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Axel Borrmann*

Direct Investment in Asia by German Small and Medium-Sized Enterprises

The tremendous importance of small and medium-sized enterprises within the German economy is repeatedly stressed in policy discussions. That makes the disproportionately low level of involvement by SMEs in the Asian growth region stand out all the more prominently. What are the factors inhibiting greater involvement? What form ought promotion programmes for SMEs to take?

German business is still much less strongly represented than that of the other major industrial countries when it comes to foreign investment in Asia: its prime regional emphasis is still in Western Europe. However, companies from Germany are now busily stepping up their involvement in Asia. There has already been a marked improvement in Germany's position in countries such as South Korea, Japan, India and Singapore. Yet even so, a quantum leap is still needed if a strategically more favourable position is to be established *vis-à-vis* firms from other countries in opening up Asia's dynamic growth markets.

Small and medium-sized enterprises (SMEs) in Germany, though directly involved in the processes of internationalization and globalization to a frequently underestimated degree, nevertheless face considerably more difficulties in conducting cross-border business transactions than do their large counterparts. Their internationalization ratio of 7% is considerably below the 36% attained by large companies; where their strength lies is in trading with foreign companies. Indeed, only approximately 1% of all the SMEs in Germany have undertaken direct investment abroad. Their main problem area is in making capital investment outside Western Europe: on the one hand, approximately one third of German industry's stock of direct investment abroad is attributable to SMEs yet, on the other, their share of Germany's direct investment in Asia is estimated at just 2%.

One ought not to jump to the conclusion that German SMEs' investment in Asia is necessarily unduly low, since small companies from other industrial nations face similar problems. In fact, on a comparative basis, Germany's "*Mittelstand*" are generally more internationally involved, in terms of both trade and direct investment; even in Asia, it is unlikely that SMEs from the USA, the UK and France are more strongly represented. Companies from Japan are the exception to this rule. In the wake of large Japanese corporations, with which they are frequently linked as suppliers, they have relocated a considerable proportion of their production in recent years to other countries in the East Asian region. In 1992, investment in these countries accounted for two thirds of their new foreign investment.

In seeking explanations for the trends sketched out above, it is worthwhile first of all to analyse the determinants and structural conditions behind the internationalization of SMEs. The locational preferences of such companies and the investment opportunities available in other regions both suggest that it would be wrong to pin too much hope on more intensive direct investment activity by Germany's SMEs. Among the characteristic features of SMEs are the relatively tight financial and personnel resources available to them, a limited, specialized product range, centralized management functions with limited overall capacity, and finally the fact that the firm's managers are usually its majority owners, which in turn often means that business policies are closely intertwined with family interests.¹ These structural

* Hamburg Institute for Economic Research (HWWA), Hamburg, Germany. This article summarizes the findings of a study conducted by HWWA on behalf of the Federal Ministry of Economics, and published by NOMOS Verlag: A. Borrmann, M. Holthus, K.-W. Menck, B. Schnatz: *Kleine und mittlere deutsche Unternehmen in Asien - Investitionschancen und Erfahrungen*.

¹ On the following, cf. H. Steinmann: *Mittelständische(n) Unternehmungen, Internationalisierung der*, entry in: K. Macharzina and M. K. Welge: *Handwörterbuch Export und Internationale Unternehmung*, Stuttgart 1989.

characteristics naturally have consequences for the internationalization strategy followed by companies of this size.

Potential foreign involvement frequently stumbles at the early hurdle of the severe scarcity of resources and the relatively centralized organizational structure in these companies. An entrepreneur in the *Mittelstand* often has his/her energies completely taken up by servicing the domestic market. Involvement in a foreign market would overstretch that management time. Moreover, the interplay between family and business interests can make the family's wish for security into one of the decision-making factors when considering a new investment abroad, acting as a form of psychological barrier.

Given these factors, specific forms of impetus are needed to spur SMEs to take the plunge into an international presence. The impetus may occur in the domestic economy or abroad. The domestic impetus may consist of dissatisfaction with the operating environment in the home country, while the impetus in other markets includes such factors as a call from major domestic customers to follow and invest "in their wake" as they themselves become established in foreign markets, or reports of the successes achieved by key competitors ("imitation effect"). Particularly the former factor may be a useful starting-point for SMEs to enter into strategic alliances to establish themselves abroad. Meanwhile, there may be an additional incentive to engage in copy-cat investment if the rival firm already operating in the target market has been able to enhance its competitiveness by being in closer touch with its customers. For some products, intensive customer service via technical consultancy and the rapid availability of spares and maintenance services are of great importance.

SMEs' Strategies

Empirical findings² indicate that the main strategic objectives of SMEs investing directly abroad are on the product marketing side. They tend either to follow larger companies into the new market as their suppliers, or to endeavour to build upon positions of

their own which they have already built up via exports. The dynamism of the host country's domestic and neighbouring markets plays a substantial part in encouraging foreign investment. For SMEs, cost-based objectives, such as minimizing unit labour costs, are considerably less significant. This kind of approach would be primarily geared to supplying the world market and the home economy; it is unlikely to be appropriate for companies in the SME category, not least because the quantity of goods supplied at their optimum plant size will be very low in comparison to global demand. The sourcing of raw materials as an investment motive is likely to be even less relevant to SMEs; this is essentially the domain of large corporations with vast financial resources at their disposal.

So what type of strategies do small and medium-sized companies pursue when investing abroad? As far as the nature and amount of their resource input is concerned (their *resource-input strategy*), they show a preference for investment which does not entail equity participation. This is all the more true in situations in which the firm will not gain any benefit from using its own expertise in own production facilities abroad (internalization).³ Shortages of finance and personnel are the main reasons why companies prefer to go international step by step, only gradually progressing to more sophisticated commitments such as setting up assembly and production plants.

The characteristics of small and medium-sized enterprises do not allow any particular conclusions to be drawn as to what preferences they might have in their *ownership strategies*. These oscillate between a wish to exercise firm control, to maintain independence or to protect technology and expertise on the one hand⁴ and the wish to find cooperating partners on the other, which they tend to be forced into by virtue of their shortage of resources, their limited risk-taking capacity and their inadequate knowledge of foreign markets. If the benefits of internalization are great, the SMEs naturally tend to favour forms of investment in which they will retain a high degree of control, preferably being able to appoint their own management. If, on the other hand, there are few internalization benefits involved,

² Cf. D. Kebschull et al.: Wirkungen von Privatinvestitionen in Entwicklungsländern, Wissenschaftliche Schriftenreihe des Bundesministeriums für wirtschaftliche Zusammenarbeit, No. 35, Baden-Baden 1980; J. Beyfuss, B. H.-J. Kitterer: Deutsche Direktinvestitionen im Ausland: Bestandsaufnahme und Ergebnisse einer Unternehmungsbefragung, Beiträge zur Wirtschafts- und Sozialpolitik, Institut der deutschen Wirtschaft, Cologne 1990; A. Schmidt et al.: Die Internationalisierung mittelständischer Industrieunternehmen unter besonderer Berücksichtigung der Rolle der Banken, Institut für Mittelstandsforschung, ifm-Materialien No. 113, Bonn 1995.

³ Cf. J. H. Dunning: Toward an eclectic theory of international production: Some empirical tests, in: Journal of International Business Studies, Vol. 11 (1980); J. H. Dunning: Multinational Enterprises and the Global Economy, Wokingham 1992.

⁴ Cf. M. Kutschker: Die Wahl der Eigentumsstrategie der Auslandsniederlassung in kleinen und mittleren Unternehmen, in: B. Kumar, H. Hausmann: Handbuch der internationalen Unternehmenstätigkeit, Munich 1992, pp. 497-530.

companies are likely to want to resort to a licensing agreement or some other form of cooperation which does not involve equity participation or otherwise tie up the company's capital.⁵

As far as *market-entry strategy* is concerned, small and medium-sized companies prefer to set up their own operations abroad rather than purchasing existing companies; the most plausible explanation for this is that their products and processes are frequently highly specialized, so there is a lack of potential takeover candidates, especially in developing countries.

Obstacles in Foreign Involvement

Before going international SMEs must, of course, have a fundamental willingness to consider foreign markets when evaluating investment opportunities. Nevertheless, they still need a push to get out of the vicious spiral of insufficient experience in foreign markets and their weak international presence. To do so, they need to jump the *internal hurdles* of staff secondment, the problems of reintegrating such staff members later on, information gaps, and funding bottlenecks. The chief *external hurdles* they face are associated with the economic operating environment in their new investment location. Thus SMEs are not alone in preferring to invest in relatively more developed countries, which provide a number of transaction cost advantages to companies of all sizes; so SMEs in particular show a distinct affinity for locations elsewhere in their home region.

This is borne out by the empirical data, showing that three-quarters of German SMEs which have any foreign direct investment at all have invested in other industrial countries, and that two-thirds have opted for Western Europe (see Table 1). By way of contrast, the proportion of internationalized SMEs which have invested in developing countries is considerably lower (at 44%). South to East Asia, including Japan, does actually feature to a surprising extent in their regional investment decisions: approximately 25% of the SMEs have some involvement in Asia. That figure is in fact slightly higher than the proportion of companies investing in North America. However, the financial scale of their Asian investment remains very limited.

Just as it does for their larger counterparts, the overall economic environment plays a very significant part in the attractiveness of investment locations for SMEs. In Asia, and especially in the South-East Asian NICs, the level of political stability, openness of markets and the conditions of entry for direct investment are considerably better than in other developing regions. In this sense, the economic policies pursued by developing and newly industrializing countries in South and South-East Asia have set the stage for them to develop into the world's fastest expanding markets. All the forecasts are that this picture will be largely sustained in the years ahead.⁶ When seen against the size of markets, levels of investment in Latin America remain quite substantial, but in this case the country risk is higher and, in spite of the reforms which have been implemented, these economies still tend to be less dynamic in their development. So as far as export-oriented direct investment is concerned, South-East Asia should still be heading the list as first choice.

The limited financial volume of direct investment in Asia by German SMEs to date, despite the extraordinary growth prospects Asia has to offer, suggests that companies of this size tend to *underestimate* their investment opportunities in the Asia-Pacific region while *overestimating* the significance of the investment impediments. The experience of German small and medium-sized companies represented in Asia shows that the

Table 1
German Companies which have Directly Invested¹ Abroad

(Number of companies, by region and country group, as a percentage of the total number of firms which have carried out foreign direct investment)

	SMEs	Large companies
Developing countries	44	69
Industrial countries	77	88
Australia and New Zealand	4	15
Japan	9	27
South and South-East Asia (not incl. Japan)	16	41
Near and Middle East	4	10
Latin America	12	40
North America	22	46
Africa	6	17
Eastern Europe	20	29
Western Europe	65	79

¹Manufacturing facilities, participating stakes, licensing and other cooperative agreements.

Source: Estimates by HWWA on the basis of data compiled by the company information system of the chambers of industry and commerce (FIS = Firmeninformationssystem), valid as of September 1995.

⁵ Cf. M. Kutschker, op. cit.; J. Fischer: *Dynamische Märkte in der Weltwirtschaft und internationale Unternehmenstätigkeit*, Materialien des Universitätsschwerpunktes „Internationale Wirtschaftsbeziehungen und Internationales Management“, University of Bremen, Vol. 4, Bremen 1995.

⁶ Cf. World Bank: *Global Economic Prospects and the Developing Countries*, Washington, D.C. 1995.

impediments to investing there, both subjective and objective, can indeed be overcome. Representatives of chambers of commerce and investment consultants agree that, having once found their feet, German companies have generally been successful in their new environment. Though the virtually undocumented failures occurring in some locations may change this perspective slightly, the high level of satisfaction demonstrated by German entrepreneurs who have invested in China provides a good indicator of the chances of success.

There is no such thing as a patent recipe for success for SMEs wishing to set up in the Asian markets. The heterogeneity of the region is itself reason enough why there can be no such thing as a

uniform strategy. Nevertheless, there are a number of characteristic features, do's and don'ts, and adaptive measures which can serve as the building blocks of success (see box). The SMEs from Germany which are already operating in the region give adequate proof that entrepreneurial involvement there is by all means possible for companies of this size, with a good prospect of flourishing.

Going International: A Learning Process

For SMEs, going international is primarily an endogenous learning process, which means that it cannot be exogenously accelerated at will, nor can certain core developmental phases be readily skipped over. The first prerequisite for foreign involvement is that an entrepreneur be ready in principle to include the company's internationalization in his/her plans as a vision for the future and as a growth perspective. This, indeed, is a key problem for companies which have not been active abroad before. Both embarking on an international course in the first place and each of the steps taken thereafter call for a considerable amount of willingness to take risks, pioneering spirit, commitment, flexibility, adaptability and also, in part, the sacrifice of a degree of corporate independence. For a business's proprietors, the change in values needed and the fresh planning approach for their entire company constitute a personal challenge of such magnitude that meeting the challenge is often an issue between generations.

Both the way they approach internationalization and the directions they head in tend to involve gradual progression for the SMEs. They normally begin by engaging in trade with companies in other countries, and the various measures accompanying that trade, at the same time showing a marked preference for their home region. Direct, autonomous investment involvement by SMEs outside Europe cannot normally be expected of them if they have not yet gone international, and it cannot be decisively stimulated by setting up promotional measures.

Given the wide variety of challenges which SMEs already face in their home and regional markets, and also given the opportunities available, for instance, in North and South America or Western and Eastern Europe apart from those in Asia, it is important to evaluate regional investment alternatives with an open mind. Exaggerated enthusiasm for Asia and specific support for investors in that region only would create a danger of entrepreneurial decisions being taken too hastily and on a distorted basis, the consequences of

FACTORS IN THE SUCCESS OF SMEs

- ☐ Technological competence and the resulting competitiveness
- ☐ Understanding and previous experience of what going international actually involves
- ☐ The use made of negotiating leeway when investment regulations appear restrictive
- ☐ Identifying the market niches typically suited to SMEs
- ☐ Recognizing the special appreciation of foreign SMEs
- ☐ Making full use of all the information available, at home and in the host countries
- ☐ Taking specialist investment, negotiation and legal advice
- ☐ Developing a clear investment and marketing plan
- ☐ Building confidence via personal involvement on the part of top management
- ☐ Patience and perseverance while preparing and negotiating contracts
- ☐ Making best use of the potential for cooperation, and taking a cautious, vigilant approach when going it alone
- ☐ Willingness to adapt and to compromise during negotiations
- ☐ Willingness to transfer technology
- ☐ Taking precautions against the misuse of technology
- ☐ A cooperative, conciliatory approach to resolving disputes
- ☐ Involving local management personnel and providing them with training
- ☐ Delegating management functions to the foreign subsidiary, and building up locally specialized expertise
- ☐ Market orientation and customer focus
- ☐ Willingness to stay on for the long haul

which would be far more serious, if it came to the crunch, for SMEs than they might be for large corporations. But of course, small and medium-sized enterprises do need to get to grips with Asia as an outstanding growth region, a potential manufacturing location, a source of inputs, a market for finished products, and a breeding ground for budding new technologies.

In recent years, numerous endeavours have been made in Germany to familiarize SMEs in particular more closely with Asia and other growth regions, to reduce some of the impediments to investment, and to provide specific assistance in support of foreign ventures. For both Asia and Latin America, the federal government in Bonn has presented action concepts which have also created an impetus for corresponding initiatives on an EU level. The Asia-Pacific Committee set up by German business (the *Asien-Pazifik-Ausschuss*, or APA for short) is designed to push for improvements in the economic environment both at home and in the host countries, and to intensify German economic involvement in Asia. These activities in the business and political spheres are broadly welcomed by the general public, and have helped generate a change of mood among the country's businesses, which applies to SMEs too.

Nevertheless, the efforts made both by business organizations and by politicians could be better tailored to the specific problems faced by SMEs. That is the main thrust of the criticism voiced by some business associations, namely that federal government foreign trade policy and its Asia concept are supposedly too closely geared to the needs and concerns of large companies.⁷ There is also criticism of the fact that SMEs are insufficiently represented in the various bodies of the APA. Both the government and the committee have since responded to these criticisms and set a number of new initiatives in motion (SME conferences, the establishment of German Centres ("*Deutsche Häuser*"), etc.) In December 1995, the federal government and the APA agreed to place still more stress on SME aspects of economic involvement in Asia in the future. The approach will be consistently developed in the years ahead.

All in all, there is now a very extensive set of instruments available to promote the involvement of German businesses in Asia. So there is no shortage of

starting points. What is needed rather more is the consistent implementation and coordination of the various measures available. In order to mobilize German SMEs specifically, priority should be given to the following types of measures:

- ☐ actively conveying information;
- ☐ overcoming funding bottlenecks;
- ☐ strengthening competitiveness;
- ☐ bundling the promotion instruments.

Each of these areas in which policy-makers could and should be breaking new ground will be dealt with in turn below.

Conveying Information

The realities of doing business in Asia are still – as described earlier – not fully perceived by SMEs in Germany, so the rich variety of attractive investment opportunities is underestimated while the obstacles are overestimated. The reason why these perceptions are inadequate and companies are insufficiently informed no longer lies in any lack of available information relating to Asia but rather, from an individual company's point of view, in excessive information costs – not because of the price of the information *per se*, much of which is obtainable free of charge or at highly subsidized rates, but because of the opportunity costs of obtaining it. Evidently, SME entrepreneurs feel they are so tied up by the day-to-day running of their businesses, the difficult economic situation, and tougher competition at home and in the Single European Market, that they no longer believe they can spare the time to address these wider issues.

In such a background situation, even an improved range of information on offer will not generate greater interest in investment opportunities outside Europe on the part of SMEs; experience to date shows that the same is also true of financial incentives. What is really required is a lowering of the threshold of perception, by giving priority to the active provision of information and the development of contacts with companies rather than a merely passive provision of information. That means it is necessary to get as close to the firms themselves as possible and to step up direct approaches to entrepreneurs, to arouse their interest in, for example, informative events, specialist conferences, workshops and symposia, but also in fact-finding missions, contact exchanges or company pools. Such activities are likely to yield all the more success the better they are addressed to particular industries. Companies obtaining their information by

⁷ Cf. *inter alia*: Bund der Selbständigen, Deutscher Gewerbeverband: Engagement mittelständischer Firmen in Ost- und Südostasien, press circular, Bonn 1995.

this route are likely to be more warmly disposed towards Asian investment if, on top of the usual, standardized information, they can also be provided with data more closely trimmed to the specific needs of individual firms and industries.

Funding Bottlenecks

Apart from dealing with problems of information and perception, a change in the banks' conventional lending practices would also make a tremendously important contribution towards successful internationalization on the part of German SMEs, thus also intensifying their involvement in Asia.⁸ SMEs approaching the major banks ought to be able to expect not just financial but also technical support, now that the banks have systematically added a variety of advisory services to their core business areas and are offering some of the foreign experience they themselves have picked up in the course of globalization processes. Yet as long as commercial banks continue to adopt such a hesitant approach, public-sector financial institutions such as the German Investment and Development Company (Deutsche Investitions- und Entwicklungsgesellschaft, DEG) and the lending facilities provided to SMEs by the Bank for Reconstruction and Development (Kreditanstalt für Wiederaufbau) will continue to play a significant part, particularly because the DEG does not confine its activities to providing loan finance but is also willing to inject genuine risk capital into cross-border joint ventures, a practice which is altogether unusual among Germany's private-sector banks.

Even though Germany's financial institutions in fact come out rather well on an international comparison,⁹ and numerous Asian direct investment projects by German SMEs have benefited from the activities of organizations such as the DEG, a number of critics have nevertheless observed that the public-sector promotion agencies in their present form are more interested in providing advice and intermediary support to large companies. The presumption is that the organizations fear more promotion for smaller companies would involve them in rather more effort to help bring about investment successes which would be quantitatively less significant.

⁸ Cf. A. Schmidt et al., op. cit.

⁹ Cf. UNCTAD: Small and Medium-Sized Transnational Corporations: Role, Impact and Policy Implications, New York 1993, pp. 158 ff.

¹⁰ Cf. M. Krakowski et al.: The Globalization of Economic Activities and the Development of Small and Medium Sized Enterprises in Germany, HWWA Report No. 132, Hamburg 1993, pp. 71 ff.

Improving Competitiveness

Even with this recognized need to relieve financing bottlenecks by adapting and enhancing existing funding channels, there can be no getting round the fact that any promotion strategy must include the essential component of endeavouring to improve SMEs' own financial muscle. In other words, the issue of German SMEs' overall competitiveness simply has to be addressed, which means properly discussing the environment within which they have to operate in their home market.¹⁰ The current debate on the condition of Germany's "*Mittelstand*" has highlighted numerous unfavourable features in the operating environment, either determined or tolerated by the state, which are weakening the competitiveness of these enterprises not only in comparison to large companies but also to their counterparts in other countries. The demands therefore being made include:

- ☐ cuts in corporate taxation,
- ☐ a review of inheritance and gift taxes,
- ☐ simplified administrative procedures,
- ☐ deregulation in other fields,
- ☐ privatization of services still being provided by the state,
- ☐ enhanced promotion of new businesses,
- ☐ and finally, more efforts to promote research & development and innovation.

The right kind of overall economic and specific SME policies can clear the road for greater involvement abroad by Germany's small and medium-sized enterprises. The internationalization of these companies in general, and their investment in Asia and other growth regions in particular, depend on the above tasks being effectively dealt with. These links do indeed appear to have been recognized and accepted. Certainly, the APA and the federal government point out these problems in their Asia concepts and in the latest initiatives directed at SMEs. However, the high hopes pinned on direct investment abroad, including in Asia, by Germany's "*Mittelstand*" will not be fulfilled unless some substantial progress is made with the economic policy reforms currently needed.

If the reforms are indeed successfully implemented, the discussion on increased government support for German foreign direct investment and renewed tax incentives for foreign investment will be rendered superfluous. Quite apart from the reservations on

such incentives from the point of view of maintaining a clean economic order, empirical experience with such tax-based promotion programmes cannot be considered an encouragement to try them again.¹¹ The true determinants of investors' behaviour are market forces. Firms in general, including SMEs, generally place only secondary importance on government incentives, which indeed may be no more than marginal in their effect.

Bundling the Promotion Instruments

On the other hand, complaints are often made at how splintered Germany's institutions are. The exaggerated variety in the institutional sphere, with all sorts of bodies providing undeniably valuable services both at home and in the Asian countries, is said to prevent firms from developing a clear picture, especially SMEs which are still inexperienced in the international arena. Tapping the various sources of information and establishing contact with advisory organizations, so the complaint goes, costs a good deal of time and money, and easily becomes a frustrating exercise. What firms would like to see instead are competent, one-stop information and advisory services in the host countries, bundled together under the auspices of German Centres ("*Deutsche Häuser*"). The one stop should thus include the foreign chamber of commerce or delegate office, the federal foreign trade information service (BfAI), the DEG, and so on. Clients also wish to see closer cooperation between public-sector and private-sector bodies, providing both a uniform, more meaty approach to external relations and also more coherent internal processes.

The federal government's programme of external economic support is in fact now endeavouring to bundle together the efforts put into this area, and to provide more effective backing to German companies in their internationalization and globalization. The inter-ministerial external economic committee now established is designed to intermesh more closely and better coordinate the activities of the three federal ministries of Economics, Economic Cooperation and Development, and Research and Technology. One of the more delicate issues this committee will need to address is the closer integration of development cooperation into the sphere of foreign trade promotion: this has been called for by the academic consultative committee at the Federal Ministry of Economic Cooperation, but the issue is a

controversial one both among the main political parties and among different groups in society at large.

Germany's economic involvement in Asia will naturally continue to be markedly influenced by the country's major companies. Quite clearly, they are internally better equipped, with more extensive strategic, staff and financial resources and a greater risk-bearing capacity, to be able to succeed in Asia with investments and market positions that really do make a mark in quantitative terms. Not only that, but large companies also have a substantial influence over the level of involvement in Asia by SMEs. They have a vanguard role and act as models for smaller companies, which means there are a variety of things they can do to give the latter an easier passage. They establish the greater part of a basis of confidence both on a purely corporate level and in the broader political and social spheres. Their greater experience, too, can benefit their smaller counterparts.

However, this assumes that large companies also regard German business's presence in Asia as a matter of common interest, and that they are prepared to pass on their country and market knowledge to other companies coming along in their wake. The closest cooperation between large and smaller companies normally occurs when they already work together in the home market as suppliers and users. Initiatives taken by large companies may provide the decisive impetus for SMEs to take the difficult step of going international, thus helping even companies which have never invested abroad before to set up successful ventures outside Europe in the wake of their larger customers. Another reason why large companies attach quite some importance to encouraging their German suppliers to move with them is that certain countries such as Malaysia, having recognized the importance of SMEs from the point of view of industrial strategy and technological progress, have recently been applying pressure on large companies to encourage their suppliers to invest on a complementary basis.

In the light of the trends and developments discussed above, one can conclude that SMEs will also inevitably have to face the challenge of Asia as a major economic growth region at some time in the future. The main tasks involved in supporting them are the active provision of information, the alleviation of financial bottlenecks and the bundling of promotion instruments. Government investment incentives, on the other hand, are not the first priority in the evaluation processes of SMEs, and may indeed often be no more than marginal in significance.

¹¹ Cf. UNCTAD, op. cit., pp. 29 ff.