

***Tectonic Shift : The Geoeconomic Realignment of Globalizing Markets*** by Jagdish N. Sheth and Rajendra S. Sisodia. 2006 .New Delhi: Response Books.

In this book, the authors paint a picture of a future world economic structure in which nations and current trade blocs coalesce into larger groupings. They argue that ultimately, through a process of permutations and combinations, three mega-trade-blocs will arise and these will encompass most of the world's economies. They base their prediction on arguments such as extrapolation of observed trends in trading patterns, the logic of regional trade agreements and natural competition among economic powers. They then outline a hypothetical path that claim will be taken towards this final scenario. Their final contention is that this alignment will bring both stability and prosperity all round. As the authors themselves note, their ideas are derived from Daniel Yergin and Joseph Stanislaw's *The Commanding Heights: The Battle for the World Economy* and they extend the thesis to predict a 'tectonic shift' in the geo-economic alignments. Actually many of their thoughts are reminiscent of points made in Thomas Freidman's *The World is Flat*.

In Chapter 1, titled "The Geoeconomic Reality of Globalization" the authors introduce their theme that economic considerations dominate the outcome of elections in democracies. While they discuss several international examples, the cases are selective rather than representative and the economic explanations they adduce are only part of the larger set of causes of the electoral victories they cite. They then identify Europe and America as the economic engines of the world in the nineteenth and twentieth centuries respectively and then state that the engine in the 21<sup>st</sup> century will be the emerging economies. Their contention is that the developed economies will not be able to have the high growth rates needed, mainly because of demographic factors. They cite the 'Purchasing Power Parity' index to demonstrate the potential of the emerging economies. Only when developed countries have developing countries as trading partners, the authors assert, will there be economic stability and growth. This leads them to discuss the current trading blocs and how they think the blocs will evolve. However, their interpretation of how the blocs developed leave out many important considerations, and their predictions seem to be based on a narrow set of reasons, leaving out many important counter-arguments. In any case, they heartily endorse their putative future alignment of the world economies.

As we have mentioned, this work is an attempt to extend Yergin and Stanislaw's views expressed in *The Commanding Heights* to examining the trends in the 21<sup>st</sup> century. In Chapter 2, titled "Trade as the Engine of Economic Growth," they begin by

noting the obvious link between the theory of comparative advantage and outsourcing. The role of export of capital in British colonial expansion is discussed and the authors take the position that this laid the foundation of free trade worldwide. Again, the problem with the discussion is that it is almost totally one-sided, and many serious arguments to the contrary are ignored. For example, the “benign-ness” of British colonialism and the degree to which free trade was actually practiced (reciprocally) has been much debated by economic historians, but this is barely mentioned. After a brief section on Marxism, the rest of the chapter is concerned with the development of the economies of China and Mexico.

Chapter 3, as its title “Flexing its Muscle: the European Union” suggests, traces the development of this trading bloc with a reference to the special position of the United Kingdom. Chapter 4 titled “Answering the Challenge” the Americas” then presents the story of the formation of the other trading bloc in some detail, first via NAFTA (a follow up of an earlier trade agreement between USA and Canada) and then with FTAA (Free Trade Agreement of the Americas) which included both the Americas. Chapter 5 titled “Pacific Power Play” logically turns to the nascent trading arrangements among the Far East Asian countries as well as the formation of ASEAN. There is an extended discussion of the development of Singapore. In all this the role of economic factors are singled out as the main drivers of the observed trends, while other political, social and historical factors are often ignored.

Their outline so far of the future economic alliances leaves out a number of countries, regions and the continent of Africa. Chapter 6 titled “The Final Pieces” considers these players and how they will fit in with the three major blocs. According to the authors most of the remaining countries will join one or other of these blocs, for example Africa and Israel with Europe, Taiwan and Australia with the Asian bloc and so on. Their observation that the United States of America will become relatively isolated and will have only India as a partner outside the Americas is interesting since at the time of writing, there is indeed a movement towards closer relations between these two countries.

This rather rosy scenario of stable economic alignments bringing peace and prosperity throughout the globe (provided world leaders think of the long term) will depend on a set of hypothesized forces that will produce the predicted economic integration. Chapter 7 titled “Competition Between the Blocs” elaborates on the restructuring that will be necessary. While the authors admit competition among the blocs, they contend there will be a convergence among the bloc approaches and (citing Freud’s ideas) a new

network of nations will evolve. This convergence will be based on a “Realignment of Industrial Policy,” the title of Chapter 8. It begins by discussing the economic revival of Ireland and presents it as an example of the positive role governments can play in economic advancement of nations. The authors argue that industrial policies that are ideology-free and promote privatization are needed. In addition, other obvious considerations such as incorporating incentives for quality improvement, innovation and productivity and stimulating growth while protecting the environment are discussed.

Chapter 9 titled “Renewal of Bloc Infrastructure” notes the well-known importance of infrastructure for economic development, and focuses on four classes of infrastructure: transportation, information, energy and financial. The chapter concludes by pointing out the infrastructural weakness of Asia, even though there are some exceptions.

Chapter 10 titled “Bloc Centric Trade and Investment” reviews some bilateral and trilateral trade relations, intra-company trade as well as inter-bloc trade and investments. Re-alignment of currencies is touched upon and the theme of potential global growth due to emerging economies is stressed. A number of interesting issues are brought up, such as the emerging relationship between France, Germany and Russia, and the extent of intracompany trade within and across blocs, but not discussed adequately. It is disappointing that no really new insights are offered as explanations for these trends.

Chapter 11 titled “Rationalization of Domestic Industry” is devoted to the requirements on the part of individual countries to achieve the ultimate economic structure that has been postulated. This includes removal of barriers, subsidies and constraints on resource mobility. The matter of bloc standards and the struggle to impose them world-wide is discussed. The twelfth and final chapter is titled “Obstacles to the Realignment of Markets.” However, only a few obstacles are mentioned along with some possible solutions. In conclusion, the authors suggest that the process of alignment they predict is almost self-propelling given the competitive economic forces at play, and ending perhaps with one global block.

The main problem with the discussion in the book is that it is highly speculative, based on some selected facts and has very little objectivity. There could be many factors that could lead to a very different future. As the above summary will indicate, themes are repeated without additional persuasive arguments. No clear economic theory is presented that would lead to the conclusions drawn in the book. Many statements are made which are most likely true, but are not bolstered by supporting facts or references.

The book is interesting to read, and is worth perusing for the sake of learning about this particular viewpoint.

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***Indian Share Buyback Practices & Their Regulation*** by L. C. Gupta, Naveen Jain and Anil Kumar. 2006. New Delhi: Society for Capital Market Research & Development. Rs. 200

This book is the outcome of an empirical study undertaken by the authors on the share buyback practices in India with focus on its effects on share prices, dividends and corporate finance, and the necessary regulatory changes for better and more transparent buyback system.

The Government allowed share buyback in India in 1998 and since then many companies have bought back their shares, though the number of companies buying back their shares in any year is not very large yet. But as the authors point out, the scope of manipulation in open market offer for share buyback is large enough to merit a serious re-look at the existing regulation.

The study is all-encompassing in the sense that all pertinent issues connected with the subject have been lucidly covered along with a review of the international practices. The empirical study brings out the motives behind share buybacks in India, trends and characteristics of share buybacks in India, effects of share buyback on share price, EPS and dividend per share, share buyback regulations and policy changes necessary to improve the practices.

This study is important from the shareholders' perspective as it highlights the existing loopholes in the practices so that the shareholders do not fall victim to the price manipulations in open market buyback offers.

This book will be useful to regulators and policy makers for modifying the existing regulations. Corporate analysts, practitioners and researchers will also gain practical insights into the corporate buyback practices in India till November, 2004, the period of study covered by the authors.

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