
Charles Harvie and Boon Chye Lee of the University of Wollongong in Australia have embarked on an interesting and ambitious project to publish a series on studies of various aspects of small and medium enterprises (SMEs) in East Asia. The four volumes focus on a number of important issues such as the impact of the regional crisis, the role of regional SMEs in the wake of globalization, etc. Volume II of this series focuses on the contribution and composition of SMEs in national economies in East Asia. Most of the papers in this volume were presented during a conference in Australia in June 2000.

This book discusses the role of SMEs to the region. In particular, the various contributions to the book assess the importance of SMEs to creating employment, adopting innovation, and generating exporting opportunities. In addition, ample attention is given to SMEs as a source of future successful medium and large-scale business ventures. The book classifies the countries in the region in four categories: most underdeveloped regions (economies in transition), the newly industrializing economies in Southeast Asia, Korea, and Taiwan, and the most advanced countries in the region including Australia, Japan, and Singapore.

Most chapters in the book follow the same structure. The authors commence with discussing how SMEs are defined in their specific case. They proceed with an overview of the contribution of SMEs to employment generation, gross national product, exports, etc. Then, impact of the financial crisis is assessed while, finally, government promotional efforts are reviewed. The various contributions show the diversity of the SME sector in the region. Hal’s overview chapter notes that “They (SMEs) may range from a part-time business with no employees, for example, exchanging money or selling handicrafts in Indonesia, to a semi-conductor manufacturer employing hundreds of people” (p. 21). Most SMEs in the region are very small though, and, according to Hal, over 80 per cent employ fewer than five people. Most chapters of this book do not take the smallest enterprises into consideration. These so-called micro enterprises are very important for the poor that do not have access to better paid work, but they do not contribute very much to exports, national product, or overall economic growth.

It is interesting but discouraging to see that, after all those years, SMEs in the region are still defined in so many different ways. In some countries, a distinction is made between micro enterprises and SMEs. In other countries, SMEs are defined in a broad way and include micro enterprises. Furthermore, there are also different definitions used within specific countries. This range of diverse definitions makes it difficult to compare the development of the SME sector among countries in the region.

The chapters on SMEs in economies in transition look at the experiences of China and Vietnam. Harvie reports that the growth of so-called small town and village enterprises has been an unanticipated outcome of the process of economic reform in China. Harvie argues further that small enterprises need to adjust to remain competitive within the context of China’s increasingly market-oriented economy. Government policies need to be reformed to adequately serve the growth of these enterprises. Richards and colleagues found for Vietnam that the authorities demonstrate considerable ambiguity in making similar reforms as in China to support further transformation of the SME sector. In the case of Vietnam, the impact of the regional financial crisis has been considerable as more than 60 per cent of the country’s exports are to other Asian countries.

The chapters on SMEs in Southeast Asia deal extensively with the impact of the crisis. Berry and Rodriguez review the experiences in the Philippines with specific attention for the electronics industry. These chapters point to the
limited impact of targeted government support to promote SMEs during both good times and bad. The Philippines case study and the paper by Hill on Indonesia highlight that SME development is stimulated mostly by a less bureaucratic environment with government efforts geared at providing adequate infrastructure and access to international markets. Hill suggests that empirical evidence from Indonesia might suggest a model for successful SME development in which local entrepreneurs, supportive government agencies and foreign buyers all appear to play an important role. The chapters on Malaysia and Thailand support the conclusion that SMEs in Southeast Asia have been hit hard by the crisis although there is also evidence of enterprises and sectors that have been able to adjust successfully to the changes in the macroeconomic environment.

The chapter on Korea by Gregory and Taiwan by Ngui show that SMEs also play an important role in more mature countries in the region. In Korea, the government has increasingly acknowledged the importance of SMEs to strengthen the flexibility of the country. In Taiwan, SMEs have also been given high priority in the process of economic development. Ngui’s contribution stresses the importance of the specific features of the manufacturing sector in Taiwan in which SMEs play a prominent role through the emergence of a network-based industrial system.

The book finishes with a number of chapters on SMEs in the more matured countries in the region. It is interesting to note that also in these countries there remain problems in arriving at clear and broadly accepted definitions of SMEs. In addition, the SME broad policy issues in these countries access to finance improvement of the business environment, strengthening the management capabilities and access to markets, appear not to differ substantially from those in other countries in the region. Sugiura’s case study on Japan stresses also the growing importance given to smaller enterprises to boost the dynamics of the Japanese economy. Finally, Lee and Tan’s chapter on Singapore highlights the importance of strong fundamentals of the country’s economy that have created a business environment in which SMEs are able to flourish.

This book provides an excellent overview of the SME sector in East Asia. The contributors are from both the academic and business sectors and provide a range of views and opinions on the dynamics of SMEs. Most chapters are structured in a rather similar way which make is easy to compare the findings from various countries. However, gradually while reading the book, the findings and conclusions tend to become predictable. The book deserves to be read by those who take an interest in industrial development and SMEs in the region. It provides good basic reading before executing more in-depth study into a particular country or sector. The book tends to concentrate on small-scale manufacturing and pays only limited attention to trade, services, transport, etc. This is understandable given the poor data on these sectors but needs to be kept in mind while drawing conclusions from the case studies. Finally, it is very much a pity that the book does not have a concluding chapter that pulls together all case studies, findings, and conclusions. That would have been very interesting and relevant for future research and policy for SMEs in the region.

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The story of Joseph Stiglitz is well known to those who follow the activities of the World Bank. After a distinguished career as an academic economist, in which he created the new “economics of information”, he joined Bill Clinton’s Council of Economic Advisors in 1993. From there he moved to the World Bank where for three highly controversial years he was the chief economist and a senior vice-president. He became an outspoken critic of the policies of the International Monetary Fund (IMF), notably its handling of the Asian