

BOOK REVIEWS

DOI: 10.1355/ae34-1i

***Asia and Global Production Networks.* Edited by Benno Ferrarini and David Hummels.** Cheltenham and Northampton, MA: Asian Development Bank and Edward Elgar Publishing. Pp. 375.

Production in the global economy has become increasingly fragmented today as many goods and services pass through countless hands and cross multiple international borders before the final stages of consumption. It brings opportunities to firms as well as challenges for governments as they seek to understand and manage the proliferation of such Global Value Chains (GVCs). The edited volume is a timely contribution to a burgeoning literature that examines this phenomenon, where it brings together the works of scholars and policymakers contributing diverse insights into the architecture and implications of GVCs.

The book is organized around two central themes. First, it looks at how external shocks affect the macroeconomic environment. Second, it examines the evolution of GVCs at the firm level and implications on competitiveness in Asia. The motivation for adopting the two distinctive themes, however, is less clear.

Benno Ferrarini and David Hummels open up with an introductory chapter where they provide an overview of GVCs as well as short summaries of the chapters to come. In Chapter 2, Terrie L. Walmsley, Thomas Hertel and David Hummels present a reconstructed multi-region input-output (MRIO) dataset where they disaggregate trade flows from the Global Trade Analysis Project (GTAP), thereby introducing an alternative measurement of value chains for future research. They then test

the reconstructed data on experimental models and found positive results on real GDP when tariffs on imported intermediaries are eliminated, though the benefits are shared unevenly across sectors.

Written by the same contributors, Chapter 3 ventures into the first theme of the edited volume by looking at how natural disasters in two economies, Taiwan and Singapore, affect output, trade and income. Chapter 4 by Laura Puzzello and Paul Raschky likewise examine the implications of natural disasters, specifically on trade. They look at large-scale natural disasters and found that economies with greater supply chain vulnerability would have lesser exports following a disaster, where vulnerability is measured as the domestic or imported inputs employed to produce a good. As aptly pointed out by Puzzello and Raschky, it is rather problematic that the very economies that experienced large natural disasters, such as China and India, happen to also occupy significant positions in GVCs. This leads to a possible overestimation of the impact.

The following two chapters explore GVCs in China using Chinese firm-level data. Chapter 5 by Alyson C. Ma and Ari Van Assche considers how trade policies influence the organization of GVCs, where firms are able to capitalize on them to circumvent trade barriers and in doing so reduces the effectiveness of such policies in protecting domestic industries. This is evident in the increased sensitivity of bilateral exports in response to tariff hikes as firms increase prices and relocate production. In Chapter 6, Deborah Swenson examines the dynamic changes in production sophistication of Chinese goods and the production stage position of Chinese firms, looking at how the latter affects trade growth and the continuity

of trade or exit from the market. For both studies, much is left to be said about the generalizability of findings to other Asian economies as their sectoral composition, position in the GVC, and mobility of factors differ substantially from that of China.

Subsequent chapters return to the implications of external shocks to GVCs. In Chapter 7, Andrei Levchenko and Jing Zhang look at how current account rebalancing in Asia through the elimination trade surplus increases wages, employment, and welfare and causes exchange rate appreciation. The converse is found for economies with a trade deficit. The study moves beyond the traditional two-country model to a multi-country model that better mirrors the relationship between Asian economies. However, there is no explicit mention or any theoretical association with GVCs per se. In Chapter 8, Menzie Chinn examines how GVCs in Asia lead to the synchronization of business cycles and preference for the Chinese yuan over the U.S. dollar as an anchor for monetary and exchange rate policy.

Chapter 9 by Hubert Escaith and Chapter 10 by Richard Baldwin and Rikard Forslid serve to conclude the book by providing a broad overview of issues relating to GVCs, the former looking into measurement of value chains, approaches to studying the problem and its limitations, and the latter considering the evolution of GVCs in Asia.

Asia and Global Production Networks will appeal to readers across disciplines, including international business, international political economy, economic geography and development studies, though the technicalities can be daunting for readers who are new to the field.

Readers will find the book wanting if they expect it to delve into the heart of global production networks (GPNs). Contrary to what the title suggests, the book discusses GVCs at length as opposed to GPNs. Both are conceptually distinct analytical frameworks used to understand the fragmentation of production across international borders. Instead of a linear production process where value is added in sequential stages, the GPN framework looks at the complex and interconnected web of production, distribution and consumption. A shift from one framework to

another would entail the critical evaluation and re-examination of many underlying assumptions that will inevitably alter the findings expounded in the various chapters. Additionally, the disparate chapters, most of which were commissioned and written for different projects within the Asian Development Bank (ADB), lack coherence and a common argument to integrate them into a collection that can better advance the scholarship on GVCs.

The strengths of the edited volume are aplenty, particularly on the methodological front where the contributors explore different approaches and models to better measure and investigate the implications of GVCs. The focus on Asia also provides a unique perspective into a region that is witness to the rapid growth of GVCs, where the accelerated participation and expansion of GVCs will surely alter the trajectory of the Asian and global economy.

CLARA LEE YEN YIN

*Department of Political Science,
Faculty of Arts & Social Sciences,
National University of Singapore,
AS1, #04-10, 11 Arts Link
Singapore 117570
email: clara.lee@u.nus.edu*

DOI: 10.1355/ae34-1j

***Global Production Networks: Theorizing Economic Development in an Interconnected World.* By Neil M. Coe and Henry Wai-Chung Yeung. Oxford: Oxford University Press, 2015. Pp. 288.**

Over the past few decades, the structure of the global economy vis-à-vis production has morphed spatially — into one replete with dispersed networks and a plethora of actors, localities, and relationships transcending state boundaries. The components of this contemporary economic structure, termed Global Production Networks (GPNs) by its authors Coe and Yeung, are the