

# Book Reviews

## GENERAL ASIA

*Networks, Markets, and the Pacific Rim: Studies in Strategy*. Edited by W. MARK FRUIN. Oxford: Oxford University Press, 1998. x, 326 pp. \$49.95.

Networks are found everywhere. A broadly defined network is a set of relationships within a specific population, so, almost anything can be a network. But, in *Networks, Markets, and the Pacific Rim: Studies in Strategy*, the authors focus on networks as network *organizations* and give special reference to the Pacific Rim. They deal with networks among and within markets or hierarchies. The environmental circumstances and enterprise form and function are so different in the Pacific Rim as compared with Western Europe and North America. The contributors of this volume thus endeavor to characterize the prevalence and persistence of cooperation among Japan, Singapore, South Korea, Taiwan, and other high performing Asian economies, based implicitly on a new and improved theory of network organization.

Four types of networks are identified in the volume: naturally occurring networks, market replacing networks, hierarchy replacing networks, and market enhancing networks. A wide range of topics related to social, economic, legal, and technical aspects of network organizations are explored. The authors compare and contrast such network forms as personal-business networks in Japan and South Korea, entrepreneurial networks in the Boston area, Japan as a state of embedded networks and of social trust, and networks in Taiwan's fashion-shoe industry. Also, Japan's automobile and electronics industries are studied as an example of how supplier networks were established in the first place to provide parts, goods and services which were otherwise unavailable. And, of course, the electronic networks of Anna Lee Saxenian's Route 128 and Silicon Valley (chapter 13) are also viewed as illustrations of how networks can enhance markets.

However, what the volume seems to lack is the issue of cross-border networking. As a result of internationalization of production, the minimum size of market needed to support technological development in certain industries is now larger than the largest national market. So firms are integrating production globally and forming international networks and alliances because these changes allow them to bring transactions under administrative controls that previously had to be conducted at arm's length in external markets. An East Asian network spearheaded by Japanese businesses is gradually approaching completion. From the experience of the Asian financial crisis, even if exchange rates fluctuate somewhat and there is a little macroeconomic disruption, Japanese businesses cannot extricate themselves from this network. Exit from a network would be difficult and could be very painful, as the authors of this book show.

Nevertheless, integrating the literatures on organizational sociology, high-performing Asian economies, and network organizations in the Asia Pacific Region is a tall order, as the editor notes in the preface. The authors have done a great job in producing a volume of rich analyses on Asian capitalism.

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*The Politics of the Asian Crisis*. Edited by T. J. PEMPEL. Ithaca, N.Y.: Cornell University Press, 1999. ix, 284 pp. \$49.95 (cloth); \$19.95 (paper).

The thoughts of the finest political analysts from both within and without East Asia are collected in this outstanding volume. Its title, *The Politics of the Asian Crisis*, may lead readers to seek a single explanation for the crisis as a whole; instead the contributors emphasize nuance and detail over parsimony of explanation. Generalizations about rent-seeking and crony capitalism are avoided in favor of institutionally specific analysis of whose cronies benefited and how politics and institutions determined who got what. Differences in power relations and institutional configurations, the authors concur, are responsible for the varied outcomes.

Nevertheless, T. J. Pempel, the book's editor, might have missed a great opportunity to fully integrate the riches offered by Yun-han Chu (Taiwan), Paul Hutchcroft (Philippines), Andrew MacIntyre (Indonesia and Thailand), Barry Naughton (China), Meredith Woo-Cumming (Korea), and Linda Y. C. Lim (Singapore and Hong Kong). All have admirably fulfilled their mandate, producing vintage essays ripe with institutional specificity.

One external influence mentioned throughout the volume is the surge of private capital funds competitively seeking higher yields. The authors uniformly decry the excesses of international capital movements, often referring to short-term currency speculators and "hot money" outflows, but the problem is not the prevalence of short-term debt. In fact, a high percentage of short-term debt correlates positively with economic development. For example, capital flows to the U.S. are predominately short term as compared to Africa, where foreign direct investment (FDI) comprises a higher percentage of the total. If an Asian national trades stocks or bonds in the U.S., no one would call that "hot money" but in less developed economies FDI substitutes for an active, stable capital market. The less developed an economy, the more likely investors will want to own plant and equipment. How did an ever expanding number of competing privately managed mutual funds calculate that the risk-adjusted rate of return in Asia was comparable or better than alternative investments? As Jeffrey Winters queries in his trenchant essay, "why did fund managers overlook the region's endemic weaknesses when making their investments"? Why did they ignore factors that would certainly have stymied investment at home? These included high levels of ownership concentration, oligarchy, compromised regulators, weak judiciaries, and a virtual absence of third party audits; all should have been red flags. But these institutional weaknesses rooted in political systems that lacked accountability did not stymie optimism where East Asia was concerned.

As a counterpoint to the region's crisis economies, Taiwan's economic resilience is brilliantly depicted by Yun-han Chu. Threatened by mainland China's claims to the island, Taiwan's leaders need high growth to justify to their own people why they and not the communist party should govern. A similar threat once inspired leaders