

According to the study, the set-back in 1980 can be traced to the failure to plan investment in heavy industry with the usual mix of flexibility, speed, and pragmatism. The investments in heavy industries were accelerated by President Carter's proposal to withdraw U.S. troops stationed in Korea. This second stage of import substitution weakened the singular objective of export-led economic development. The heavy industry projects had no international yardstick for assessment and their expected viability was based on unrealistically ambitious expectations of international competitiveness and exporting. For the future, the Korean economy will require more decentralized decision-making, greater reliance on the market, and greater efforts in R&D to break into the club of developed country competitors.

The question of the replicability of the Korean experience is briefly touched upon. The book pays some lip-service to the objective factors which differentiate Korea from many developing countries and concludes that, with a dedicated government, aggressive businessmen, disciplined workers, and the right incentives, it is possible to have world trade lead a country's economic growth and development. The argument that the international environment has changed to greater protectionism is brushed aside.

One may regret with the authors the absence of technology-intensive industries in a book published in 1984, when Korea is engaged in a dynamic drive into "high-tech". The study offers many hindsight on how selective Korean firms are regarding technology transfer, but it does not investigate the process of mastering technology. In the case of Pohang Steel Industry, the construction time was roughly two thirds that needed for similar plants in Italy or France, and Korean steel products are now making inroads into the Japanese market. The success story of the shipbuilding industry is known: not only did Hyundai not have any previous experience in shipbuilding, but Korea itself had never pro-

duced a vessel larger than 10,000 tons when the Korean firm built its dry dock, which was completed together with the building of two large oil tankers. Without this ability to master technology, the free-trade regime applied to exporters would have resulted in an increasing inflow of imports and the value added by this export drive policy would have been very low.

This book is well written and is an interesting addition to the numerous works dealing with the Korean success.

RAPHAEL CHAPONNIERE

Visiting Fellow

Institute of Southeast Asian Studies

Small- and Medium-Scale Industries in the ASEAN Countries: Agents or Victims of Economic Development? By Mathias Bruch and Ulrich Hiemenz. Boulder, Colorado and London: Westview Press, 1984. Pp. xiii, 130.

Small- and medium-scale industries are generally believed to contribute to employment creation and the generation of income, particularly for low-income population groups. Nevertheless, experience shows that government industrialization policies generally favour large-scale industries that are more easily able to take advantage of facilities offered. In this study undertaken by the Kiel Institute of World Economics and sponsored by the Volkswagen Foundation of West Germany, Bruch and Hiemenz gather evidence on the role played by small and medium industries in the ASEAN countries. The assessment of the economic efficiency of manufacturing establishments in Malaysia, the Philippines, and Singapore shows that all countries' small and medium industries proved to be economically more efficient than large establishments in approximately half the 24 industrial sub-sectors included in the analysis. This does not mean that small and medium industries will necessarily continue to be more efficient *per se*. In

fact, the authors suggest that traditional small and medium industries using simple technologies and producing simple consumer goods for lower income consumers will gradually have to give way to modern small and medium industries that are suppliers of industrial intermediates and viable exporters of manufactured goods. The structural adjustment required is an important area for enlightened decisions in the industrial policies of ASEAN countries.

The assessment of economic efficiency is undertaken within the framework of given prices for products and inputs. However, these prices are influenced by the trade, investment, and credit policies in individual countries as well as by policies directed specifically at small and medium industries. The authors show that while these policies may have contributed to the growth of industry, they have also favoured larger industries and have had a negative effect on the growth potential of small and medium industries by impeding improvements in product quality and output mix as well as by reducing domestic final and intermediate demand for small and medium industry products. This policy bias against small and medium industries is further aggravated when financial institutions prefer to lend to large established enterprises. The authors conclude that, within the given system of protection in the majority of ASEAN countries, no government budget would be large enough to compensate the small and medium industries fully for the incentives inherent in the misguided trade, industrialization, or monetary policies.

Changes in overall economic policy therefore appear to be indicated.

If the economic policy environment could be made more conducive to the small and medium industries, they would be able to contribute significantly to economic development, not only by offering additional employment and income, particularly to the less privileged part of the work-force but, perhaps even more important, by acting as links in the chain of intra-industrial linkages which are pre-conditions for establishing an internationally competitive manufacturing industry.

Although the authors have taken pains to examine each of the ASEAN countries individually in their comparative analysis, policy recommendations are confined to a more general outlining of a number of specific areas in which government assistance may be warranted and to indicating some crucial elements in the design of supportive measures. More detailed recommendations would have gone beyond the scope of an academic study of this nature, but a more concrete and specific follow-up of this important work would be needed before governments in the ASEAN region can adjust their economic policies to take advantage of the undoubted potential of small and medium industries in the process of development. It is hoped that this challenge will be taken up by researchers from ASEAN countries.

HANS CHRISTOPH RIEGER
Institute of Southeast Asian Studies