

why are they consistently followed? Perhaps the answer is that there are currently no better ones. This represents the real challenge.

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<http://dx.doi.org/10.1080/08109028.2013.818834>

EU–Asia and the re-polarization of the global economic arena, edited by Lars Oxelheim, Singapore, World Scientific, 2012, xxiii + 588 pp., £111 (hardcover), ISBN: 978-981-4366-52-6

The rise of Asia is a distinctive phenomenon at the beginning of the twenty-first century. Asian economies are growing and catching up with the West. China, the icon of this transformation, aims to compete in the global economy on the basis of knowledge and innovation, and shift its development paradigm from 'Made in China' to 'Made by China'. This re-polarisation of the global economy has been met with concern in the traditional centres of economic gravity, the Triadic economies, in Europe in particular. Apart from potential challenges stemming from the re-polarisation of the global economic arena, the rise of Asia provides great opportunities to Europe. This is exactly the focus of this volume which seeks to address the contemporary topical subjects of global politics and the economy, with a specific reference to the European Union (EU) and Asia.

The experts who have contributed to this volume have produced a rich set of analysis and strategic assessment of EU–Asia relations. The volume contains 16 chapters, each of them treating a certain aspect of EU–Asia relations and re-polarisation of the global economic arena. The chapters differ methodologically, from conceptual policy-oriented research to studies offering rigorous quantitative analysis. Each of the contributions stresses the importance of a particular factor in the re-polarisation of the global economic arena. While some chapters look at the growth trajectories of specific Asian countries, other contributions look at the global shifts.

The volume starts with Chapter 1 which provides a general introduction to the shifts in paradigms of international production and the role of technology and innovation therein. The three regions – the USA, Europe and Asia – are analysed in terms of growth and innovation. The European technological leadership faces both challenges and opportunities in adapting to a new competitive world; and fragmentation of the European technological and innovation landscape is one of the major

challenges. As for Asia, the region is even more heterogeneous than Europe, with China's growth and development attracting most attention. The enhancement of China's technological profile, increasing investment in R & D and strong commitment to science and technology by the country's leadership characterise the contemporary stage of the country's development. The present polar structure of the world will hardly change but the impact of the new Asian giants will become more pronounced over the coming years.

Virtually universal interest in China's rise is well reflected in the volume. Chapters 7, 11 and 16 provide in-depth analysis of certain aspects of China's economy and society. Chapter 7 looks at the phenomenon of corruption and its influence on the country's growth. One explanation could be that the high levels of governmental corruption are somewhat inevitable during economic transition. Corruption in China can be seen through the prism of historical and cultural antecedents. The argument is that *guanxi* facilitate economic transactions. Needless to say, corruption as such worsens the investment climate, and foreign investors seek a strong regulatory infrastructure. Corruption and a weak intellectual property rights (IPR) regime pose big problems for Western technological companies. The chapter describes *ShanZhai*, a copycat situation in China. The word refers to a cloned product, ranging from cell phones to TVs and computers. Such products do not use branded names, but still remain just a copy. Strong IPR should be maintained in order to retain and attract foreign investors, particularly in higher value added sectors and activities. It can be concluded that high levels of corruption can be deterrents to further economic growth. China's role in the contemporary global economy can be characterised as the world's powerhouse. China's 'heavy' industrial structure inadvertently leads to high levels of energy consumption. Chapter 11 provides a comprehensive overview of the country's energy consumption and production, with specific reference to the CO₂ emission reduction technologies. As China records spectacular economic achievement and increases in the living standards of its population, the need for adjustment and modification of the national social security system becomes acute. Developments like an aging population and massive urbanisation accentuate this need. The interplay between fast economic development and drastic social transition is scrutinised in Chapter 16 which advocates for more reforms of the social security system.

The rise of China leads to a reconfiguration and shifts in the balance of power in the region, including rethinking the role of Japan, the traditional leader in Asia and one of the poles of the Triadic economy. Chapter 8 elaborates on Japan's role in the twenty-first century. The country is to continue to play an important role as a source of new knowledge and technology. In fact, the rise of China can be largely attributed to technology transfers from Japan. Japan's role in Asia will remain a technological innovator, and can be defined as a stabiliser and connector with the West. India is another global emerging economy in Asia whose rise contributes to the re-polarisation of the global economic arena. Chapter 9 discusses its role in the new world, providing an historic overview of the reform process and the current state of India's economic development. The chapter provides an analysis of EU-India relations. The EU has not played any pronounced role in India's rise, and while the country enjoys strong economic ties with several individual EU member states, a common European approach is missing. Design of a cohesive EU approach towards India is a critical policy task for the Union.

The volume looks at two other Asian economies – Indonesia (Chapter 15) and Vietnam (Chapter 13). Such countries are normally overshadowed by the rise of

China and India, however they all have the potential to become the next poles of growth. The chapter on Indonesia uses an example of a joint project with French investors to raise the topics of EU-funded aid projects, good governance and learning from foreign (European) expertise. Indonesia represents an interesting case of 'stuck in the middle' in terms of economic development – the country's pool of labour is not cheap anymore and hence cost competition is not possible, but Indonesia does not yet belong to the league of economic leaders like China and India. As for Vietnam, it is a rapidly developing emerging economy. The country has recorded substantial economic improvements during the past two decades. In parallel with this, the EU's parental relations with Vietnam have evolved towards more complex – even 'competitive' – relations. Still, Vietnam remains one of the world's largest aid recipients.

A substantial part of the volume (Chapters 2, 3, 4, 5, 6 and 12) is devoted to EU trade with Asia. To start with, Chapter 2 describes the global financial adjustment – the Eurocrisis, entailing a loss of international competitiveness for peripheral European economies, and the rise of Asia. The chapter demonstrates that the global financial imbalance is linked to the Eurozone's financial imbalance. It shows that the appreciation of the Euro against the Chinese currency has deteriorated the international competitiveness of Eurozone members. Economic conditions in (the periphery of) the Eurozone would be improved if China were to allow greater appreciation of its currency's parity with the US dollar. This study is a vivid demonstration of the interlinked nature of the contemporary global economy, and the problems of the Eurozone cannot be considered in isolation from the reconfiguration of the global economy.

The topic of EU–Asia trade comes under scrutiny in Chapter 3, as it analyses foreign trade between two trading blocs – the EU and the Association of Southeast Asian Nations (ASEAN), uniting Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam. An overwhelming part of the interregional trade takes place between a few dominant countries in each bloc, with Singapore as the leading economy in ASEAN. Following the topic of trade between the EU and ASEAN, Chapter 4 looks at the trade liberalisation between Europe and Asia, tracing the evolution and analysing the current state of several free trade agreements between the EU and individual Asian countries as well as ASEAN. The contemporary global economy is characterised by the growing financial interdependence between Europe and Asia. Chapter 5 examines quantitatively the so-called 'financial contagion' between different economies, meaning the general cross-country transmission of shocks. The research on data of market experiences reveals evidence of financial contagion between Europe, Asia and the USA. It is a vivid indication of growing interdependence between the economies of Europe, Asia and the USA, or at least between the stock markets of these countries. While stock markets of most European countries operate with the single currency – the Euro – all Asian countries have their own national currencies. Chapter 6 offers reflections and analysis of the feasibility of the integrated Asian currency regime, with the aim of promoting and facilitating regional trade and investment. Europe's Economic and Monetary Union (EMU) may serve as a benchmark. Whereas a common Asian currency may look like a far-reaching ambition, a currency basket and co-ordinated exchange rate regime for five select Asian currencies may be a workable solution. The study attests to the feasibility of a common peg of these five currencies to an equally weighted basket of the euro, US dollar and Japanese yen.

Given the lack of political integration in Asia, a common currency would be a premature endeavour, and the peg provides for more flexibility without the need to abandon the national currency.

The rise of Asia suggests modification of the present global financial architecture. Chapter 12 analyses the differences between the Anglo-Saxon, continental European and Asian models of corporate governance. The challenge is essentially in the different philosophical attitudes. While the Western model is about shareholder value maximisation, the Asian model is about relationship orientation. Western companies may be portrayed as social-democrat corporations, and Asian companies as 'nationalist' or even 'corrupt' corporations. Strong relations are observed between corporations and governments in Asia. Re-polarisation of the world would require continuous improvement of corporate governance systems. One of the conclusions in this respect is that higher income Asian countries have adopted the Anglo-Saxon system of corporate governance, which in turn has contributed to economic openness and stronger industrial dynamics.

Next to trade, another form of international business is foreign direct investment (FDI). In contrast to trade, FDI implies long-lasting commitment and managerial control. Whilst the traditional picture of international investment activity suggests FDI flows from advanced developed economies to developing ones ('North-South'), the world is currently witnessing the rise of FDI flows of developing economies themselves, either to other developing countries ('South-South') or even to advanced Western markets ('South-North'). A good example of the 'South-South' flows is the rise of Chinese and Indian FDI in Africa. FDI from these two countries tend to be resource-seeking, particularly in the oil sector. Chinese companies engaged in this activity are mostly state-owned, and next to traditional investment mechanisms they also provide special financial arrangements such as long-term loans.

Regarding 'South-North' flows, they are often associated with sovereign wealth funds (SWFs), investment arms of governments (Chapter 14). The growth of FDI by SWF from developing economies has been striking, with Asia and the Middle East taking leading roles. SWFs are government vehicles with the primary goal of high risk-adjusted returns. The scale of SWF operations in Europe is difficult to estimate due to the lack of transparency. However, it can be observed that the UK is the main target country, followed by some other Western European countries. Many Western governments have expressed their concerns in relation to SWFs from emerging economies, ranging from lack of transparency to threats to national safety and security. It is very difficult to change mentality and accept the fact that South invests in North, and hence host governments in the West become alarmist and enact respective legislation.

The volume provides a thorough overview of the current developments associated with the rise of Asia. It is an important and thoughtful contribution toward our understanding of this phenomenon and the corresponding re-polarisation of the global economic arena.

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<http://dx.doi.org/10.1080/08109028.2013.818835>