

BOOK REVIEWS

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***A World Trade Organization for the 21st Century: The Asian Perspective.* Edited By Richard Baldwin, Masahiro Kawai and Ganeshan Wignaraja.** Cheltenham, UK and Northampton, USA: Edward Elgar, 2014. Pp. 429.

As an increasing proportion of world economic activity shifts to the Asian continent and various regional trade agreements proliferate, a book focusing on the future role of the World Trade Organization (WTO) is a delight to any intellectual mind aspiring to dig deep into issues related to international trade. The book touches upon all issues that are central to shaping the current global trade architecture. It specifies that governance of international trade in the present day has to address “the intertwining of trade, investment, intellectual property and services” — something that the WTO has not been able to address convincingly till date.

The chapters of the book may be roughly divided into four groups. Although the book does not divide these groups explicitly, a brief roadmap is provided in the introductory chapter. To address the changing paradigm of international trade, the first group (Chapters 2 and 3) define the concept of value-added trade and supply chain trade, an issue that is particularly relevant while talking about trade in East and Southeast Asia. The challenges of the WTO not having kept up with the changing times and the need for “WTO 2.0” are mentioned.

In the second group, Chapters 4 and 5 deal with the question of firm level determinants in joining the global supply chain, and industrial policies to facilitate trade in value chains. The question of

firm size as a determinant to join a supply chain is investigated rigorously and the results are shown to vary by region across East and Southeast Asia. The role of investment in technology and technology upgradation stands out as a significant determinant. The role of the government in formulating policies to facilitate small-medium enterprises (SMEs) joining the supply chain is postulated. It concludes that a strong role of the government in infrastructure development in close coordination with private actors is most suitable.

In the third group (Chapters 6 to 10), the focus shifts to policies relevant for international transactions. Specifically, Chapters 6 and 7 analyse exchange rate policies and responses to economic crises through protectionism. The protectionist stance taken as a reaction to the recent financial crises is found to have been higher in developed countries than the developing ones in the Asian region. The style of protectionism is also outside the WTO governing areas and span areas of discrimination against foreign firms, services and workers, just to name a few. On exchange rate policies, the trend across partners in a Free Trade Agreement (FTA) of maintaining stable currencies amongst FTA members is observed, highlighting the distortionary effects on trade outside the bloc. This is followed by analysing trends towards regional integration through policy challenges in the context of Asian FTAs and mega regional trade agreements (RTAs) like the Regional Comprehensive Economic Partnership (RCEP). The pivotal role of Rules of Origin (ROO) in the context of any FTA in determining the preference given to FTA members is analysed while addressing other challenges of integrating the famous Asian “noodle bowl effect”. The prospects of the ASEAN Economic Community (AEC) —

the impediments and integrating factors and its effects — are further discussed. While ASEAN centrality along with prospects of a full Asian Integration are analysed, only minor references are made to the Trans-Pacific Partnership (TPP).

In the final group (Chapters 11 to 13) the probable path for WTO in its present form in governing trade in the new framework is explored. The ability of plurilateral agreements to act as alternatives to WTO and an organization to govern foreign direct investments (FDIs) around the world built on the lines of the organization are explored, since investment and supply chain trade have a close correlation. Plurilateral agreements like the Information Technology Agreement (ITA), the Financial Services Agreement, or the Basic Telecommunications Services Agreement are examples of issue-based agreements that complement the present world trade architecture and provide direction on the governance structure of “WTO 2.0”. In this context, the importance of forming an International Supply Chain Agreement is emphasized. The strong correlation between FDI flows and supply chain trade in the case of China is put forward in the final chapter, which highlights the need for coordinated reduction in FDI restrictions to facilitate supply chain trade as well as the need for an organization to govern and coordinate FDI across the globe.

The book is not without some scope of improvement. First, the book mainly looks at East and Southeast Asia as Asia. Minor mentions of Asian countries like India are made and the book stops short of commenting on the effects of Asian nations like Sri Lanka, Bangladesh and Afghanistan, as well as the repercussions for these countries of the new developments or in the context of the WTO in the twenty-first century. The incremental challenge for less developed countries that would be better placed to negotiate deals in bigger forums like the WTO rather than regional agreements could add value to the discussion, given that Asia is a mix of countries at various levels of development. Second, a discussion of trade architecture in the Asian region without discussing the ramifications of the TPP leaves a gap that needs to be addressed since the agreement has just been

reached. Third, as the initial introduction outlines the importance of services in the present context of trade in value chains, a chapter dedicated to trade in services and challenges faced in reaching consensus on issues like services trade through Modes 3 and 4 of the General Agreement on Trade in Services (GATS) could have been useful. This would add to the discussion on AEC where labour standards and intra-ASEAN labour mobility are major concerns. Finally, a discussion on issues of intellectual property and challenges faced especially in agreements like TPP by the Asian economies would enlighten the reader.

However, given that economic and policy literature on the subject is relatively thin, the book serves as a perfect starting point for anyone who seeks to understand the nuances and policy challenges that WTO faces to remain contemporary and relevant.

DEEPARGHYA MUKHERJEE

*Institute of South Asian Studies,
National University of Singapore,*

*29 Heng Mui Keng Terrace, #08-06 (Block B),
Singapore 119620*

email: isasdm@nus.edu.sg

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Inequality in Asia and the Pacific: Trends, Drivers and Policy Implications. Edited by Ravi Kanbur, Changyong Rhee and Juzhong Zhuang. Abingdon, Oxon and New York: Routledge and Asian Development Bank, 2014. Pp. 412.

Rising inequality — a defining problem of our times — looms large in Asia. Concern and discontent have grown in recent years toward rich-poor disparities in Asia’s fast growing economies, especially the heavyweights. Increasing income inequality in China, India, Indonesia and South Korea warrants academic and policy attention for domestic, regional and global implications.

The urgent and popular socio-political matter receives rigorous economic treatment in this edited volume. The book collates the background papers
