BOOK REVIEWS


One of the reasons for the great popularity of prestigious industrial projects such as automobile manufacturing is the assumption that the establishment of such industries will automatically bring about the development of ancillary industries to supply parts and components to the primary industry. In the terminology introduced by Hirschman many years ago, this form of development presupposes the existence of “backward linkages”. To the extent that the primary foreign-related firm will transmit its modern technology to the indigenous ancillary firms, such forms of development should obviously be encouraged.

While there has been much speculation in the literature on the actual technology transfer induced by large-scale investment projects of foreign investors in developing countries, the number of detailed empirical studies of the processes involved is limited. The studies contained in the book under review must thus be regarded as a notable contribution to our understanding of the process of industrial development. In 1975 the Council for Asian Manpower Studies (CAMS) conceived a project to investigate the possibility that foreign, up-to-date technology is transferred effectively to the local machine-industry sector through the growing linkages between the potential (foreign related) primary and (indigenous) ancillary firms. Participation in the project was initially by four of the five original ASEAN countries, that is excluding Singapore, and Japan. Later, in 1978, the Republic of Korea joined the project. At the same time, the focus was narrowed to the automobile industry as the common object of investigation. The book under review is the result of this research project. After an introductory theoretical statement by Konomune Odaka on ancillary firm development, there are six country studies presented in a sufficiently schematic form to permit international comparisons, and this is followed by a chapter presenting the summary and conclusions of the project, again by Konomune Odaka.

The individual country studies contain a wealth of information which is useful for anybody interested in the automotive industry in Southeast and East Asia. For this reason, the emphasis on the motor vehicle industry in Asia in the title of the work, relegating the main focus of the research (ancillary firm development) to the sub-title, seems justified. Bringing
together the strands of the argument in the summary at the end is no mean task, since national economic policies, stages of industrial development, the economic and commercial environment and so on, differ quite remarkably from one country to another. Of the various patterns of ancillary firm development, spontaneous growth from small beginnings, such as machine shops, appear to be the most frequent. In the study outline, the assumption was that the development of indigenous ancillary firms would be prompted by the primary firms, which are mostly either subsidiaries of or joint ventures with foreign assemblers. However, this pattern hardly ever seems to occur. All the studies with the exception of Japan and Korea indicate that, although there has been significant international transfer of technology to the primary firms, little domestic transfer of technology has taken place between the primary and ancillary firms. It was only in the late 1970s that some foreign-based primary firms showed active interest in supporting the development of technological and managerial capabilities of their key ancillary firms.

In some countries, particularly Indonesia and Thailand, the study indicates that dualism has developed between the suppliers of original equipment and those ancillary firms which cater only to the replacement market. While new types of relatively modern technology are introduced by the foreign-related ancillary firms which cater to the needs of the primary firms, the genuinely local ancillary firms remain largely part of the so-called informal sector, supplying products only to the spare-parts market. In general, indigenous ancillary firms have found it extremely difficult to enter the market for original equipment, the successful cases being limited mostly to a few items such as tyres, batteries, paint, seats, and so on. The majority of the small-scale ancillary firms is usually engaged in the repair or production of simple, small metal or rubber products such as nuts and bolts, handles, fan-belts, and so on, with the use of relatively low-level, highly labour-intensive technology. It is interesting to note the conclusion of the study that, from the policy point of view, it is highly likely that various protective measures extended by governments to foreign related firms have created factor price distortions and thus widened the already existing gaps between the foreign-related and indigenous firms. In other words, the more powerful may have strengthened their position while the less advantaged relatively weakened further.

All in all, the findings of the study indicate that, with the exception of Japan, the relationship between the primary and ancillary firms is characterized by a trading rather than by a sub-contracting relationship. Interaction between the primary and ancillary firms is limited to the purchases and sales of components by the two parties. Generally, the primary firms provide neither capital nor personnel nor assist the ancillary firms in finance, technical advice, or training. In short, there is no close relationship between primary and ancillary firms.

The study is useful not only for the insights its conclusions provide for the process of industrial development in Southeast Asia and in ASEAN countries in particular, but also for the many tables of hitherto unpublished data regarding the automotive industry in the countries concerned. This is a valuable addition to any library specializing in the economic development of Southeast Asia.

HANS CHRISTOPH RIEGER
Institute of Southeast Asian Studies


Immediately preceding the 17th Annual Meeting of the Board of Governors of the Asian Development Bank in Amsterdam, Netherlands, a symposium was held on the topic “European Enterprise and the Asian Challenge”. The present work is a paper prepared