rest of the book. The editors deserve special credit for providing a useful outline of the various contributions and attempting to bring together a diverse collection of interesting conference papers.

In the next two chapters, the contributors propose two differently comprehensive approaches

for Asian bondmarket development. Chapter 2 “Creating Regional Bondmarkets in East Asia” contains the rationale and strategies for creating regional bondmarkets in East Asia. The contributors point out that domestic bondmarket development should precede regional bondmarket development. If domestic bondmarkets are fortified by domestic financial infrastructure, deregulated, and opened to foreign borrowers and investors, many Asian countries would be able to mitigate the maturity and currency mismatch problems caused by the 1997–98 Asian crisis. The contributors also recommend that the Asian bondmarket development should begin with improving bondmarket infrastructure and removing institutional bottlenecks. In this chapter, Asian bonds have been too broadly defined, and it is not clear what are not Asian bonds. The proposed strategies for creating regional bondmarkets are convincing from the investors’ perspective, but not from bond issuers’ or borrowers’ perspective. Discussion on region bias in portfolio preferences is informative and worth a read. Literature reviews on Asian bonds and Asian bondmarkets are interesting and help readers to understand what is going on in the regional financial integration.

Chapter 3 “Promoting Asian Basket Currency Bonds” proposes to establish an Asian Bond Corporation (ABC) to purchase local currency bonds and transform them into a basket currency bond, namely ABC bonds. The contributor also commented that the Asian Bond Fund (ABF) proposed in 2003 was a good step towards an eventual development of the Asian bondmarket, but the U.S.-dollar denominated Asian bonds could not solve the double mismatch problem. Moreover, channelling funds to corporations could not be achieved. In this chapter, issues surrounding Asian bondmarket development (e.g., home bias, role of government, currency risk diversification) have been proposed in a distinguishable manner, different from that in Chapter 2. The objectives of ABC bonds and the ABC are also clearly defined. If there is a shortcoming in the chapter, it has to do with the absence of possible financing schemes