The purpose of this book is to “discuss the probability of different tentative global economic power balances to emerge”. Throughout the book, various drivers of the economic re-polarization process are discussed. It is assumed that the US will continue to play a role as a world economic superpower. It is then asked which other contestants – in particular China – may fill out the positions of economic superpowers. The focus is on the Asian economies and, among these, in particular on the role played by China. There are, however, also chapters that deal with other Asian countries, i.e. India, Indonesia, and Vietnam.

The book consists of 16 chapters that are written both by scholars with well-established reputations within their fields and by lesser known researchers. All chapters contribute with new research findings. The approach is interdisciplinary, covering both economic and political issues.

The book treats three main questions. A first question relates to the extent, and importance, of the economic development and catch-up that has taken place in the Asian economies over the recent decades. There could have been a bit more focus on the role of advanced economies in these processes (Mudambi, 2008). A second question, and equally important question, is whether this past trend will continue. Finally, a third question is what the world will look like if China emerges as a second superpower at par with, or surpassing, the United States. In regard to all of these three questions, the book contributes with important new insights.

In regard to the first question – the extent and importance of Asian economic development and catch-up over recent decades – all chapters bear testimony to the fact that the world economy has undergone a major configuration. In spite of predictions to the contrary, the Asian economies have emerged stronger as the result of the recent economic crisis. In an interesting contribution, Lennart Schön brings, however, realism to this general picture of Asian dynamism. Thus, when GDP is measured in purchasing power terms, it is demonstrated that GDP growth per capita has been low for many of the Asian economies. There has, for example, slightly been any per capita growth in India, Thailand, and Indonesia. By all accounts, the performance of China has, however, been impressive.

In regard to the second question – i.e. whether the strong Asian growth can continue – several of the contributions highlight risks that could jeopardize a continuation of past trends. In an interesting contribution, Michael Hutchison looks into the question whether the present Chinese low-currency policy can continue. The low-currency policy has been sustained by massive purchases of US dollars. It is questionable to what extent these purchases can continue. A rise in the value of the Renhimbi would pose a serious threat to Chinese growth. In another interesting contribution, Andrew Delios and Roberto Galang discuss whether China can maintain its strong economic performance given a massive corruption and an uneven protection of property rights. If, as a condition for further Chinese growth, multinational corporations are to transfer high-value services to China, e.g. research, design, and engineering, the weak regulatory infrastructure may constitute a problem. In a third contribution, Libo Wu, Weiqi Tang and Wenschi Yu discuss the barriers to further Chinese economic growth
caused by environmental problems. In a fourth contribution, Shubbashis Gangopadhyay and S. K. Shanti emphasize a rising opposition in India to fast-track reforms. Finally, in a fifth contribution, Chun Ding discusses the risks posed by social unrest in China. To prevent social unrest, the author suggests that social security arrangements are expanded to a larger share of the population. In the author’s view, such an expansion of social security arrangements has the added advantage of boosting private consumption, thus creating the basis for a broader-based Chinese economy that would diminish the dependence on exports.

In regard to the third question – i.e. what the world will look like if the present strong Asian growth continues – the book highlights a number of questions. The contribution by Prabhavivadhana and Wihlborg adds to the large theoretical and empirical literature that discusses the relative merits of different business models, (see also Boubakri, Guedhami & Mishra, 2010; Kumaraswamy, Mudambi, Saranga & Tripathy, 2012). The question has become of renewed importance during the ongoing economic crisis that seems to contradict the conventional wisdom concerning the superiority of the Anglo-Saxon business model. In a succinct way, the authors discuss the factors that affect the performance of different business models. Given the strong Asian economic performance, it is asked whether the nationalistic and family-oriented Asian business model will come to serve as a model for other countries. The implication would be a return to economic nationalism. In a second interesting contribution, Andrew Chiu and Peter MacKay demonstrate a growing financial interdependence between Europe and Asia. In a third contribution, Raj Aggarwal and Cal B. Muckley discuss whether the Asian countries would be better served by establishing a common currency regime based on a fixed exchange rate relative to the major other currencies. The answer is largely affirmative. In a fourth contribution, Michael Keller examines the role played by the large Asian sovereign wealth funds. It is the conclusion that especially the Chinese funds pursue geopolitical objectives in their investment policies. Again, the implication is more economic nationalism. Finally, several contributions discuss the future world trade regime and, especially, trade relations between the European Union and the major Asian countries.

The book edited by Lars Oxelheim is one of several recent books that discuss the economic shifts brought about by the expansion of the Asian economies. Among other books can be mentioned Bardhan (2010), D’Costa (2012), Shambaugh (2013), and Subramanian (2011). The book edited by Lars Oxelheim compares favourably to its competitors, both because of the breadth of the topics that are treated and because of the novelty of the research findings that are presented. It can be recommended to everyone with an interest in the re-polarization of the world economy and with an interest in the Asian economies. If I have a criticism, it would be that more space could be devoted to the question whether the present open free-trade and capital regime can be maintained in the face of sluggish growth and rising unemployment in the old industrial countries. The overriding policy question is whether we can imagine a backlash against the present regime of free trade and free capital flows and how such a backlash would affect Asian policy configurations and economic growth. As mentioned above, several contributions in the book suggest a return to economic nationalism.

References


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