Singapore’s financial reforms should have been examined. Singapore’s financial reform measures announced in 1998 could be classified as a “big bang”. Despite omitting these crucial issues, the book is informative, comprehensible, and well worth reading. It is a useful contribution to the literature on the Asian crisis particularly as a reference to the historical context of the financial liberalization and financial system reforms.

SAKULRAT MONTREEVAT
Institute of Southeast Asian Studies, Singapore

International Production Networks in Asia:

First, the title of this book is a little misleading. While it appears to concern itself with cross-border international production networks (IPNs) in Asia in general, this book focuses almost entirely on IPNs in the electronics industry in the Pacific Asia region. That minor quibble aside, this volume provides an illuminating and valuable insight into the way IPNs have developed in what is arguably East Asia’s single most important industrial sector. Indeed, as the editors point out, the electronics sector spans a wide spectrum of sub-industries, and this study is “thus able to capture a great variety of sectoral characteristics”. For example, U.S. firms tend to be strong in industrial electronics, while Japanese and Korean firms are strong in consumer products, and Singapore and Taiwan firms tend to specialize in PC electronics. Further, the editors contend that they “expect the industrial practices characteristic of [the] electronics [industry] are likely to diffuse to other sectors”. Commencing in the mid-1980s, cross-border IPNs in the electronics industry are relatively new, compared with IPNs in the garments, footwear, furniture, and toy industries that date from more than a decade before. Nonetheless, by the 1990s, the electronics sector had become the most important sector for both U.S. and Japanese investment in Pacific Asia.

The first two chapters of this edited volume provide a solid grounding in the development of IPNs in the region, and the extent to which they have become an integral part of the industrial integration of Pacific Asia, as well as the corporate strategies of electronics firms in the region. The six following chapters then provide specific case studies: the resurgence of U.S. electronics firms in the region; the IPNs of Japanese electronics firms; the “Taiwanese model” in the computer industry; the IPN network of Samsung Electronics; the growth of Singapore’s electronics industry; and Japanese and U.S. electronics companies in Malaysia. A final chapter discusses the degrees to which the forces of globalization have reshaped IPNs in the region.

Four main themes are identified in the book. The first is that IPNs tend to be created to “access locational advantages … with the increasingly specialized technology, skills and know-how that are resident” at each network node. The second is that the variety of IPNs differs greatly, and that these differences are “ultimately rooted in national systems of production and innovation”, as exemplified by the various case study chapters. The example of Cisco is illustrative, as a company that does not own its manufacturing capacity, nor even possess its own central corporate laboratory for conventional R&D. Instead, Cisco’s products are “assembled entirely by independent ‘turnkey’ contract manufacturers in California and Asia from components and manufacturing services that flow from a variety of independent suppliers throughout Asia and the United States”. While contractual arrangements between Cisco and these various suppliers exist, actual equity ownership links do not. And as a result, such IPNs have shifted organization foci “from the legal entity known as the firm to the contractual network of firms tied together by mutual long-term interest”, to quote John Stopford. From an even wider perspective, Pacific Asia is “increasingly organized and integrated at the level of corporate organization”, which has “important implications for both the political economy of the region and the trade and investment policies of particular countries”.

© 2002 Institute of Southeast Asian Studies, Singapore
A third theme is that IPNs generate “important competitive consequences, particularly in technology-intensive sectors such as electronics”. These competitive issues do not only pertain to production costs, but also product differentiation and speed to market. As the editors note in the introductory chapter, “product life cycles are short and technological change is not only extraordinarily rapid but subject to periodic trajectory-disrupting innovations”. The fourth theme identified by the book is that, despite the forces of globalization, it appears that an anticipated convergence of IPNs into a single, uniform pattern has not been apparent, and therefore the differences of IPNs that are “rooted in national origin have persisted”. Indeed, the editors assert that the most globalized companies rely significantly on “capacities that benefit from local agglomeration economies”. Consequently, IPNs are created in a bid to “access locational advantages … associated with the increasingly specialized technology, skills, and know-how that are resident” at various nodes. Which takes us neatly back to the first theme.

The editors also suggest that the existing literature on foreign investment activity, and production networks in particular, do not adequately serve to explain new and more complex forms of IPNs, which are no longer created in a bid to harness cheaper operational costs or gain market access. “Rather, they represent efforts to develop new forms of organization that provide greater flexibility, responsiveness, risk-sharing, as well as efficiency under conditions of high market and technological uncertainty.” This makes for interesting reading, and the chapters on some of the individual Asian countries provide fruitful evidence of how this new reality is taking tangible form in Pacific Asia. IPNs enacted by U.S. firms are characterized as relying “on an open, competitive supply architecture in which Japanese, Taiwanese, Singapore and Korean firms, as well as other American firms based in the region, provide significant value-added”. In contrast, Japanese and Korean firms tend to operate IPNs that are “relatively closed to outsiders, more centralized, and structured on stable, long-term business and traditional … relationships”. Singapore and Taiwanese firms, the editors suggest, adopt networks that incorporate elements of both the U.S. and Japanese/Korean IPN models.

But, is this differentiation of IPNs a product of the precise kind of electronics activity that U.S. firms (industrial electronics), Japanese/Korean firms (consumer electronics), and Singapore/Taiwan firms (PC electronics) undertake, or a product of more intangible factors emanating from the home country? Regardless, the authors propose that the U.S. model of IPNs has proved to be more successful, as evidenced by the business track record of U.S. electronics firms in the 1990s. Conversely, Japanese and Korean firms have found that their “positions within existing markets and … their ability to move into new segments” has deteriorated. So is it time for Japanese and Korean electronics firms to embrace the U.S. model, in a bid to improve their laggard performance? On the one hand, the editors discern no move towards a convergence of IPN models around “some new global norm”. Yet, they do see a “new willingness [by Japanese electronics firms] to give more autonomy to local managers [and] to delegate to subsidiaries greater responsibility for higher end, more knowledge-intensive support services … and to increase their sourcing from local suppliers”. It, therefore, seems that in the development of IPNs in Pacific Asia’s electronics industry, “partial convergence coexists with persistent diversity”.

NICK J. FREEMAN
Institute of Southeast Asian Studies, Singapore


How should one conceptualize intangible assets (for example, knowledge)? How important are