
***Small-Scale Enterprises in Developing and Transitional Economies.* Edited by Homi Katrak and Roger Strange.** New York and London: Palgrave, 2002. Pp. 319.

One irrefutable fact about small enterprises is that they are quite diverse, and this is perhaps the best way to describe this collection of essays. The editors have done a very good job in producing a cohesive overview (Chapter 1). However, the thirteen chapters that follow are quite heterogeneous and, hence, fall short of giving a consistent view of the progress made in understanding the stylized facts about small and medium enterprises (SMEs) in terms of efficiency, competition, clustering, and technology; that is, the four key issues stated on the book cover.

The chapters are also based on very diverse geographical areas so there is no strong sense of universal or country-specific policy recommendations for SME development. Readers may find themselves looking for a unifying thread that would explain, for instance, what is the difference between developing and transitional economies, and how this difference may matter for efficiency, competition, clustering, or technology adoption. There are two studies for the People's Republic of China (Chapters 3 and 5) and two for Eastern Europe (Chapters 8 and 9), which are commonly considered to be transitional economies. The other case studies come from developing countries with diametrically opposite business environments, such as outward-looking and private-business-orientated Mauritius and oil- and public sector-dependent Venezuela. In fact, the chapter on Latin American clusters (Chapter 12) emphasizes correctly the importance of country-specific factors for competitiveness and, hence, for efficiency of small businesses. However, this key message vanishes within the vast geographical coverage of the book, and could have helped better understand the meaning of transitional versus developing economies.

Part I focuses rightly on the key question of whether small is beautiful. It presents interesting studies on the limits of being small. Unfortunately,

the element of surprise is gone for most policy-makers or researchers. Anecdotal and empirical evidence from SMEs, especially in developing countries, already casts doubt about the ability of SMEs to fulfil the expectations of higher efficiency, increased export earnings, and a cleaner environment. The thorough review of data for manufacturing SMEs in Korea, Colombia, and Pakistan by Weeks (Chapter 2) questions the expectations placed on SMEs as generators of jobs and technical efficiency. In fact, these "development" expectations appear to be eroded as researchers examine available industrial data more closely. On average, these data tell researchers that micro enterprises and SMEs tend to generate most employment under family-operated, informal, or one-person enterprises, while larger enterprises tend to have the highest productivity. This relatively unattractive economic reality of micro enterprises and SMEs co-exists with their increasingly important political role: micro enterprises and SMEs form the largest number of entrepreneurs in most economies. Their numerical significance adds further urgency to more quantitative research as proposed by Weeks in his concluding remarks. We can only echo his wish for more updated and comparable industrial data with emphasis, not only on size, but also on other characteristics such as age, legal status, etc. More and better indicators across countries will tend to dissipate some of the over-optimistic expectations about SMEs, and bring closer their economic and political roles in development.

The rest of the chapters in Part I (Chapters 3 and 4) also provide interesting angles to question why small may not always be beautiful. Yet, readers will wonder whether the existence of SMEs is correlated or merely associated with some potentially undesirable effects of competition or with environmental degradation, and whether policy-makers or researchers need to do something about it. In Chapter 3, increased competition has resulted in lower earnings for silk producers in the People's Republic of China as discussed by Strange and Newton. The Chinese case illustrates that the type of commodity matters so that the challenge is to understand how SMEs could do to preserve

niche markets for silk. Also, in Chapter 4, a deteriorating environment has resulted from SME activity in India as discussed by Dasgupta. The Indian case shows the limits of environmental compliance by SMEs and makes readers wonder about how SMEs could comply with government regulations in a context where they remain generally ignored by larger enterprises.

Part II starts with a promising story on the dynamism of Chinese SMEs by Qing Gong Yang and Temple (Chapter 5). Empirical studies based on exits (and entries) of enterprises have shown that markets work by making the entire enterprise sector more productive through the elimination of unproductive enterprises. The reshuffling of enterprises tends to be more intense among smaller ones, and, hence, suggests SMEs as generators of dynamism for the economy at large. The chapter could have made comparisons with other similar empirical studies from other non-transitional economies.

The story of market success by the fittest is also found in the rest of the book wherein the main hypothesis appears to be that SMEs fared better under trade liberalization. Liberalization appears to bring good stories from India and Mauritius according to Katrak's study on the impact of liberalization on Indian SMEs (Chapter 6) and Wignaraja's study on the impact of technology adoption under liberalization (Chapter 13). Also, profound changes in trade and political regimes appear to have benefited SMEs in some other countries. Chapters 8 and 9 describe the emergence of SMEs in Poland and Bulgaria in the 1990s, while Chapter 11 describes recent and multiple changes in SME policy-making in Indonesia after Soeharto. Finally, in Latin America, more competitive market environments under globalization appear to be associated with less successful stories from SMEs in Venezuela, Mexico, Peru, and Brazil (Chapters 7 and 12).

An interesting addition to the collection of essays is the chapter by Holmstrom on the issue of trust within clusters in India. A section with concluding remarks would help to add closure to the discussion. Readers may wonder whether this fascinating aspect of the political economy of

SMEs (i.e., "trust within clusters") could eventually give way to "trust-worthy" business relations under simple, clear, and predictable regulations, since the latter have become a common policy prescription to improve business environments in many developing countries.

Finally, Duncombe and Heeks' Chapter 14 on ICT in Botswana appears unsurprisingly dangling. The topic is timely but will leave readers with the need to find out as to how other countries could benefit from the Botswana experience. There are clearly thresholds to cross before ICT can improve SME competitiveness. For instance, some countries will need to have developed minimum standards in terms of e-commerce legislation, a highly-skilled labour force, better connectivity through basic infrastructure, and attractive pricing, among other necessary conditions. Some of the very small countries in the Caribbean and the Pacific that have experimented with ICT policies could have also provided interesting examples.

In short, the book is a good reference to available academic research on small enterprise development. However, researchers and policy-makers in search of in-depth discussion of a specific issue or region may need to look somewhere else.

NOTE

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