

BOOK REVIEW

China and Global Value Chains: Globalization and the Information and Communications Technology Sector.

YUTAO SUN & SEAMUS GRIMES. London: Routledge. 2018. 180 pp. \$140.00 (Hardcover). ISBN 9781138289079

On page 1, Yutao Sun and Seamus Grimes start this book with current US president Trump's view of disbenefits that globalisation, in the form of global value chains (GVCs), has brought to America, and his resolve to 'punish' countries and firms that have contributed to these. The main country is China, whose integration in GVCs is central in the book. Since 'slicing-up' of value chains across borders by developed country multinationals has become a hallmark of economic globalisation, benefits and costs accruing to companies and main hosts like China has been subject to debate. This debate has only gained currency since the book's publication. At the time of this review, two issues in relation to China's extensive involvement are prominent. One is resistance against increasing Chinese takeovers of 'Western' tech companies possessing state-of-the-art intellectual property. The other is the implications for China of new protectionist practices in global trade. In the course of 2018, these have become real as the USA has slashed new tariffs on an ever-larger range of imports from China (and elsewhere, including the EU), and vice versa as China has retaliated.

Complexities surround these interventions. Perceived as retrogression in the – international – environment, for US or Europe-based tech companies with ambitions in China they threaten to either disrupt production patterns, and/or dampen market ambitions. Consumers, in the USA, China, and beyond are harmed as well. Companies like Apple have denounced the interventions, possibly leading them to reconfigure production chains (not necessarily in a form advocated by

Trump). Apple is the archetypical case when it comes to globalised value chain pattern and strategy; the role of China in these; and the associated benefits and costs. One chapter in this book unpacks the value chain operations linked to Apple in the country, and the distribution of benefits and costs. One tends to conclude that both Apple and China stand to lose from trade interventions, in complex and unequal ways.

The latter touches the main argument in this book. Focusing on the ICT industry, broadly defined, the dual picture of benefits is key. Undergirded by a wealth of original data, the authors observe that the country has benefited, directly and through spillover effects, from integrating into the GVCs of ICT multinationals. Underlying this is contractor firm performance based on efficiency and cost effectiveness whereby labour regime and process innovation in a transitional institutional context have produced extraordinary competitiveness. The other side of the coin is that the embedding of foreign firms has remained shallow, producing technology constraints as dependency on foreign sources continues to translate in a subordinate role of China in the GVC. While technology transfer and learning have led to the growth of domestic firms that gradually have developed some capacity for product and process competition with global brand firms, most still linger in the lower value added segments of ICT GVC.

A major contribution of this book to the literature is that this argument is conceptualised not only at the micro-level (foreign firms, and local ones through catching up), but also at the macro and meso-levels. Value chain integration and its impacts are revealed also through foreign investment and trade (macro), and industrial profiles and specialisations (meso). Both determine two features. First, the distribution of power among types of companies: original brand manufacturers, (key) component manufacturers that may also undertake the development of parts inside a

final product; assemblers or electronic manufacturing service providers. Second, the pattern of value-added capture. While the type of firms and their functions is highly indicative of the role(s) of a national industry in GVC, in China's case all three levels must consider the role of the state, through directive measures such as market access, state ownership, innovation environment and the nurturing of local companies, and by imposing conditions on the operation of foreign firms.

The conceptualisation is done in the second chapter of the book, while chapters three to five discuss the individual levels. The authors arrive at some pertinent observations: China's initial subordinate role through dependency on foreign sources of technology; limited achievements of the state's big push – since the mid-2000s – to indigenous innovation to assist local firms; as a result, continued concentration of lower value-added companies in the ICT GVC; limited benefits to China's ICT industry of Apple's growing involvement as both the lead firm and foreign suppliers have been unwilling to transfer intellectual property; special conditions, such as advantages of ownership and special market positions, are at play as a few domestic OBM's (some now well-known) have become rivals to established international players; as rising Chinese mobile technology company Xiaomi, and the Chinese giant telecommunication company, Huawei, remain real exceptions, local companies in the Chinese ICT industry still focus on imitation of value and supply chains, and are held back by being confined to the domestic market (although large) and deficiencies in intellectual property rights. In the last chapter, the authors highlight three tensions between the development of China's ICT industry and the role of foreign companies in globalised networks: foreign technology and China's indigenous innovation, the impact on industrial upgrading of dependence on foreign technology, and the

GVC ecosystem embedding and value adding in the Chinese companies' networks.

This book is a useful read for any observer of China's manufacturing evolution. While the reader's patience is tested by – unnecessary – repetition of questions, statements, and other observations concerning China and GVCs in the introductory parts of the three empirical chapters, the authors present a strong narrative. In the last part, from a GVC approach, the authors reflect on the prospects of indigenous value adding, the OBM roles of local companies and China's future globalisation in the ICT industry. While useful, at least two comments seem in order. The first is the applicability of the ICT industry narrative to other high tech industries. China's growing civil aviation industry comes to mind. Second, to some China watchers, the books' argument is less convincing as they hold a more positive view of what China's companies are already capable of as to innovation (Greeven & Wei 2018). How long will local companies remain 'exceptions' as depicted by the authors? A new – more vigorous – domestic innovation push may be expected from lesser access to sources of technology abroad. Thus, as to the picture in the middle-long and longer run, the most serious concern for Chinese domestic firms that have international ambitions raised by current developments in the international arena may well be: will protectionism have a sustained negative effect on foreign market access of high tech products?

Reference

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