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which has experienced the most miraculous growth of all members.

Among the local champions are names such as Bengawan Solo (Singapore), Dji Sam Soe (Indonesia), Bangkok Hospital (Thailand), or Number One Tonic Drink (Vietnam). Examples of local companies going ASEAN are Royal Selangor (Malaysia) and San Miguel (Philippines). Especially among the locals going ASEAN, these are companies that have proven that ASEAN integration is not merely a buzz, but also profitable for them. These successes have been followed or, rather, preceded by multinational companies from elsewhere who have also seized the benefits of the ASEAN market. Examples cited by the book are 3M, Samsung, and Kinokuniya.

The last part of the book elaborates the success of marketing practice in ASEAN. If the previous examples are companies on its way to go ASEAN and local champions in ASEAN countries, the three cases in Chapter 8 are examples of marketing practice with "ASEAN Vision, Local Action": Air Asia, BreadTalk, and Toyota Kijang. Two multinationals are also cited in Chapter 9 as having "Global Value, ASEAN Strategy and Local Tactic": Hewlett-Packard and Yamaha. These ex-amples use a different marketing model called the Strategy-Tactic-Value (STV) triangle to describe the organization strategy used by these companies.

A number of lessons can be drawn from the cases of companies marketing in ASEAN. A lesson that can be learned from these success stories is that understanding the ASEAN customers is imperative in winning the ASEAN market. One of the examples cited is how BreadTalk, the Singapore-based bakery chain, went for *halal* certification in order to attract customers in countries with majority Muslim population like Malaysia and Indonesia. Without this understanding of the context, the long queues of customers in BreadTalk's counters in Jakarta and Kuala Lumpur might not have appeared. Success would not necessarily follow even if the host market is just a neighbouring country from the home market in Singapore.

In a nutshell, the book clearly serves as convincing evidence on how ASEAN is a lucrative market for businesses, provided that they have the right mindset and strategy, without having to force excessive effort to go global. The executive summary of the book with the tagline "Forget the World, Think ASEAN, Act Local" is the mindset and strategy for that success.

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***Financial Fragility and Instability in Indonesia.* By Yasuyuki Matsumoto.** Oxon: Routledge, 2007. Pp 258.

With the global conversation on financial stability taking flight around Basel II, *Financial Fragility and Instability in Indonesia* by veteran banker Yasuyuki Matsumoto offers an astute response to the ongoing debate. This timely volume on the causes of the 1997 financial crisis in Indonesia recentres our attention from the common macroeconomic focus on the role of the Central Bank to the importance of microeconomic activities of capitalists and their institutions. As the country most severely hit by the financial crisis, Indonesia serves as an unambiguous expression of the destructive effects of financial fragility and instability. Using four Indonesian conglomerates as case studies, Matsumoto argues that the seeds of the financial crisis were sown during the years of rapid economic development from 1994 to 1997. Unsound financial structures, sharp increases in corporate leverage, reliance on external debt, and availing of riskier and more complicated financial instruments by Indonesian corporate empires rendered the financial system profoundly unstable.

Matsumoto's approach of examining the microeconomic terrain of Indonesia's large

conglomerates is a departure from conventional approaches that attribute the root causes of the financial crisis to shaky macroeconomic fundamentals. In explaining contagion of financial crises in Southeast Asia, many accounts ascribe the financial meltdown to ineffective supervision and lax regulatory enforcement actions in the banking sector. This study reveals that the emphasis on the role of domestic banks in the precipitation of the financial crisis in Indonesia is misplaced. Prior to 1997, domestic banks' access to offshore funds was under firm prudential control and their external debt levels were sustainable. In fact, this volume demonstrates that "the rapid accumulation of external debt by the Indonesian corporate sector during this period was more important than debt build-up in the state and/ or banking sector" (p. 44).

To support his argument that the microeconomic foundations of Indonesia's corporate sector directly contributed to the financial crisis, Matsumoto presents an anatomy of Indonesia's debt from the early 1990s and highlights the heightened use of offshore loans for investment. The heavy reliance on offshore markets and foreign exchange debt left the microeconomic financial structure in Indonesia fragile and unstable. It also placed limits on the country's financial economy and left it vulnerable to external shocks. Grounding his main thrust in Hyman Minsky's hypothesis of financial instability, Matsumoto traces the descent from risky cash flow positions and unmitigated offshore borrowing to crisis. Briefly, Minsky's financial instability hypothesis states that characteristics endogenous to a dynamic, capitalist economy, such as speculative finance and debt deflation, cause a financial system to evolve from being robust to being fragile. This volume modifies Minsky's financial instability hypothesis for an open and developing economy context. As causes of the financial crisis, Matsumoto cites the dominance of speculative financing units, the problem of leverage, foreign exchange risk related to unhedged liability positions, piecemeal liberalization policies, and offshore banks' sudden and aggressive withdrawal of funds.

Based on this assessment, Matsumoto examines three issues as contributors towards financial system instability and fragility, namely, the financial positions of Indonesian private non-financial firms, the offshore debt transactions of Indonesian debt borrowers, and financial activities of selected major Indonesian business groups. Delving into corporate finance, four in-depth case studies outline the microeconomic foundations of the financial crisis. Matsumoto selects the Salim Group, the Lippo Group, the Sinar Mas Group, and the Gajah Tunggal Group. Characteristic of Indonesian capitalists, these four prominent conglomerates sought to liquidate their assets without losing control of their corporate empires — by taking advantage of increased access to foreign loans and complex financial re-engineering, actions which ultimately ushered instability and crisis throughout the entire financial system.

The author provides evidence that the enthusiasm of offshore lenders to lend to Indonesian firms exerted considerable upward pressure on the debt market. As offshore syndicated debt became the favoured device for leveraging the financial structure of conglomerates, bargaining power shifted from offshore lenders to Indonesian borrowers. With improved terms of borrowing came higher borrowing volumes, decreasing costs, and an enlargement of the range of borrowers with access to foreign debt. As the Salim Group, Lippo Group, Sinar Mas Group, and Gajah Tunggal Group availed themselves of these attractive leveraging options, these practices took their toll on the debt-service capacity of the four conglomerates.

The different financial positions adopted during the boom years of the 1990s were direct determinants of the health of these firms, as they emerged out of the crisis. Matsumoto illustrates that the trend of aggressive fund raising in offshore debt markets in the four detailed studies was the experience of Indonesian firms' financial structures writ large. A corporate sector-wide review of financial leverage establishes that firms accumulated debt at a pace which the growth of earnings, cash flows from operations, and cash

calls from equity issuances could not keep up with. As offshore mobile capital began to occupy a substantial share of the financial structure in companies throughout Indonesia's private sector, signs of fragility and instability also began to surface.

As a result of these borrowing patterns, cash-flow chains collapsed and the effects were borne heavily by all four corporate empires. The Salim Group, the Sinar Mas Group, and the Gajah Tunggal Group held massive foreign currency debts and struggled to restructure their debt obligations. In particular, the Sinar Mas and the Gajah Tunggal Groups lost control of their core assets. Due to a toxic combination of aggressively using offshore syndicated debt and convoluted cross-border group holding structures, both firms suffered from the effects of absorbing mobile capital into its financial structures. The Salim Group was able to maintain its principal non-financial companies, but lost a substantial part of its businesses. Faring comparatively better was the Lippo Group, which achieved corporate reorganization through equity finance and third-party direct capital injections. The Lippo Group was less leveraged, held limited foreign currency debt, and survived the crisis without losing its assets and subsidiaries. From the leveraging experiences of Indonesian companies, Matsumoto draws a two-pronged lesson. Firstly, open and developing economies such as Indonesia's should implement comprehensive capital controls to ease the transition in establishing financial institutions. Secondly, these financial institutions should be equipped with the capacity to monitor and manage the levels of indebtedness and the volatility of capitalist behaviour.

The current discussions on financial instability stand to benefit by taking a page or two from Matsumoto's rigorously researched volume. This book eschews the prosaic, macroeconomic accounts of the financial crisis in Southeast Asia, and instead embarks on the microeconomic road not taken. Matsumoto's sophisticated assessment underscores the value of oft-overlooked elements of maintaining system-wide stability such as microprudential regulation and supervision. Although the initial causes of the financial instability and the precise propagation mechanisms may have been peculiar to Indonesian conglomerates, this book raises a number of issues generic to financial institutions. In particular, it demonstrates that not only is financial stability an important goal in its own right, but also that due weight should be given to the question of financial fragility in policy decisions at the firm-level. With carefully documented surveys and financial reports, this nuanced book captures the experiences of Indonesian conglomerates during the 1990s and imparts valuable additions to the repertoire of capacity-building measures in the promotion of financial stability.

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The Rise of the Corporate Economy in Southeast Asia. **By Rajeswary Ampalavanar Brown.** London and New York: Routledge, 2006. Pp. 388.

This thirteen-chapter book comprises the Introduction and Conclusion, three chapters each on Malaysia and Indonesia, two each on Singapore and Thailand, and one on the Philippines. It traces the post-war growth of large Southeast Asian corporations by their organization, finance, business environment, and corporate governance.

The analysis of structures of ownership, concentration and governance of family-dominated conglomerates runs parallel to the development of banks, capital markets, state and foreign capital in a corporate economy. While not into the Asian crisis, which is covered in the extant literature since 1997, the book notes the crisis as a common denominator to belie the dramatic but debt-driven regional growth; none was spared one way or the other.