

more sophisticated picture emerging from studies by Shiraiishi, Ahmad Adam and Mrazek (the two last-mentioned are absent altogether) is largely lost. All in all a solid dissertation but not a new interpretation of Dutch colonial policy or the Indonesian *pergerakan*.

Vincent Houben

WOLFGANG PAPE (ed.), *East Asia by the Year 2000 and Beyond. Shaping Factors. An European Project*. (English-language Publications of the Institute of Asian Affairs, Hamburg, 1). Richmond: Curzon Press, 1998. XVI, 268 pages. £ 14,99 (Pb), ISBN 0-7007-1006-X. £ 40.00 (Hb), ISBN 0-7007-1005-1

This book is an ambitious undertaking. It attempts to identify the key political, social and economic trends which are likely to determine the future of the East Asian region. Unlike a large number of conventional analyses carried out in Western countries, which quite often consider Asia as a single region – for example, in the context of the so-called Asian model, this study tries to tackle the different aspects and problems which individual countries are facing. “The term Asia is an over-simplification. [Asian countries] have different cultural traditions and different social, economic and political profiles, even if industrialisation is making some of these differences less marked than in the past.” (p. 235 in appendix II)

This study was originally commissioned by the European Commission and completed in 1996. In order to optimally expand the EU’s business and economic presence and to develop political dialogues with those rapidly growing Asian countries, this future-oriented study aims at enhancing European understandings as well as deepening the knowledge of historical facts and of the current situation in the region. As the most important instruments of the study, a survey was conducted among a group of selected Asian and European experts from a wide range of fields and interests, which was also supplemented by the face-to-face contacts and information exchange in various symposia. The different opinions and judgements of individual experts about the major future determinants of the various Asian countries were compiled and summarised using computer modelling techniques and the results were visually illustrated. Yet, taking into account the nature and purpose of the study, a more extensive examination and description of the relationship between selected future determinants (‘shaping factors’) and decision makers (‘shaping actors’) in the individual countries would have been desirable.

Chapter 1 tries to give a general overview of the economic, social, political and cultural factors which made the Asian miracle possible within a short period of time. Chapter 2 concentrates on the political and economic problems that Japan has recently been facing, for example, slow economic growth, industrial hollowing out, increasing challenges of its political and economic hegemony in Asia, rapidly ageing society, etc. Unification and security issues are extensively treated for Korea in chapter 3, followed in chapter 4 by an account of the new challenges for the policy makers in China, which are caused by the unfavourable demographic development, the widening regional economic imbalances, the privatisation of state-owned firms, etc. Furthermore, the economic and political significance of the so-called Greater China is examined. Following a description of the ASEAN integration process in

chapter 5, the economic, political and social heterogeneity among Asian countries is once again emphasised in chapter 6. These differences have disturbed the integration process in the past and could even cause further political tensions in the region.

Since this book was published in 1998, it should have included – at least – an additional chapter examining the significance of the current Asian crisis for the future prospects of the individual victims and the entire region. In my opinion, apart from the fact that the major causes of the crisis well confirm the importance of several chosen determinants in the study, this event also revealed some new factors shaping Asia's political and economic future, and several mistakes made by the individual governments in implementing development strategies. The crisis which began with the panic triggered by the failure of the Thai financial system in 1997 has already turned out to be a real sector crisis rather than a financial and currency crisis. Such an abrupt breakdown has been particularly evident and serious for the South Korean, Thai and Indonesian economies, while Japan has also been suffering from the negative growth and the structural change. The list of major causes for the current crisis in Asia is long and can also be described as additional shaping factors. The *financial* factors that led to the crisis generally include the serious asset-liability mismatches of domestic firms, the over-reliance on foreign debt partly caused by the governments' badly designed financial liberalisation schedule, the poorly developed and intransparent domestic financial system, the insufficient foreign currency reserves, the moral hazard resulting from the close relations between governments and large firms as well as from the so-called cross-firm debt guarantee within a conglomerate (e.g. in South Korea). In addition, some macro- and meso-economic conditions and weaknesses have not only made Asian economies vulnerable to external shocks but also contributed to the sudden capital flight of investors and the subsequent economic collapse. Major *real* sector problems were, for example, the (expectation of) decline in the economic growth rate and the slow growth of export revenue (due mainly to the world-wide decrease in the price of computer chips, etc). Furthermore, policy errors made by Asian governments and the IMF during the early stages of panic appear to have deepened the economic distress. For example, the increase in real interest rate combined with tax increases, cuts in government spending, etc which were demanded by the IMF in return for bail-out funds depressed Korean firms' cash flow and raised their fixed payment obligations, forcing them even more into insolvency.

The unstable development of important Asian currencies, the transmission of bubbles from one country to another and the related undisciplined monetary policy practice of individual Asian countries since the mid-1980s were the initiators of the current Asian crisis. In this context, a more intensive co-ordination in the fields of monetary and exchange rate policy-making, debt negotiations and expansions appears to be necessary to prevent a future and overcome the present crisis. Such a co-operation has recently been disturbed by significant economic disparities, structural differences and varied financial systems in Asian countries. Moreover, Asia appears to lack the kind of *political* solidarity and institutional process that have played an important role in the economic integration of the EU since the 1950s.

Chang Woon Nam