

is an indication that there may be a need for a more systematic analysis of the subject.

Both of these small occasional papers of the International Center for Economic Growth are welcome, since they stimulate our thinking of what happens and what needs to be improved at the point where the word gets transformed into the deed.

HANS CHRISTOPH RIEGER
Department of Development Economics
South Asia Institute
Heidelberg University

China: External Trade and Capital. A World Bank Country Study. Washington, D. C.: The World Bank, 1988, Pp. xix, 308.

This country report is based on the findings of a World Bank mission that visited China during October 1986. The mission was accompanied by a Chinese counterpart team from a number of government agencies.

The report gives a comprehensive and very detailed view of China's reforms of foreign economic relations after the adoption of an "open door" policy at the end of 1978. To my knowledge, there exists no other volume dealing with the international dimension of Chinese economic reform policies in greater detail. Developments after 1986, of course, are not covered in this book. Nevertheless the volume does give an insight into the strategies and consequences of China's policy of opening up, which is useful for today's economists and businessmen alike, since it is more than a descriptive historical review. Reform policy options are evaluated and that leads to the formulation of recommendations about reforms of trade institutions, about conduct of exchange rate policies, and about reforms of foreign exchange allocation. The conclusions result from an analysis that reveals contradictions and inefficiencies of China's development towards a dual

price/planning system. Measured by the yardstick of the World Bank team's view, this casts some shadows of doubt on the continuity of China's strategies of economic reform. Unfortunately, the present situation tends to support this scepticism.

The World Bank study consists of the Main Report (pp. 1–92) and of five Annexes (pp. 93–308). The Annexes take up and explore more deeply those issues treated in the Main Report's chapters I–IV. Readers looking for a comprehensive review of China's international economic policies could concentrate on these chapters or might benefit from the summary where the World Bank's message is condensed into thirteen pages.

Chapter I presents the well-known arguments and statistical evidence in favour of outward-oriented trade strategies. By comparison to outward-oriented developing countries, China's "open door" policy is characterized as still inward-looking (heavy reliance on administrative trade systems, quantitative import restrictions, high and highly variable tariffs on imported goods). Although the trade system has been reformed and has evolved rapidly from 1978 to 1985, this assessment is supported by an economic analysis of the impact of the present trade system (Chapter II).

This 1986-trade system resulted from the decentralization of foreign trade administration and from some reforms of foreign exchange allocation mechanisms. The centralized Foreign Trade Corporations (FTCs) lost their monopoly power, when provincial authorities created their own FTCs and when ministries established corporations to engage in external trade in their products directly. Furthermore, this process of administrative decentralization had been accompanied by the introduction of foreign exchange retention rights at the provincial and at the enterprise level. These reforms of the trade system and of the foreign exchange allocation system are explained and documented in detail. The World Bank group's view on the new trade system is critical of the "air-lock" of the FTC

between the producer and the market. The FTCs are the main point of contact between China and the world market, whereas Chinese enterprises are to a large extent insulated from world price developments and have only limited contact with foreign buyers and suppliers. Therefore, the "air-lock" creates inefficiencies of exporting and is to blame for the lack of information and for the lack of competition from imports. These problems are aggravated by inefficiencies of China's administratively controlled foreign exchange system and by the Chinese currency's overvalued exchange rate. The critical points made are demonstrated convincingly by means of economic analysis and by some case studies. Recommendations follow from these assessments. Eliminating the exclusive right of FTCs to engage in foreign trade, decentralizing trade decision-making to enterprises and linking domestic to international prices will remove the "air-lock-inefficiencies" and will help exchange rate policies to become a more effective means of export promotion and of balance of payments policy.

After the main message has been presented, the study discusses the problems of how to support these reform strategies by macro-economic management of stable aggregate demand and of a stable level of prices (Chapter III) and how to design an optimal sequencing of domestic and international economic reforms (Chapter IV). A discussion of monetary and fiscal policies has been dealt with in more depth in the Bank's recent 1988 report "China — Finance and Investment". This companion volume to the report on China's external trade also provides a more detailed discussion of domestic economic reform measures and their phasing and sequencing.

The World Bank volume is a useful source of information for anyone who is looking for insights into the structural details of the Chinese foreign trade system. Although it looks specifically at the situation in 1986, the analysis helps to evaluate the dynamics of trade reforms after 1986 (increase in the number of enterprises with

direct foreign trading rights) and their set-backs (trend toward re-centralization).

DIETER BENDER
*Department of Economics and
Institute of Development Research and
Development Policy
Ruhr-Universität Bochum
West Germany*

One Partnership in Development: UNDP and Singapore. By Chow Kit Boey, Chew Moh Leen, and Elisabeth Su. Singapore: UNAS, 1989. Pp. 147.

The work of the United Nations Association of Singapore (UNAS) is based upon the principles, activities, and potential of the United Nations. One rationale for its work is that Singapore was one of the first beneficiaries of the Expanded Programme of Technical Assistance (EPTA) and the Special Fund of the United Nations Development Programme, UNDP. The book assesses the effects of UNDP involvement in Singapore on the development of the country.

The short introduction gives a brief outline of the situation of Singapore and the work of UNDP. Based on this account a second main chapter examines the UNDP projects in Singapore in the fields of industry, education, government, transport and communications, and agriculture. The third and last chapter attempts to answer different questions on the relationship between Singapore and the UNDP.

Industry is a key sector in the economy of Singapore and so this review will concentrate on the UNDP-Singapore industrial projects. The UNAS industrial projects started with a U.N. Industrial Survey mission and in June 1961 a "Proposed Industrialization Programme for the State of Singapore" was submitted. The statements of many persons involved in the development of the industrial sector in Singapore give