

BOOK REVIEWS

THE OXFORD HANDBOOK OF THE ECONOMICS OF THE PACIFIC RIM. *Edited by Inderjit Kaur and Nirvikar Singh.* New York: Oxford University Press, 2014. xiii, 738 pp. (Figures, tables, graphs.) US\$150.00, cloth. ISBN 978-0-19-975199-0.

This book consists of 26 chapters written by scholars specializing in the economics of countries on the Pacific Rim. The book also includes an introduction by the editors. The 26 contributing chapters are divided into six parts corresponding to broadly defined substantive areas: part 1: the natural world: history, climate, and risks, consisting of chapter 1 (E. Jones), chapter 2 (D. Roland-Holst) and chapter 3 (I. Noy); part 2: people: migration, demographics and human capital, consisting of chapter 4 (P. Martin), chapter 5 (N. Ogawa) and chapter 6 (A. Goujon); part 3: perspectives on economic growth and development, consisting of chapter 7 (B. Bosworth and S.M. Collins), chapter 8 (H.T. Dinh and J.Y. Lin) and chapter 9 (M.S. Kumar, N. Singh and J. Woo); part 4: regional governance and trade linkages, consisting of chapter 10 (W. Dobson and P.A. Petri), chapter 11 (D. Kapur and M. Suri), chapter 12 (J. Ravenhill), chapter 13 (P-C Athukorala) and chapter 14 (K-Y Wong); part 5: industry, policy and innovation, consisting of chapter 15 (I. Kaur), chapter 16 (T-H Yang and D-S Huang), chapter 17 (H. Pack), chapter 18 (F.T. Tschang) and chapter 19 (S. Yusuf); and part 6: macroeconomics and finance, consisting of chapter 20 (A.O. Krueger), chapter 21 (J. Aizenman and H. Ito), chapter 22 (M.S. Gochoco-Bautista and N.R. Sotocinal), chapter 23 (E. Ogawa and C. Nakamura), chapter 24 (M.D. Chinn and H. Ito), chapter 25 (R. Glick and M. Hutchison) and chapter 26 (Y-W Cheung and H. Miao).

This book addresses the economic issues that are relevant for more than four dozen Pacific Rim countries. Many of these issues are also important for the world's other regions (e.g., implications of intra-regional differences in: political systems, the endowment of natural resources, and the levels of economic development). The editors also single out as important for the region many dimensions of interactions between the United States and China. Specifically, various attempts in the past at regional cooperation or coordination in trade, finance, regulatory standards and macroeconomic policies are all influenced to some extent by the regional presence of China and the United States. Many of the chapters as well pay attention to the implications of China for the regional (as well as global) economies.

Papers in part 1 discuss topics including the exploitation of the region's natural resources by Western and other countries, climate change and natural

disasters. Papers in part 2 discuss, for example, demographic changes and migration, and their impacts on intergenerational transfers (chapter 5). These are problems in Japan now but some other countries will also face them soon. Human capital accumulation continues to be important for economic development of this region, but considerable differences exist in the effectiveness of upgrading workers' human capital (chapter 6). Papers in part 3 focus on economic growth and development. Many studies on Japan on this topic exist in the literature, and we see much research on this topic being conducted on China. Comparing Pacific Rim countries in Asia and Latin America, Bosworth and Collins (chapter 2) show that: Latin American countries lag behind their Asian counterparts in growth; Asia's developing nations tend to rely on capital accumulation for growth; and they still lag high-income countries significantly in terms of per-capita income. Lin and Hinh (chapter 8) make a unique contribution to the study of the economic development of the fourteen island nations of the Pacific. Chapter 9 concludes that improved efficiency and effectiveness of government spending will be required for the region's further effective development.

Papers in part 4 discuss the role of regional institutions (e.g., the Asian Development Bank, regional free trade agreements), multinational firms and international trade. Multinational firms play significant roles in the regional economy, for example, in developing their global production supply chains (chapter 13). China, however, exercises its strong bargaining position vis-à-vis large Western multinationals, thus causing a divergence between the Western geopolitical objective to contain China and the geoeconomic realities with a strengthened China (chapter 11). Intra-regional as well as global trade issues are also discussed (chapter 14). Papers in part 5 discuss industrial policies, innovation and their implications. Kaur (chapter 15) discusses the traditional flying geese theory of development, foreign direct investment (FDI) and related concepts such as catch-up industrialization. The role of multinational firms in trade, particularly their inter-firm and inter-country trade patterns are examined (chapter 16). Industrial policy is a primary policy tool for some Asian governments for promoting economic growth. Pack (chapter 17), applying his own methodology to Taiwan, estimates that while industrial policy did have some positive impacts on Taiwan's growth, most of the growth is attributable to physical and human capital accumulation, good macroeconomic policies, and overall innovation. Topics on culture and creative industries in some of the Asian countries are also discussed (chapters 18, 19). Papers in part 5 discuss macroeconomic issues with a focus on China and its currency (RMB) in the global market. The role of flexible exchange rates in the post-Asia currency crisis and the Mundell-Fleming trilemma are discussed (chapters 21, 22). Current account imbalances and related global finance issues are discussed in chapters 23, 24 and 25. Ogawa and Nakamura (chapter 23) recommend against the possibility of implementing some form of Asian currency unit, given the recent experience of the euro zone. Chinn

and Ito (chapter 24) argue that remedying the current account imbalances might require China's undertaking significant changes in the way its financial markets and institutions are organized. In fact China's domestic financial development (as of early 2012) has been modest, while internationalization of its currency and liberalization of capital controls has been limited (chapter 25). Also political factors must be considered for explaining the evolving role of the RMB in international markets (chapter 26).

These 26 chapters cover many topics well. One topic of interest that is not covered fully is the role business groups play in economic development. Business groups are prevalent in India, Japan, China, South Korea, Thailand and other countries. Japan's prewar *zaibatsu* groups' role in economic development is documented by Morck and Nakamura ("Business Groups and the Big Push: Meiji Japan's Mass Privatization and Subsequent Growth," *Enterprise and Society* 8, 2007: 543-601). South Korea's *chaebols* are thought to have played a similar role. Business groups also play major roles in organizing supply chains and production networks.

The introduction states that papers in this handbook collectively provide useful insights about the economics of the Pacific Rim region. The editors have succeeded in their task.

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THE FUTURE OF THE WORLD TRADING SYSTEM: Asian Perspectives. *A VoxEU.org Book. Edited by Richard E. Baldwin, Masahiro Kawai, and Ganeshan Wignaraja. Tokyo: Asian Development Bank Institute; London: Centre for Economic Policy Research, 2013. viii, 169 leaves. (Figures, tables.) eBook: http://www.voxeu.org/sites/default/files/Future_World_Trading_System.pdf.*

This book brings together abridged versions of papers presented at a conference held at the World Trade Organization (WTO), Geneva in March 2013. Following the editorial introduction and opening remarks by the then director-general of the WTO, Pascal Lamy, the book is thematically organized into four sections: supply chains and production networks, commercial and industrial policies, regional trade governance, and global trade governance.

The first section begins with a chapter by Baldwin (chapter 3) which argues for reforming world trade governance to accommodate the expansion of global production networks (GPNs). The case made here for a new "WTO 2.0" has, however, completely overlooked the pivotal role played by unilateral trade and investment liberalization and other supply-side reforms in East Asia's success in reaping gains from joining GPNs. The proposed global initiatives could perhaps play a facilitating role at the margin, but solid unilateral action by individual countries is the key to achieving the