

and Fumio Nagai respectively, who detail the historical background on trade policies of these two countries and the reasons due to which both these countries now seem to be increasingly jumping on to the FTA bandwagon, the latter much rapidly than the former. The chapter by Nagai on Thailand's FTAs clearly highlights that Thailand has resorted to bilateralism primarily as it has been frustrated with progress in trade liberalization at the regional and multilateral levels. It indicates that while FTA proposals were thought of since the year 2000, it has been much more aggressively pursued when the Thaksin government took office in 2001. Sanae's chapter on Malaysia's FTAs brings home the point that Malaysia's outlook on FTAs has been different from that of Thailand, and that due to changes in its production structure and trade composition, Malaysia has hitherto not viewed FTAs as being beneficial for its economy. It also observes very important linkages between Malaysia's FTA policy and ASEAN diplomacy, and asserts that Malaysia is more likely to support ASEAN-wide FTA initiatives than bilateral ones, due to these complex linkages. The book, however, has not included Singapore as a country case study among ASEAN, which is important to include as it has been the prime and first mover on bilateral FTAs in ASEAN, and has created significant demonstration effects for others to rethink or ponder on entering into cross-regional and even inter-continental FTAs. This remains an important drawback of this volume.

The final section of the book deals with the possibilities of multilateralization of FTAs, based on the experience from the case studies. The section brings out important insights on the conditions under which FTAs can be multilateralized and the role that needs to be played by the WTO, in this process. It asserts that it is possible to set up a mechanism that can multilateralize the contents of FTAs through the help of organizations outside the FTAs, which can pick up the WTO plus elements of FTAs for multilateralization. However, support from major WTO members (most of whom are busy in negotiating FTAs) is crucial to the success of

this mechanism, which would be much less discriminatory and would provide a better solution to global free trade than bilateralism based on different ideologies and motives. The book however, does not deal much significantly with the issue of Rules of Origin (ROO) that remains central to the debate on FTAs becoming a building or a stumbling block to multilateralism.

This book is a must read for trade policy analysts in Asia, and answers some vital questions on the proliferation of FTAs in the Asia-Pacific. The case studies are in-depth and are an important resource of background information for researchers working on international economic policy issues. However, exclusion of some of the other major Asia-Pacific economies, viz. Singapore, China and India from the case studies, leaves a gap that needs to be fulfilled by future research projects analyzing these issues. The gap is important to fill quickly because apart from Singapore that has a number of working FTAs already in force, the two major emerging economic powers in Asia, viz. China and India, are also turning their attention rapidly towards FTAs.

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***Beyond Late Development: Taiwan's Upgrading Policies.* By Alice H. Amsden and Wan-wen Chu. Cambridge, Massachusetts: The MIT Press, 2003. Pp. 207.**

Any study of a country's economic development should examine at least the major economic drivers and put them in their historical context. Amsden and Chu's use of Taiwan's electronics as well as modern services industries to illustrate Taiwan's economic development is a good example. In addition, they have carefully considered the extent to which the latecomer model can be generalized. The book should prove to be useful to both academics and policy-makers

in opening up new ways of looking at economic development.

As the authors themselves contend, standard theories of the firm have to be adapted to explain latecomer upgrading. Amsden and Chu have forcefully argued the case for a different set of assumptions to be employed in explaining the latecomer firm (pp. 162–64):

- *Competitiveness*: The second mover must contend with low margins from producing mature products, concentrating on cumulative skills that enables the firm to ramp up fast in order to exploit scale economies. The first mover, by contrast, earns technological rents by exploiting its unique, cutting-edge knowledge assets.

- *Structure of enterprise*: Due to its limited product development capabilities the second mover tends to extend its diversification to whatever industries global demand dictates, unlike the first mover which tends to limit its diversification to markets broadly defined by its own R&D.

- *Sources of knowledge*: The second mover tends to focus on applied research closely linked to production and detailed design, while the first mover's R&D includes basic research that positions the first mover well to innovate and create new products.

- *Marketing*: If the latecomer firm lacks its own proprietary product designs, then investments in marketing are restricted to peripheral products. Therefore, the latecomer firm is likely to adopt only two prongs of the “three-pronged” investment of first movers — it will tend to focus on manufacturing and management but not marketing.

- *Globalization*: Amsden and Chu contend that a latecomer is more likely to globalize its operations through FDI, whilst a first mover may access lower wages of another country through subcontracting.

The last point is perhaps the most contentious of Amsden and Chu's challenge of the assumptions of standard theories of the firm. Their explanation

has come at the expense of distilling those standard theories into their core essence, which then tends to portray the theories in a static, unidimensional perspective that does not allow for exceptions. Subcontracting in the electronics industry is a relatively recent phenomenon compared to FDI. Before the industry itself evolved and Taiwan firms matured enough to gain the confidence of foreign investors to adopt subcontracting, the U.S. and Japanese firms that first went into Taiwan made use of FDI. Hence, it is to be expected that when Taiwanese firms invest abroad, say in the electronics sector in China, they would seek to gain access to China through FDI rather than subcontracting, as the prevailing conditions in China would be more suited to FDI at first. Furthermore, in view of current concerns over intellectual property rights, FDI is probably the most effective strategy for Taiwanese firms to adopt in China.

A major flaw of Amsden and Chu's study is that they have overlooked the fact that Taiwan's economic development is also a product of its political history. In many ways, in the historical context there are parallels to Taiwan's experience in other latecomer countries, such as Malaysia and Singapore, where foreign electronics investors adopted FDI to access those countries' lower wages. However, their developmental paths appear to be quite different from Taiwan's. One potential explanation for this difference is the U.S. policy towards Taiwan, but it is unclear to what extent this might have shaped Taiwan's economic development as a latecomer. That, perhaps, could serve as the topic of another study.

The book by Amsden and Chu is a useful contribution to the understanding of the strategies employed by firms as well as the policies adopted by the government of a latecomer country to compete in the global economy. Taiwan is a notoriously difficult country to gather data of any kind, and the richness of the pertinent primary data shows that Amsden and Chu have been painstaking in their efforts.

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