the scope for the more egregious forms of rent-seeking?

Dr Naron is to be congratulated for fitting this admirable project into his extremely demanding ‘daytime’ job as the secretary of state in the Ministry of Economy and Finance, along with many other responsibilities. Among the many reasons to welcome its publication is its authentic Cambodian voice and perspective in a literature dominated by foreign researchers. A generation of scholars on the Cambodian economy and all those with an interest in the country are in his debt.

(Declaration: This reviewer is one of the volume’s back cover commentators.)

Hal Hill
The Australian National University

Emerging Asia: Essays on Crises, Capital Flows, FDI and Exchange Rates
Ramkishen S. Rajan

This book discusses five contemporary international economic issues: capital flows, capital controls, exchange rates, global financial architecture, and foreign direct investment (FDI), all with reference to emerging Asian countries. The book consists of 25 short essays, divided into five parts, and dealing with different aspects of international economic policy in the region.

The first part of the book, comprising five chapters, deals with crisis, capital flows, and exchange rates. In Chapters 1 and 2, the author shows trends and patterns in capital inflows and outflows from emerging Asia since the 1990s, and highlights factors leading to the fluctuations in capital flows during the 1997–98 Asian crisis and the current global crisis. Structural reforms in many Asian countries after the 1997–98 crisis made the region less vulnerable to the current global crisis than other regions. However, the author points out that the current crisis has created many challenges to policymakers in the region, including a reconsideration of the US dollar as the reserve currency (discussed in ch. 3), exchange rate regimes (ch. 4), and the real exchange rate (ch. 5). On the latter two issues, the author pays more attention to China and points out at the end that further renminbi revaluation, along with expansion of domestic demand, will probably be necessary for the country and region.

Part II of the book, composed of another five chapters (ch. 6–10), deals with issues relating to exchange rate crises, capital controls, banking sector internationalisation, and sovereign debt defaults. Regarding exchange rates (ch. 6), their volatility has been identified as a key concern for many Asian policymakers because of its impact on trade and investment, and thus ‘excessive’ intervention in foreign exchange markets has been evident. Along with foreign exchange intervention, an influx of global capital flows in emerging countries since the early 2000s has resulted in a resurgence of interest in the issue of capital controls. The type, characteristics, and uses of capital controls are reviewed in Chapters 7 and 8. As well as the issue of capital controls, the extent and impact of foreign banks in Asia and concerns about sovereign debt defaults are discussed in the last two chapters of the set. The author concludes that allowing competition from foreign banks should be done in a phased and nuanced manner. An ill-timed and ill-sequenced liberalisation of the financial sector could result in a financial crisis, such as what occurred in 1997–98.

The first chapter of Part III (ch. 11) deals with the impacts of the global financial crisis on Asia. The issue of decoupling is highlighted, while the role of domestic demand for sustained and robust growth in Asia is emphasised. The rest of this part (ch. 12–15) analyses issues relating to regional cooperation in Asia, including the idea and reality of an Asian currency unit (ACU), and the role of Asia in G-20 meetings. Regarding an ACU, the author points out that it could have a role to play in Asian monetary and financial cooperation in the future, helping the region reduce its heavy dependence on the US dollar and the US economy.

In Part IV, the author focuses on monetary and financial issues in India. He shows that India was more heavily impacted by the global crisis than most informed observers expected as a result of its now high degree of trade and financial openness. However, the relatively huge domestic market, the soundness of the banking sector, and the conservative approach to regulatory policies explain why the country bounced back more quickly than others in the region. Nevertheless,
after the global crisis, rising inflation has become one of the key concerns of policymakers. The author highlights this issue in Chapter 18. The last two chapters of this section examine the country’s longer term issues, including diversification of India’s international reserves (ch. 19) and the importance of remittances (ch. 20).

The last part of the book discusses issues relating to FDI. It considers first the differences between portfolio equity and FDI (ch. 21), and highlights the increasing importance of intra-Asian FDI (ch. 22). The author pays particular attention to FDI flows in India and shows its increasing importance over recent decades as both a source and a host for FDI. Factors behind that success are highlighted in Chapter 23. In the last two chapters, the author investigates the role of financial and fiscal incentives in attracting FDI, and the steps to attract FDI in view of the global competition for such flows. The author emphasizes three points: (1) the complexity of FDI-related policy can have a significant deterrent effect on FDI inflows; (2) FDI incentives do not compensate for deficiencies in the overall investment climate; and (3) the fiscal costs of such incentives can be quite burdensome. In order for a country to be more attractive for FDI, measures should be put in place to ensure an enabling environment.

The 25 short essays in this book are presented in a straightforward manner, which makes it intelligible not only for economists but also for policymakers, practitioners, and other interested observers. Most of the key findings reinforce what has been pointed out in several previous studies, particularly the role of domestic demand in the post-global financial crisis, and issues relating to exchange rate volatility, capital controls, regional cooperation, as well as the role of FDI. These messages are, however, crucial for emerging Asian countries to ensure robust sustainable growth.

However, presentation in the form of short essays results in a lack of comprehensive discussion of some important aspects. For example, there is no clear discussion in Chapters 7 and 8 about the types and effectiveness of recent controls imposed in many Asian countries during the early 2000s. These issues are crucial for readers and policymakers in judging the usefulness of capital control policies. In addition, on the issue of exchange rates, the lack of discussion and evidence about exchange rate volatility, and its impacts on trade and investment in the region, results in a somewhat incomplete discussion in Chapter 6. Furthermore, with regard to the impacts of the global financial crisis, the author pays more attention to the capital and financial channels, while there is no clear discussion of the trade channel, which was even more important in linking Asia and the global economy after the Asian financial crisis. This topic might be beyond the scope of the book. However, without a clear discussion of this channel, the full story of the impact of the global financial crisis on Asia could not be revealed. Such a comment is also applicable to the India chapters where the author does not include current account and exchange rate issues, which currently are other areas of concern for policymakers responsible for macroeconomic management in the post-global financial crisis.

Nonetheless, this collection of short essays is recommended for Asian-Pacific Economic Literature readers, and anyone interested in contemporary issues relating to crises, capital flows, FDI, and exchange rates in emerging Asia. The collection contains numerous useful insights that are crucial to gaining a better understanding of macroeconomic management in the region.

Juthathip Jongwanich
Asian Institute of Technology

Foreign Direct Investment in China: Location Determinants, Investor Differences and Economic Impacts
Chunlai Chen
Edward Elgar, Cheltenham, UK; Northampton, MA, 2011

This book comprises a range of separate, empirically adept studies of foreign direct investment (FDI) in China. This approach could have had dangers. Too many current studies, including in highly rated journals, suffer from a myopic, methodology-driven introversion, where the results are seen to be of secondary relevance and often devoid of any sense of useful projection into a wider context. Against this background, it is pleasing to find coherence and purpose in Chunlai Chen’s studies, which derive from an overarching integrating framework that is