

Hal Hill. *Indonesia's Industrial Transformation*. Singapore: Institute of Southeast Asian Studies, 1997. 405 pp.

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Indonesia's Industrial Transformation is a collection of thirteen previously published papers by Hal Hill on Indonesia's industrial development since the late 1970s. These papers are drawn from a variety of sources, including applied economics journals such as *Economic Development and Cultural Change*, journals with a regional focus such as *Bulletin of Indonesian Economic Studies*, and the author's own recent book, *The Indonesian Economy since 1966: Southeast Asia's Emerging Giant*, which was reviewed in a previous edition of *Indonesia*. *Indonesia's Industrial Transformation* performs the function of linking pieces of the work of one of the leading researchers of the Indonesian economy to create a coherent and valuable resource for students and scholars of the subject.

The book is divided into six parts. In the first part, the author "sets the scene" with a "broad brush approach" to Indonesia's industrialization. In particular, he describes the transition of Indonesian industry from being dominated by oil through most of the 1970s to a broader, manufactures-based structure during the 1980s. The second part contains case studies of the garment and textiles industry and aerospace industry. The choice of these two sectors is a master-stroke—it contrasts a success story (garment and textiles) with what many economists believe is likely to be a painful failure (aerospace) of Indonesia's industrial policy. It also implicitly highlights two different approaches to industrial policy in Indonesia, each of which has dominated the industrial policy scene at different times. The third, fourth, and fifth parts of the book examine, respectively, foreign investment, technology, and small and medium industry in Indonesia. The sixth and final section of the book contains three interesting chapters which deal with broader policy issues.

Indonesia's Industrial Transformation has numerous strengths. In spite of its quantitatively empirical flavor, most of it is accessible to a reader without substantial training in economics. It is full of implicit and explicit policy recommendations, which have been, are, and most likely will be of use to policy practitioners both in Indonesia and elsewhere. It contains carefully crafted studies, which use good judgment in the application of economic theory to the much less precise domain of the real-world economy. An example is Chapter 9, "Choice of Technique in the Weaving Industry," in which the author methodically examines prevailing technologies for weaving in Indonesia, and, among other things, discusses the implications of government policies for the choice of technology in the weaving industry. This paper is cited in a leading undergraduate textbook on the economics of development¹ and makes a very interesting case study for students of economic development, public policy, and the Indonesian economy. For readers who prefer less mathematics and more discussion, there are readings like Chapter 12, "Industrial Policy and Performance: 'Orthodoxy' Vindicated." In this chapter, we are presented with the thought-provoking argument that there is no evidence that the success of the Indonesian growth experience is the

¹ Gillis, Perkins, Roemer, and Snodgrass, *Economics of Development*, 4th edition (W.W. Norton & Company, 1996).

result of industrial policy and the targeting by the government of specific (strategic) sectors of the economy in particular. It should be mentioned, however, that the author finds no hard evidence to the contrary, and that, as he admits, a question of this nature would be difficult, if not impossible, to answer using quantitative methods.

If there is a weakness to this book, it lies, perhaps, in the distribution of chapters across subjects. Because of the idiosyncratic nature of individual research in economics, which often depends on the availability of good quantitative data, there is a heavy focus on the textile and garment sector of the Indonesian economy. Fully four of the thirteen papers deal explicitly with this subject. If we are willing to step outside the artificial confines that the author's research of necessity imposes upon us, however, the implications of these studies extend beyond the specific sector into other sectors of the Indonesian and other developing economies. The author seems fully aware of this potential weakness and has (presumably) consciously distributed these chapters throughout the book to help the reader break out of the specific sectoral context.

At the risk of stating the obvious, this book contains no new material, and so should be evaluated more on the basis of what it achieves by way of function, and less on the basis of what it adds to an existing body of knowledge. In particular, is the whole greater than the sum of its previously published parts? It is. As the title rightly claims, *Indonesia's Industrial Transformation* captures the essence of the transformation of the Indonesian economy from a heavily oil-dependent economy to a diversified and, until recently, booming one. It is of general interest to development economists. It is a necessary addition to the shelf of any student or scholar of the modern Indonesian economy.