

BOOK REVIEWS

drawn from the historical, international and country-specific analyses.

Joon-Ho Hahm
Yonsei University

Clusters and Economic Growth in Asia

Sören Eriksson (ed.)

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This book explores economic development in major Asian countries based on industry- and/or region-level time series and case studies for some industry clusters and agglomerations. The authors investigate various factors affecting economic growth in Asian countries, such as information and communication technology, foreign market orientation, technological upgrading, and the entry of foreign-owned firms. Based on several interesting case studies, they also examine what is required for the success of new agglomerations or scientific knowledge clusters.

Although the research topics and approaches vary across chapters, the authors appear to share the basic idea that Asian countries should pursue innovation-driven development, and that knowledge creation through competition and cooperation among firms in industrial clusters is an indispensable factor for achieving such innovation-driven development.

There are at least two types of industry clusters: spontaneously generated clusters that may have arisen through one or a variety of different catalysts and whose development is often path dependent, and clusters created under strong government leadership in order to foster new technology and industries in a region or country. Although many successful clusters fall into the first type, the second type is particularly important for developing countries where local markets, industries, and business expertise are underdeveloped. Moreover, even in developed countries, industry clusters based on new, advanced technology are unlikely to emerge spontaneously because of the uncertainty and lack of information surrounding new technology.

New technology (such as information and communication technology) has become increasingly important for economic growth in Asian countries (as shown in ch. 2). The 2008–09 global economic

crisis reminded us of the importance of technological upgrading for resilience, recovery, and further development (ch. 5). Acquiring new technology and fostering new technology-driven industries is necessary for further development in Asia. However, how to create successful industry clusters is a major policy challenge for developing countries, especially when the aim is to develop a cluster with high-tech industries at its core.

This book examines new technology-driven development, focusing on cases of government-led industry clusters rather than spontaneously arising clusters. Given the importance of foreign direct investment in economic growth and technological development in Asia, a key aspect examined in several chapters is the role played by foreign-owned firms in industry agglomerations or clusters, such as the industrial agglomeration of Taiwanese firms in Dongguan, China (ch. 3), foreign firms in industrial zones in Vietnam (ch. 6), the government project to promote the development of a commercial aircraft industry in Indonesia (ch. 7), and the commercial aircraft project in Chengdu, China (ch. 8). The common message of these chapters is that although the entry of or technology transfers from foreign firms have contributed to the development of industrial agglomerations or clusters to some extent, the impetus is far from sufficient for foreign firms to become an engine of agglomeration. While (as highlighted in ch. 1) inter-organisational networks are indispensable for generating and disseminating knowledge and innovation within clusters, the various case studies indicate that linkages among firms in clusters as well as technology transfers or spillovers from foreign-owned to domestic firms are generally not very strong. For example, although the quantitative analysis in Chapter 3 suggests that there are strong inter-firm production linkages between Taiwanese electronics component suppliers and Taiwanese end-product producers in Dongguan, China, the interviews that the authors conduct show that most Taiwanese firms are reluctant to cooperate with local Chinese suppliers. Similarly, Chapter 6 reports that in the case of industrial zones in Vietnam, functional ties and cooperation among foreign-owned firms and other nearby enterprises are limited.

The case studies in the various chapters also provide some clues on the factors determining the success or otherwise of government-led attempts to foster high-tech industrial clusters. Thus, while

the case study of the Indonesian commercial aircraft industry (ch. 7) highlights some of the difficulties involved, that on the Korean biomedical cluster (ch. 4) presents an example of a successful initiative that may hold lessons for other countries. Specifically, Chapter 7 suggests that one of the reasons for the lack of success of the government's attempt to foster an Indonesian aircraft industry was an overall lack of management. On the other hand, in the case of the Korean biomedical cluster, the government did play an important lead role, and the case study highlights that private firms alone may not be able to give birth to high-tech clusters due to the lack of a sufficiently mature venture capital market in developing countries. That being said, although government support was instrumental in the Korean case, the case study shows that other, intermediary, organisations also played a key role in coordinating and managing industry–university networks.

The case studies further illustrate that it is crucial for the government to be realistic about which industries to promote by carefully assessing which industries match the country's level of technology, skills, and research and development resources. The Indonesian aircraft industry provides an example of a project where this appears not to have been the case. The Indonesian experience contrasts with the relatively successful case of the aircraft industry cluster in China discussed in Chapter 8, which suggests that the presence of an industrial base that helped attract foreign investment played an important role. But even in that case, whether foreign technology transfers actively contributed to the development of the cluster and to knowledge creation at the local level remains an open question.

Taken together, the case studies reveal three main factors that developing countries need to confront in order to foster high-tech industry clusters. First, creating linkages and cooperation among local and foreign-owned firms is important for innovation-driven development. Second, incorporating prospective local firms effectively in government-led projects brings a business perspective to these projects and increases their chances of success. Third, in order to expand inter-firm networks both internal and external to a cluster, developing countries need to improve the productivity and international competitiveness of domestic supporting industries.

Although the challenges are quite clear, how to address them is not. Considering the implications

of the case studies presented in this book, it appears that one urgent and essential task for governments in most of the countries discussed is to provide better protection of intellectual property rights and to strengthen tertiary education. Further, although cooperation between developed countries and less developed countries in Asia would benefit both sides, given the large amount of intra-regional investment, relations between them are often fraught by economic and political frictions, so that the more advanced countries in the region may see technological catch-up in less developed countries as a potential threat. Taking these considerations into account, another lesson one may draw from the book is that fostering mutual understanding and cooperation among countries is an important issue for every country in the region. The analyses further highlight a challenge faced by many countries in the region: how to avoid the middle-income trap. Further research, both qualitative and quantitative, would help understand how industrial policies with regard to fostering technology can play a role in addressing these challenges.

To conclude, the research presented is of considerable interest to researchers, policy planners, and industry specialists who seek to understand industrial development in Asia and the role played by government, local firms, and foreign-owned firms.

Keiko Ito
Senshu University

Financial Globalization and Regionalism in East Asia

Takuji Kinkyo, Yoichi Matsubayashi, and Shigeyuki Hamori (eds)
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Prior to the Asian financial crisis (AFC) of 1997–98, most East Asian economies were focused on developing world-class manufacturing capabilities in their drive towards rapid industrialisation. In sharp contrast, these economies (with the notable exceptions of Hong Kong and Singapore) severely repressed their financial systems (which were dominated by banks) as they were viewed as a means to facilitate industrialisation as opposed to being an independent engine of growth.