

that Japan protects its market with non-tariff measures. The reviewer would like to see the issue of access to Japan's market including in the areas of "new trade issues" as in Chapter 12 (on the United States) to be taken up in a forthcoming research project by the Institute of Developing Economies.

Aside from the above minor shortcomings, the book certainly is an important contribution to the literature on development economics. It provides many useful reference tables and figures illustrating how imports from developing countries are growing. The explanations of policies behind this growth will be helpful in making future policy recommendations. (Yoko Sazanami)

*Challenge and Response: Thirty Years of the Economic Development Board* by Linda Low, Toh Mun Heng, Soon Teck Wong, Tan Kong Yam, and Helen Hughes, Singapore, Times Academic Press, 1993, xxiii+519 pp.

The production of this book was undertaken as part of the activities commemorating the thirtieth anniversary of the establishment of the Economic Development Board (EDB) which was set up in 1961 and which has played a major role in carrying out Singapore's economic development. The objectives of its publication were summed up well on page 339 of the work itself: "The book has attempted to document the major roles played by the Board in Singapore's economic development over the 30 years of its establishment, 1961 to 1991." Five researchers authored the various chapters of the book; three were from the Department of Business Policy, and one from the Department of Economics and Statistics of the National University of Singapore, while the fifth was a researcher at the Australian National University. Thus this work is not the compilation of the history and official view of the EDB. Rather it is an analysis of Singapore's economic development from the viewpoint of each of the individual authors.

The book is composed of nine chapters, the themes and topics of each dealing with the work of the EDB and the problems that the Singapore economy faced over the thirty-year period. They provide the reader with an understanding of the conditions and circumstances in which Singapore's economic development was carried out.

Chapter 1 surveys Singapore's development strategy and the role of the EDB, and serves as both an introduction and conclusion for the book. Over the course of the years, development strategy changed, but one constant that ran continuously throughout the thirty years was the major importance placed on foreign capital in the promotion of industry. The work of the EDB was in its liberal use of incentives and its efforts to attract foreign capital into its aims for creating employment during the 1960s, and then for promoting exports of capital- and technology-intensive products during the 1970s. The chapter maintains that the EDB did a splendid job of carrying out its work, and Singapore achieved high rates of growth. This was due to the choice of an outward-looking industrial policy which the EDB implemented in the proper way.

Chapter 2 divides the thirty years of economic development into three periods, and briefly looks at Singapore's economic performance using macroeconomic indicators. Chapter 3 gives a detailed account of the tasks, functions, and performance of the

EDB. At the start these were simply that of attracting foreign capital, but these shifted to those of cooperating with foreign capital, fostering local enterprises, and achieving sustained growth. The chapter examines the changes that took place in Singapore's industrial structure over the thirty years, looks at the changes in the organization of the EDB, examines the policies of financial assistance to enterprises and the relationship between the government and other organizations; it then takes up the prospective future work of the EDB. The chapter does a good job of explaining how the EDB functioned within the context of Singapore's economic development.

Chapters 4 and 5 discuss the multinational corporation (MNC) policy. Singapore opened itself up to MNCs because it needed to introduce technical and managerial expertise and secure export markets if it was to achieve its goal of industrialization in a short period of time. The types of industries that Singapore sought to attract did not remain the same over the thirty years. It sought out world-standard leading industries which changed over time as the country's stage of development, the quality of its labor force and other domestic factors of production improved.

Chapter 5 examines the MNC policy after 1985. In that year Singapore registered minus growth, while the growth rate of neighboring ASEAN countries was beginning to gain on Singapore. These factors brought about a qualitative change in the MNC policy. In 1989 Singapore along with Indonesia and Malaysia undertook a "growth triangle" project which was significant for the Singapore economy in attracting MNCs in collaboration with the other two countries and working to develop the region. Another matter proposed was the economic policy that the EDB needed to pursue within the framework of the division of labor which MNCs had built up in the region.

Chapter 6 deals with local enterprises. The government had left the development of manufacturing industry in the hands of foreign capital, and as such it continuously ignored local enterprises. This changed in 1989 with the formulation of the Small and Medium-sized Enterprise Master Plan (SME Master Plan) wherein the government now indicated that these enterprises needed to be encouraged.

Chapter 7 examines policies for developing Singapore's local enterprises and its domestic human resources which are limited by the country's small population. The EDB set up numerous job training centers in cooperation with MNCs and foreign governments with the objective of training semiskilled labor. This was not only to meet the labor needs of foreign capital that had set up in Singapore, but the chapter points out with a number of examples that this was also done to expand and strengthen the technical quality of Singapore's labor force.

Chapter 8 attempts to make a comparison of Singapore's policies with those of the other three Asian NIEs. It takes up such topics as import-substitution and the switch to export-oriented policies, MNC policies, and governmental economic organizations, but emphasis is placed on a comparison of MNC policies. The development patterns of the other three NIEs have not been dependent on foreign capital. Their economic structures have clearly been based on industries supported by local enterprises. This fact shows again the peculiarity of Singapore's dependence on foreign capital for developing its manufacturing industries.

The ninth and final chapter concludes that Singapore's development with its dependence on foreign capital has been in conformity with its historical conditions and that this development has progressed smoothly. It also concludes that this pattern of development can be a model for other developing countries.

The first significant point of this book is the examination it makes of the development process of the Singapore economy and the central role played by the EDB in promoting

this process. Through appropriate policies and a capable staff, the EDB skillfully carried out its work of tying in local factors with external opportunities (p. 104). Until 1968 when it was totally reorganized, the EDB single-handedly undertook formulating development plans, selecting priority industries, attracting foreign-owned enterprises, creating industrial estates, providing industrial financing, and handling other matters connected with economic development. After reorganization it came to specialize in the two functions of industrial policy and the attracting of foreign-owned enterprises. But even in this reduced form, one could not discuss Singapore's economic development without talking about the EDB. Given this enormous importance, one has to wonder why there has not been any previous analysis of this organization.

A second point which is clearly shown by the analysis of the EDB's industrial policy is that the types of industries that sustained Singapore's industrialization did not remain the same over the thirty years. To be sure, research has already been done using statistics such as output and value added to analyze the changes that took place in Singapore's industrial structure. But this book for the first time approaches the topic from the vantage point of "sunrise" industries and "sunset" industries.

Representative of sunset industries are shipbuilding which supported economic growth in the 1960s, and petroleum which has been important since the 1970s; these have steadily declined in importance within the manufacturing sector. Electronics represents the sunrise industry of today; by the latter half of the 1980s it accounted for one-third of the output, exports, and employment of the entire manufacturing sector. Petrochemicals and industrial chemicals are other sunrise industries. In this alternation of sunrise and sunset industries, the EDB quickly and accurately grasped the new currents of technology in world industry and the comparative advantage of Singapore's domestic factors of production. It then promoted the industry most suitable for that given time, and strove to make it the core of the sector. The book maintains that the past thirty years of sustained industrial development attests to the skill with which the EDB performed this task.

A third significant point is that the book once again points out clearly the peculiarity of Singapore's development. This development has been supported by three sources of capital: foreign capital, government-supplied capital, and local capital (for the most part Chinese). Among these, particularly in manufacturing, foreign capital has accounted for an overwhelming share. This has been augmented by government-supplied capital. Throughout all the stages of the country's development, local capital has accounted for only about 20 per cent of the annual investment in manufacturing, and it has provided only an insignificant amount of the investment that has gone into the leading sector electronics industry. Instead local capital investment has centered on the financial and service sectors, and during the 1980s it became prominent in overseas investment. In other words, local capital has placed more importance on economic activity in nonmanufacturing sectors, both overseas and domestic, rather than on participation in the development of domestic industry.

The picture that emerges is a strange one where foreign capital (capital from developed countries) has flowed into Singapore and undertaken export-oriented industries, while local capital has flowed out to invest in foreign (Asian region) countries. This is the result of a combination of the government's policy of giving preferential treatment to foreign capital and the traditional pattern of investment that Chinese capital has followed; but it is also a distinctive feature of the Singapore economy.

A fourth significant point of the book is its effusive conviction that Singapore's industrial policy, meaning its MNC policy and export-oriented industrialization policy,

has been highly effective. The remarkable growth of Malaysia, Indonesia, and Thailand in recent years came about after study of the Singapore example, and the book concludes that developing countries can learn from the example of Singapore's development. Undoubtedly it preferred this opinion because in the ASEAN region it has been Singapore (the EDB) alone which has achieved the ranks of the NIEs. The country's superb economic performance speaks eloquently for the Singapore example. But one should not simply stop with economic policy. If the book had delved into noneconomic factors, and looked at what kind of political foundations (such as labor policy or the political order) made such growth possible, such conclusions would have been more persuasive.

There are a number of other problem points with this study. In Chapter 6 it discusses the form that local enterprises should take and uses the example of Singapore Airlines, a first-rate company which has demonstrated outstanding performance even among government-linked companies, as a model for the future goals and visions of local enterprises. It is certainly true that Singapore's government-linked companies operate on the economic principle of profits first, unlike the inefficient, debt-ridden businesses of so many developing companies. But the size of capital and the scale of business for local companies and government-linked companies are far too different for the two to be grouped in the same category. The latter also have elite government officials assigned to their executive ranks and enjoy other government connections, all of which make this sort of comparison seem rather meaningless.

In the book's appendix, fourteen case studies of MNCs and local companies are provided, but except for only a few of the companies, the relevance of the EDB's promotion policies and the growth and development of the case-study companies is not indicated. Case studies can be a valuable source of information; unfortunately they have no direct relevance to the discussion in Chapter 6.

Researchers from the National University of Singapore were central in the writing of this book. But it would have been better to have had administrators from the EDB who were directly responsible for development policy write some of the chapters. This would have augmented the macro-analysis of the researchers and would have increased the merits of this book.

Finally I would like to turn to an issue of interest to researchers studying Singapore's development. With the publication of *The East Asian Miracle* in 1993 by the World Bank, debate arose once again among scholars over whether Asia's economic development was achieved by market-led or state-led factors.<sup>1</sup> Researchers of the subject feel that Singapore's politically secure and all-powerful government (People's Action Party) and its "top-down" approach to development through labor management and industrial policy have been important factors for the success of Singapore's development, and therefore it belongs in the category of state-led development. Over the years this approach has produced a good deal of analysis of the factors and growth process in Korea's and Taiwan's development, and one has to wonder why it has produced so little research in Singapore's case. This debate of whether state-led or market-led has, however, brought to the surface the distinctive character of Singapore's development which, as already noted, the authors of this book insist has important implications for development policies in other developing countries. But like the debate among the scholars, the book, too, is unclear on the issue. There is no doubt that the

<sup>1</sup> World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (New York, 1993); Alice H. Amsden, ed., "Special Section: World Bank's *The East Asian Miracle: Economic Growth and Public Policy*," *World Development*, Vol. 22, No. 4 (April 1994).

EDB has used market intervention to foster industries and to promote exports, but on page 25 the book comments that "overall it [the EDB] has let market forces rule." And again on page 105 the book states that growth has been "guided by the market as well as the visible hand of the EDB." It thus has straddled both sides of the debate.

Why there has been so little debate on whether Singapore's economic development has been a state-led type or market-led type is an interesting question in itself. In his study of Singapore, Rodan unreservedly depicts it as a state-led type. His views are worth noting, because he examined not only government economic and industrial policies in Singapore's industrialization process but also the political mechanism that supported labor policy and development. He then proceeded to analyze the country's development within the framework of the new international division of labor.<sup>2</sup> The EDB, the focus of the book presently under review, held great authority and was given responsibility over numerous tasks directed at Singapore's economic development; in short the EDB has been extremely important in carrying out the role of the state in economic development. This reader was left with a feeling of dissatisfaction that such a view was not more clearly presented. Had the book followed this approach, it would have furthered the theoretical research on the issue.

In the preface to the book, Goh Keng Swee, former deputy prime minister, stresses the need in future research for a comprehensive examination of Singapore's development process, and to use the results derived from that examination to theoretically explain the developmental process in developing countries. In other words, Goh is calling on Singaporean researchers to bring the full range of facts into their studies and try to examine Singapore's development in its totality. This is something which all scholars can very much agree with, and we will be awaiting the results of such an effort.

(Ikuo Iwasaki)

<sup>2</sup> Garry Rodan, *The Political Economy of Singapore's Industrialization: National State and International Capital* (London: Macmillan Press, 1989).

*Patron-Client Politics and Business in Bangladesh* by Stanley A. Kochanek, New Delhi, Sage Publications, 1993, 387 pp.

This book written by Professor Kochanek of Pennsylvania State University is part of his trilogy of studies on business associations as a form of interest groups. His approach, identical to the earlier ones applied to his works on India and Pakistan,<sup>1</sup> focuses on the way modern business associations have developed, on their characteristics, and how these groups function to achieve their objectives. The author points out that the very nature and behavior of interest groups in a certain state are shaped by four major factors: the level and process of modernization of the society, the political culture, the structures of decision-making, and public policy. By examining the interaction between

<sup>1</sup> Stanley A. Kochanek, *Business and Politics in India* (Berkeley, Calif.: University of California Press, 1974); idem, *Interest Group and Development: Business and Politics in Pakistan* (New Delhi: Oxford University Press, 1983).