

multinationals. To meet the challenge ILO would require a major shake-up for greater internal efficiency; at the same time, constitutional updating might be unavoidable to equip the organization with a mandate fit for a post-modern world that is so radically different from the one existing at the time of the Declaration of Philadelphia in 1919.

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***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. Pp. 519.**

This is an important book for scholars who study why governments interfere with the marketplace to both lure and control multinational firms within their borders. This book is about one of the leading government agencies that do just that. Some would say that over the past two decades Singapore's Economic Development Board (EDB) has been the premier agency that many other countries have tried to emulate. For executives of multinationals who have felt its persuasive powers and officials of other countries who have watched it intercept and "turn" multinational investors headed for other destinations, there could be no doubt that the EDB would be the first in line if the Swedish Academy ever decides to award Nobels to government institutions.

This book is less of an evaluation of the EDB than a much needed recounting of its history. As the title indicates, Singapore's history is one of external (and to a lesser extent internal) challenges. The authors document how the EDB has responded to these challenges during the roughly three decades of its existence. To say that the book is never critical of the EDB or the Singapore Government would be unfair. But the authors (the Australian Helen Hughes excepted) are

employees of an institution funded by the Singapore Government, which at least to some external observers has on occasion treated harshly public servants who have had something critical to say about the government. The foreword is written by Dr Goh Keng Swee, described in the book as "the principal economic architect of Singapore" and "the latent force behind the EDB". If the EDB has ever had a major blunder, scandal or internal rift, you will not read about it here.

Still, to be fair, the purpose of *Challenge and Response* is to narrate the EDB's history, not to assess its performance. The book begins with a thoughtful essay by Helen Hughes, who suppresses her normal tendency to bash bureaucratic winner-picking long enough to express admiration for Singapore's "imagination and entrepreneurial flair to influence industrial and export growth". Helen Hughes' mavens may be astonished by her admission that the EDB has picked more winners than losers, though she does send a strong subliminal message to officials of other countries: "don't try this at home". According to Hughes, the EDB is *sui generis*, a theme echoed by the other authors.

Of course, the fascinating question is why the EDB should be *sui generis*. The prime minister who first recommended that I read this book comes from a country not too different from Singapore: a small economy, ethnically diverse, that has discarded import substitution for more export orientation. He can't understand why a similar agency in his country couldn't be at least half as successful as the EDB, which would be more than adequate in his view. The book only hints at how decisions to promote certain industries and to discard others, such as textiles, were made. Some attempts at explanation are fairly amusing. On one page, the word "right" appears five times, as in EDB setting the "right" macroeconomic policies to promote the "right" kinds of foreign investment and so on. My friend, the prime minister, and many others want to know where these people with the "right stuff" come from. The reader never gets a satisfying answer to this question but there are many other reasons to keep reading this book.

One important issue raised by the authors is: what should the EDB be doing over the next three decades? Over the last three decades, competition for foreign investment has increased, Singapore has come tantalizingly within the grasp of developed country status, full employment has been achieved, very capable domestic entrepreneurs have emerged and consumers (and even the government) have begun to question the goal of unending increases in gross national product (recall the Singapore Government's recent attempt to instil a greater fun-loving spirit in its people). What is left for the EDB to do? Moreover, just exactly what does the EDB see as its maxima? Significant portions of the land, labour and capital resident in Singapore are owned or provided by foreigners and these ratios are likely to increase rather than decrease. The question of who is "us" at least becomes somewhat blurred.

Also, the EDB has more or less run out of territory. Domestic investment opportunities fall far short of domestic savings. Instead of remaining satisfied to keep its international reserves in portfolio investments abroad, the government has begun to encourage Singapore's firms to make direct investments abroad. But the Singapore Government's interventions to spur firms to put their capital offshore will surely raise alarms in foreign capitals. It is one thing to provide tax holidays at home to lure foreign investors, but quite another to subsidize foreign investments abroad. The United States recently passed the Byrd amendment, which requires a formal review of any investment in the United States with foreign government participation. The EDB seems hemmed in on all sides with diminished opportunities at home and governments abroad hostile to the notion of an agency like the EDB using public funds to purchase, create or even influence firms in their countries.

"Whither the EDB" is a perplexing question that the authors study from different angles but never answer satisfactorily. At one point (p. 17) one author states that ". . . the issue of public investment in manufacturing has largely become irrelevant", but then, on p. 99 another notes

uncritically that the EDB took a US\$75 million stake in a new wafer fabrication plant (TECH) after years of very little equity investment. Why the sudden change in public investment strategy? Will it be repeated? Why does the government retain tax holidays while some of its neighbours (Indonesia and Malaysia) seem bent on eliminating them? Perhaps someone will take this material and answer in an objective way these and other questions that are raised by this book.

Challenge and Response is an invaluable store of facts and figures about the EDB and will undoubtedly (and deservedly) be cited in the literature on government-business relations. Unfortunately, the authors were apparently their own editors, which has led to some errors and inconsistencies. A number of references in the text are missing from the bibliography. At one point (p. 232), an author states that "Singapore has never been short of capital". But on p. 39, another author notes that in 1965 domestic savings financed only about half of gross domestic capital formation. At another point (p. 321), an author says, "As in foreign equity in Singapore, its own investment abroad is largely in the form of direct investment." The author must mean "largely in the form of equity" because loans also form part of direct investment.

In some places, the prose style becomes so dense as to be completely impenetrable. One awkward tendency is to overuse acronyms in the text. A list of acronyms at the beginning of the book contains over 125 entries! The acronym-to-word ratio (AWR) is one of the highest I have encountered, which leads to an HRB (hard to read book). And many acronyms, some used only once, didn't even find their way into the list. My favourite is PLCS (p. 215) which stands for "poor local enterprises". Somehow my heart went out to these struggling but unappreciated firms. Perhaps the EDB will find its final mission in rehabilitating the PLCS, which will lead to MSH (maximum social happiness) for everyone.

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