

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 its 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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***Globalization and SMEs in East Asia. Edited by Charles Harvie and Boon-Chye Lee.*** Cheltenham, UK: Edward Elgar, 2002. Pp. 318.

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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

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at a macro level cannot be denied. It also contains substantial amount of analysis and assessment on the impact of the 1997 Asian crisis on SMEs in the region.

In Chapter 1 the editors did a good job in stressing the economic and cultural diversity of the regional term “East Asia” (pp. 1–2), which they defined as “a geographically proximate group of countries on the western rim of the Pacific stretching from Japan, Korea and China in the north to Australia and New Zealand in the south” (p. 1). While I cannot agree more with the authors on the diversity among the countries, I am not so sure whether it is appropriate to put all the Asia-Pacific countries under “East Asia”. We can, however, take such a loose definition as a common platform for linking the various studies in the book, without being too stringent on the definition.

The conceptual framework on SME operations presented on page 4 represents a general picture of the economic environment for an SME with internationalization intention. The other side of the picture — the possible impact of a globalized economy on SMEs operating in local environment — was not covered in the framework. Ideally, I would also have liked to see a definition of SMEs in the East Asian context, highlighting possible differences with those in the United States, for example in the introductory chapter, which did not happen in this case. Possible differences between SMEs in Asia and SMEs in the United States could be in the relative size (for example in terms of sales and employees); the ownership structure (family or sole/team ownership); and level of innovation or technologies employed.

Chapter 2 covers more on the causes and negative consequences of the Asian crisis to enterprises in East Asia (China, Hong Kong, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand) than globalization and SMEs in East Asia, unless we take the view that the Asian crisis is partly the result of the globalization effort made by the countries in the region.

Chapter 3 is thought provoking in that it proposed interesting archetypal economies for

comparing the various countries in the region (p. 54). The nine countries covered by the discussion may not be exactly East Asia (Japan, Korea, Hong Kong, Taiwan, Singapore, Malaysia, the United States, Fiji Islands, and Colombia), yet the comparison made based on the economic developmental stage of the countries, and the hypotheses generated on the types of SMEs in determining which ones had the potential to go global (pp. 51–52) made sense.

Though Chapter 4 is entitled “SMEs in Southeast Asia: Issues and constraints in the pre- and post- crisis environment”, the cases drawn on to substantiate the discussions were mainly from Indonesia. So the conclusion that micro-enterprises in Southeast Asia had gained importance during the crisis may have to be taken with a pinch of salt, for the reason of country-to-country differences discussed earlier.

Chapter 5 is a very general conceptual paper on the impact of the Asian financial crisis on trade finance for East Asian SMEs, with quite similar conclusion drawn as in Chapter 2, in that exporting SMEs who benefited from the home currency depreciation did better than others.

Drawing on some macro data and the regulatory procedures for initial public offering (IPO) in China and Australia, Chapter 6 draws the conclusion that the Australian equity market is more favourable towards financing SMEs than those in China, due mainly to the different regulatory factors in the two countries concerning IPO and also due to the extreme under-pricing nature for SMEs seeking IPO in China. Not much relation was drawn to the main themes of this book — globalization and East Asia in general.

Chapter 7 proposes an evaluation model for assessing the viability of foreign direct investment (FDI) (pp. 122–25). The model can be useful for corporations in Asian developing countries as well as government in utilizing the equation to derive incentives to attract FDIs.

Chapter 8 explores the role of SMEs’ technology diffusion, suggesting that the Asian crisis affected negatively in SMEs’ involvement in technology diffusion, since evidence showed that SMEs were moving towards lower technology

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operations after the crisis. Again, though the title of the chapter stated that the study was on East Asian economies, data presented are only on Indonesia. It is hard for us to imagine some other countries with a very different economic structure, such as Hong Kong and Singapore, would have moved in the same direction.

Chapter 9 assesses the issues faced by SMEs in adopting IT and provided some useful step-by-step advice. The need for SMEs to adopt IT was first established. The model on factors influencing SMEs' adaptation of IT is quite all-rounded and insightful, and the recommendations and strategies provided to overcome such barriers are quite useful references for SME managers and their partners alike. Again, however, we have to recognize that the discussions in the chapter refer mainly to circumstances in the United States, rather than specifically Asia.

Chapter 10 highlights the business opportunities open to SMEs due to the popularization of e-commerce, offering them the prospect of a more level playing field with larger firms. It is a good illustration of the varying developmental stages among countries in East Asia (Asia-Pacific) leading to different levels of penetration of e-commerce practice, and in turn the benefits SMEs can derive from such a development.

Basing on data and prior studies on five Asian countries (South Korea, Indonesia, Malaysia, the Philippines, and Thailand), Chapter 11 concludes on seven trends on SME labour market in the Southeast Asian region: flexibility, downward shift in size and informality, shift of labour from one sector to another, feminization, growing casualization, breaking down of traditional support mechanism, and more strict control on labour movement between countries (p. 210). Once again the linkage between the discussion in the chapter and the key theme of the book — globalization — seemed to be missing.

Chapter 12 is an insightful piece relating the specific styles of entrepreneurship to the development process in Asia, presenting the concept of adaptive entrepreneurship during the “catching up” phase with relation to technologies in the West. With the gap closing, the author

suggested that SMEs in Asia should face the challenge of transition by adopting the principles of diversity, sustainability, and creativity (pp. 240–41) in their business pursuit.

Chapter 13 is the only empirical study (qualitative approach) of SMEs at the firm level in the entire book, with sample firms drawn from Chinese SMEs in Hong Kong, Taiwan, and Australia. In-depth interviews with owner-managers reveal that by treading the fine line and striking a balance between caution (mainly financial moves) and innovation (diversity in products and markets) such SMEs were able to survive the adverse effect of the Asian crisis and landed on the road of rapid recovery.

Chapter 14 adapted a cultural perspective in examining the effectiveness of business network, and suggested that the organic network resulting from the Asian collectivism would be more effective in facilitating doing business in Asia. Though the concept is interesting, it still runs the risk of overgeneralization, since Chinese collectivism and Western individualism conceptualizations were being challenged with the changing dynamics in the Chinese and Western societies.

Chapter 15 is a normative piece suggesting franchising system as a good platform for entrepreneurial activities, especially for those who dislike risk and are not innovative. The positioning of SMEs in a franchising system was fixed as franchisee, relying on the system and business model built by the franchiser (large organizations) to carry out their entrepreneurial activities. This chapter is the only one in the book that highlights the impact of globalization on SMEs with local orientations: they still need to achieve world-class efficiencies in order to survive, because the openness of the economies means that they can no longer be insulated from competition from more efficient countries, whether in terms of cost or technology. However, the chapter missed out a discussion of SMEs with innovative business concepts utilizing franchising system to achieve growth without taking on all the investment burdens.

Overall, I consider the book a good general reference on SME conditions in the Asia-Pacific

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region. A word of caution would be on making the assumption that findings from this book can be generalized to represent the picture of SMEs in East Asia. More careful comparison and contrast with comprehensive data would be necessary before we can generate any common themes.

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***Globalization and the Quality of Foreign Direct Investment.* By Nagesh Kumar. New Delhi: Oxford University Press, 2002. Pp. 257.**

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This book is a valuable addition to the large literature on foreign direct investment (FDI) policies in developing countries. Traditionally, the focus of these policies has been on the quantitative dimension, that is, the amount of FDI which is attracted by the host country. This book, however, also examines the qualitative dimension of the FDI as well.

It is the combination of the quantity and the quality of FDI which determines its impact on the developmental goals of the host country. It is against the above background that this book analyses the role of different structural and geopolitical characteristics and the policy regime of the host countries in explaining the patterns of quantity and quality of FDI inflows. This is to assist countries to assess their comparative advantage for specific types of inflows so as to differentiate and strategize between various forms of FDI to maximize the benefits from it. It further attempts to analyse the implications of the emerging World Trade Organization (WTO) regime and draws policy implications for international intervention in the context of developing countries.

The analysis is undertaken across various branches of industry, across countries, and over time using the available data set covering overseas production by U.S. and Japanese multinational enterprises (MNEs) in seventy-four sample

countries and three points of time over the 1982–94 period. Four measures of the quality of FDI inflow have been employed to capture the positive externalities accruing to a typical developing host country. These include (a) the extent of localization of affiliate output reflecting the depth of involvement of a MNE in a host country; (b) participation in technology-intensive or modern industries that are likely to generate a greater amount of knowledge spillovers and hence facilitate the technological up-gradation of the host economy; (c) extent of export-orientation, especially the proportion of output going to third countries involving informational externalities on the export potential for domestic firms; and (d) R&D intensity that may have significant knowledge spillovers for local firms.

This book contains three main parts. Part A deals with MNEs and host country industrialization. Chapter 2 identifies factors that determine the extent of MNEs' involvement across host countries and then examines the role of locational factors in influencing the extent of MNEs' involvement. The finding suggests that country size, level of income or development, and extent of urbanization seem to favourably affect a country's ability to attract globalized production from MNEs. Also, country size and income levels are likely to have greater influence on the extent of localization of affiliate production and hence relatively smaller, poorer, and agrarian countries have their limitations on tapping the resources of MNEs for their industrialization. The author observes that between the two sources of FDI, U.S. investments and their depth are more sensitive to country size and income levels than the Japanese investments. It is observed that while a free trade regime in a host country would tend to attract more MNEs, the depth or extent of localization may be inversely related to openness.

The book argues that geographical proximity between home and host countries encourages intensive investment links. The analysis also brings out that the availability of better infrastructure, abundant low cost labour, and the host country policy environment as the factors that contribute to the attractiveness of a country to