

Comments

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Ms. Hoshino presents a summary of a detailed two-year comparative case study of private corporations in Latin America and Asia. Such a comparison of the Latin America and Asian regions may show Latin America to be the loser. East Asia was the only region that expanded its export share in the total global market while Latin America share decreased. When you look at the details on manufactured products that are not based on primary products, Latin America's share increased only slightly from 2.5% to 4.4% while Asia's increased from 12.1% to 22.8%. This shows that, in overall context, Latin American countries were unable to increase their competitiveness.

The second big difference between Latin America and Asia is that Asian private corporations are deeply intertwined in the international network with corporations in the advanced industrialized nations of Japan, North America and Europe. As Ms. Hoshino mentioned, Asian countries developed assembly-type manufacturing sectors that led industrialization and economic growth, called frying-geese-papptern of development, in actual regional economic consolidation which is very different from what has occurred in Latin America.

The third difference that can be pointed out is the degree of the integration between small and large companies within the country. The industrial competitiveness of Latin America is very weak, including that of the SMEs. One of the reasons why Latin America's SMEs have not developed well is low financial deepening. In Mexico, the ratio of the banking sector's domestic credit to GDP in 1999 was only 29.1%. In Argentina, it was 34.8%. Brazil was higher but only 50.5%. Contrarily, the banking sector's domestic credit to GDP was 85.2% in Korea, 160.5% in Malaysia, and 126.0% in Thailand. This large difference in financial deepening between Latin America and Asia greatly influences the difference in SME development between the two regions.

The next point I want to indicate here is a conditions for the survival of Latin American corporations.

Companies in Latin America have to cope with disadvantages in home-base condition, such as the present financial crisis in Argentina, that are often beyond the ability of any one company to deal with. Despite these

difficulties, some have succeeded in sectors such as resource-based industrial commodities, IT services that use domestic intellectual resources, and niche markets of the Macquiladora or the Caribbean-Based Institute.

Connections between large companies and SMEs are very weak and it is difficult to lead the economic development of the nation by means of the development of certain large companies.

Therefore, it can be supposed that the conditions for the survival of Latin American companies are very different from those required for the survival of Asian companies because in spite of home-base disadvantages and weak relations with the development process for the national economy there have been some successes.