

Preface

This book was prepared in 1991–93 while I was residing in Washington, D.C. as part of the project on “Changes in Industrial Structure in Latin America,” a program for overseas researchers at the Institute of Developing Economies.

An important part of the information compiled and analyzed for this project about Latin American economic development came from two industrial surveys which focused on quality and productivity, and which were conducted in 1992 on small-scale enterprises (SEs) in Mexico City and São Paulo.

Based on economic policy surveys for SEs, as well as Latin American trade and investment policies in general, and with extensive knowledge about East Asian development, I challenge Latin American policy makers to adopt competitiveness policies reflecting East Asian industrialization mechanisms, particularly those involving in-house production methods and the formation of supply chains. Some of these policies, if embraced, may require modifications to better fit Latin American conditions.

The role of governments in economic development is changing as well. Aside from practicing sound macroeconomic management, governments must now play a monitoring role, matchmaking information exchange services for industries. This is essential for regimes that are implementing laissez-faire policies, since market forces alone are not likely to lead to expected welfare gains and prosperity.

Financial support for SEs from governments and international financial institutions is necessary if these small but critical enterprises are to succeed. However, support should be limited to initial funding because SEs have been more profitable than originally believed.

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