

invested agriculture contributed an even larger flow to the rest of the economy; there was also a large investment in education (Chapter 12 and Chapter 13); and rural industrial decentralization (Chapter 5).

The role of government in Taiwan's development can also be seen in the book in three aspects: (1) Macroeconomic foundations; (2) The role of government in agriculture; and (3) The role of government in industry. In managing the macro policies, the early stage price stabilization was achieved by monetary reform, foreign exchange reform, preferential interest rate deposits and a balanced budget. That was followed by limited trade liberalization and achievement of a unified and equilibrium exchange rate in the late 1950s; a balanced budget in the early 1970s and liberalization of the capital market in the late 1990s (Chapter 3). Government intervention in Taiwan's agriculture existed throughout the whole process between 1945 and 1973 characterized by five elements: (1) the land reform measures; (2) the integrated functions of the Joint Commission on Rural Reconstruction (JCRR); (3) the set of policies and taxes that were used to squeeze agricultural surplus; (4) a choice of labour-intensive technology in agriculture and manufacturing; and finally (5) the regional and rural decentralization of industrial development to absorb rural labour (Chapter 10). In terms of industrial policy, the long-term outward-orientation policy could be the most important and profound one which guided Taiwan's industrial development substantially, including subsidized interest rates, fiscal incentives attached to export performance and many others to encourage selective industrial development.

The book, however, does not assess the effect of one very important factor, viz. the international political environment for the past 50 years, within which Taiwan enjoyed free access to the markets of the United States and some other developed countries. This fact made the comparison in Part V less credible since other developing countries were in very different situations.

Overall, the meaningful arguments in the book are that the Taiwanese Government had made right

choices at right time given their conditions. Covering a wide spectrum of topics in Taiwan's development, the study methods are of different styles, rationales are supported with different types of evidence. As one of the old Chinese sayings indicates that the success could be attributed to three factors, timing, position and effort, which might be a short summary for the major focus of the book in explaining Taiwan's success.

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***Competition and the World Economy: Comparing Industrial Development Policies in the Developing and Transitional Economies.* By Francisco Sercovich et al. Cheltenham, UK: Edward Elgar, 1999. Pp. 450.**

This substantial book is a collaborative effort between seven authors and aims to update and review new trends and challenges in manufacturing competitiveness and industrial policies in developing countries and economies in transition. It is addressed to policy-makers in the broadest sense, including policy formulators and practitioners and policy consultants, specialists and analysts in the private and public sectors and academia as part of a broader UNIDO initiative to develop a policy dialogue, "comparing practices, developing common indicators and criteria for assessment, agreeing on common rules and calibration systems and setting up an interactive information network and management system for data" (p.3). It hopes to make information on policy developments in the area of industrial policy more accessible, transparent and comparable, and to promote awareness of policy matters connected with industrial development. In particular to reassess the role of industrial development policy in a more open market-driven international environment where private investment plays a key role.

The book is divided into three parts. Part I introduces some key issues that underlie current concerns of policy makers, such as international best practices, policy convergence and policy benchmarking. Part two takes up a number of specific themes associated with the concept and measurement of manufacturing competitiveness and related policies, the incidence of financial factors and the implications of the “new” macro/micro dichotomy for cross-country replicability. Part three, which constitutes the bulk of the book, then addresses the specific experience of countries and regions and lessons therefrom.

The first two chapters are important since they set the framework for the remainder of the book but unfortunately they lack a certain amount of cohesion, with the result being something of a hotchpotch of theory and practice. This was, as the authors readily confess, partly because the original manuscript was completed before the East Asian financial crisis of 1997 and subsequent Russian default and the collapse of the Brazilian currency. This necessitated a hasty re-assessment of the impact of globalization on best practices and policy convergence.

On the positive side, Chapter 1 presents a descriptive comparative analysis of best practices and benchmarking case studies and a country classification (using pre-crisis criteria) which is used throughout the book dividing those countries (excluding very small ones) which are not yet advanced developed countries into four categories: newly opened economies such as Brazil and India, newly industrializing economies such as Singapore and Malaysia, economies in transition including China and the Czech Republic, and a rump of less developed countries with a strong African presence. This has the curious side-effect of making the newly industrializing economies synonymous with the faster growing Asian countries since it contains the Asian “tigers” of Singapore, South Korea, Hong Kong and Taiwan together with the ASEAN countries of Indonesia, Malaysia, the Philippines, and Thailand. Chapter 2 discusses competitiveness policy benchmarking with detailed case studies ranging from the Netherlands to Malaysia, and an Annex which

could, perhaps, have been integrated into the text providing details of a UNIDO survey on development policy.

Less convincing in these first chapters is the (hastily revamped) discussion of the impact of globalization on best practices and policy convergence and the rather cursory and selective treatment of the productivity and income convergence literature. Little mention is made of the World Bank growth regression literature on conditional convergence, the contrasting results of the time-series and cross-section convergence studies, and the differences between the “new” and “old” theories of growth. The concluding section in Chapter 1 describing the emergence of a new consensus on development is also somewhat arbitrary. Whose consensus is it? Who could disagree with the second component of the “New Development Paradigm” that “Macroeconomic stability requires sound microeconomic fundamentals. While these need to be consistent with universally sound financial and prudential standards, they vary according to specific domestic institutions, practices and traditions.”

The themes in Part II also provide some good comparative material on the concept and measurement of manufacturing competitiveness and related policies, the incidence of financial factors and the implications of the new macro/micro dichotomy for cross-country replicability, but again the coverage is uneven. In Chapter 4, a useful taxonomy is presented to assess and improve manufacturing competitiveness calling upon a range of sensible but largely ad hoc criteria and policy areas, such as relative unit labour costs, total factor productivity estimates, trade and commercial policies, cluster support and public finance, but the preliminary discussion on what constitutes a competitive firm seems to bear little resemblance to the mainstream economist’s perception. We are told that a competitive firm is one that: “Stands at the best practice frontier, in terms of production and management, being cost-efficient, quality-oriented, dependable, flexible and innovative; has accumulated significant human and physical capital endowments, as well as intangibles, with demonstrated productive and

technological capabilities; has a superior economic and financial performance.” One would also perhaps have liked a mention of the merits or otherwise of strategic trade policy as one response to international competition.

Chapter 5 is more focused and utilizes a more widely understood set of financial criteria to assess the differential impact of different sources of financing, including foreign and domestic resources, on manufacturing competitiveness using the country classification outlined in Chapter 1. One quibble here would be that many of the inferences made in the text are based upon tables with a small sample of countries in each category. The presentation of average statistics across the categories in the tables, together with the sample for illustration might have been more enlightening.

In contrast to the previous chapter, Chapter 6 is quite short and looks at the macro/micro policy dichotomy and its implications for cross-country replication.

The macro/micro distinction offered would surprise some teachers of either discipline: “Macroeconomics is about the external, fiscal and savings/investment equilibrium of the economy as a whole; microeconomics is about the organization and performance of the production system and its component units. Analytically they address quite different issues, such as price stability, on the one hand, and productivity, on the other.” Which addresses which? The need for a clear perception of how macro and micro policies relate for benchmarking exercises is valid and examples are offered, together with advice on how to bridge the gap. It is true that economists working in different areas of industrial development often take a myopic view but the micro/macro dichotomy is as much a product of the sheer inability of economists to deal with a complex number of variables simultaneously as faulty thought. Devaluation is cited as an example of where the distinction has caused problems but trade economists have always recognized the necessity to combine both pure theory and monetary aspects, as for tariff theory. The chapter finishes with a summary of the “Washington Consensus”

and rather too brief a comparison of what East Asia did right and Latin America did wrong. “By and large, the East Asian countries managed for a long time to avoid the failure of heterodox micro policies.”

Finally, Part III takes a look at the specific experience of selected countries and regions and lessons therefrom. It begins in Chapter 7 with an overview of comparative growth and productivity performance but this tends to overlap with the material in Chapter 2, including an Appendix listing again the countries according to the classification given earlier. There is a rather brief treatment of the total factor productivity growth debate and related Asian miracle literature, covering prominent writers in the field such as Kim and Lau (1994), Young (1995), and Krugman (1994) and the *Asian Miracle*, and the text discussion leans heavily on the empirical work of Collins and Boswell (1996). Their interpretation of Total Factor Productivity (TFP) growth performance in the industrializing countries and East Asia is relatively upbeat: “As well as confirming that the contribution of TFP growth to growth in output per worker in newly industrializing economies is comparable to that of advanced industrial countries other than the United States, this evidence reveals that, in absolute terms, TFP performance has been better in the Republic of Korea, Singapore, Taiwan Province and Thailand than in the advanced industrial countries and the United States..” (p. 174). This is surprising since Collins and Boswell themselves were less optimistic: “our empirical analysis reinforces those studies that have concluded that TFP growth played a surprisingly small role in East Asia’s success” (p. 139). More recent estimates from Crafts (1997) for the Asian “tigers” between 1966 and 1990 compared with Maddison’s estimates for some Western European countries during their “golden era” 1950–73 are also less complimentary. The Asian “miracle” does not look quite so spectacular in this context and Singapore, which also fared relatively badly in other comparative studies of TFP growth, such as Kim and Lau (1994), has substantially lower TFP growth than the other tigers.

The case studies in this part of the book give very useful and up to date illustrations of the comparative performance of the various country groupings, the Republic of Korea (newly industrializing), Brazil (newly opened), Hungary (transition), Tanzania (developing).

The book is rounded off with a comparison between ASEAN and MERCOSUR, which are probably the two most vibrant cases of south-south regional trade arrangements and of considerable interest to readers of the *ASEAN Economic Bulletin*. Issues covered include the challenges brought about by the end of the WTO period of transition to comply with TRIMS on 1 January 2000, growth triangles in ASEAN, the activities of the Industrias Metalurgicas Pescarmona Sociedad

Anonima (IMPISA) which originated in Latin America but spread to Asia, and ASEAN policies for the automobile industry. An important theme here is the way in which state driven integration has been superseded by business-led economic integration, driven by private investment, and the success of dynamic open regionalism compared to the EU and NAFTA. Whilst it is hard to argue with the basic conclusion, followers of ASEAN might be a little more skeptical about the magnitude of intra-bloc integration, once one allows for the rather special bilateral role of Singapore and the role of re-exports.

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