
The editors and twelve other scholars have combined to write an introduction and sixteen additional chapters that collectively focus on the salient issues and problems that present China’s decision-makers with both challenges and opportunities. Specific topics range from China’s macroeconomic growth, structural adjustment, and fiscal federalism and reforms to the country’s infrastructure development. Beyond the analyses of matters internal to China, the contributors also deal with inter-regional policies and the profound regional impact that the country’s economic power and influence has had on the East Asian region.

The volume is a collection of papers written by staff researchers and visiting scholars at the East Asian Institute located at the campus of the National University of Singapore. Wing Thye Woo begins the work by observing that “… radical restructuring of the state enterprise sector and the state banking system is absolutely crucial to avoiding a drastic drop in the trend growth rate in the future… (T)he economy will simply not be able to support the growing burden arising from these two sectors.” (p. 5). He goes on to point out that current problems include excessive investments in fixed assets with very low return rates resulting in the sinking of large amounts of capital and low sales-to-production ratios giving rise to mounting inventories. The result is a confluence between state-owned enterprises (SOEs) and the banking system in which “… the state has to inject an increasing amount of working capital through the banking sector into state enterprises…” (p. 35). The result is a combination of economic inefficiencies and a lack of prudent bank lending.

While SOE and banking reforms are crucial to maintaining China’s long-term economic success, effective fiscal reforms, rational inter-regional industrial development, and infrastructure improvements are also important. Lin Shuanglin identifies two fiscal reform needs. On the fiscal front, low tax rates, inadequate tax bases, and widespread tax evasion are the main reasons for the decline in the government revenue’s share of gross domestic product (GDP). Low public revenues, constrained budgetary expenditures, and growing deficits are among other consequences that made privatizing SOEs more difficult. More sensitive inter-regional development needs to respond to problems in provinces with lower per capita incomes and lower shares of public spending. In response to these needs, the book provides useful discussions about policies and reforms that are needed to improve the country’s overall tax effort, particularly in lower income areas via forms of revenue-sharing.

In addition, residents in lower income areas have been losers from the government’s decision to relax regional income distribution. People living in interior regions have seen their living standards decline during the reform era, and the widening gap in economic well-being is a potential source of serious instability within the country. Such instability poses a serious problem to government, and in response to this, Tian Xiaowen notes that:

On 19 January 2000, an Inter-ministerial Committee for Developing the Western Region of the State Council was set up in Beijing. The formation of this high-powered committee showed the determination of the Chinese government to develop the poor and backward interior, and signified the beginning of a shift in focus of economic development from the eastern (coastal) region to the western (interior) region.” (p. 237)

As a consequence, the top priorities in China’s drive to develop Western Regions I and II include generating investment and industrialization, and this in turn requires improving both the social and physical infrastructure in categories ranging from transportation to communications and health to education and training.

The book is particularly attentive to development economists’ point that economic success critically depends on both investments in physical and human capital. Formal and informal
education and training provides the foundation upon which economic growth and social development is constructed.

The essays in the volume demonstrate collectively that China has indeed achieved substantial economic successes but in order to sustain and maximize them a variety of reforms and policy initiatives are required. Importantly, China’s substantial economic growth has had a significant impact on Southeast Asian countries and other nations in East Asia. During the past decade, as Friedrich Wu notes, China’s manufactured exports have become so competitive that they have replaced some Southeast Asian exports to third markets. The author contends that this phenomenon negates any need for the Chinese to devalue in order to become more competitive. This also signals to Southeast Asian countries that they must look for “moving” comparative advantages in market niches that China is less likely to be able to fill.

The co-editors and their colleagues have provided an excellent book that focuses on the major policy issues and reforms although the book might have included a chapter on China’s external economic policies including it long sought-after accession to the World Trade Organization (WTO). Some of the gaps that the book did not have space to cover are dealt with in this supplementary essay which is available from the East Asian Institute: China’s Economy in 2002 and Outlook for 2003. EAI Background Brief No. 143 (2003), by John Wong. The author’s key observation is that China’s 7.7 per cent average growth during 2001 and 2002 was fuelled by an export and foreign investment boom, and this phenomenon is likely to persist throughout 2003 and beyond. The key factor responsible for this is that China’s leaders across the generations have reached a broad consensus on sound major economic policy directions but important reforms continue to be required.

The volume is well written, thoroughly researched, and pertinent to understanding contemporary China. It will be of particular interest to university students and teachers as well as public officials whose intellectual attention is drawn to China. The book also provides an excellent foundation from which a novice on the topic can gain more knowledge about the Chinese economy.

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The title of this book highlight three key terms: Globalization, small and medium enterprises (SMEs), and East Asia, and my review of the book will be framed around these three key terms. In reading the book, we may want to ask three questions. By globalization, is the book examining the effort of SMEs to internationalize or the impact of globalization on SMEs? In my opinion, the chapters in the book touched upon both. What are the definitions of SMEs in East Asia or in specific countries covered? We can see some loose definitions of SMEs here and there among the chapters, mostly when the authors discussed SME activities in a specific country, but there seems to be no attempt by any of the authors to provide an over-arching definition of SMEs in the context of East Asia. It may be an impossible task. If so, readers need to be aware of the fact that the very different nature of SMEs in the various countries may make generalization of any findings difficult. Lastly, where does East Asia cover as a region? The book adapted a very loose definition; while authors in different chapters focus their discussions on countries they have data on to facilitate the discussion (for example Chapter 4). Here again, readers may just need to be careful with some of the generalization drawn — situation in Indonesia (which is the focal country of discussion in a few chapters) cannot be taken as representative of Asia.

The aforementioned notwithstanding, the contribution of the book in facilitating an understanding of SMEs in the Asia-Pacific region