

10. Chapter 9 raises micro questions as to how entrepreneurship could be promoted and, as well, provides a good review of the literature on the links between entrepreneurship and growth. It further touches on the shifting locus of entrepreneurship policies. Chapter 10 proves a complement to Chapter 9 with its focus on examining, on a more macro level, the relationship between industry productivity and ownership structures as well as providing a measurement of spillover from foreign-owned industries on locally owned industries, with the interesting results that the spillover effect takes place in locally controlled industries with foreign equity and not for wholly locally owned firms.

The book ends with the assessment of the macroeconomic fundamentals of Singapore, namely the progress on its financial markets development as well as a re-examination of the exchange rate policy using the NATREX model in Chapters 11 and 12. There is a constant focus throughout on the need for market practitioners to adopt a bigger stake, and this is a statement echoed throughout the book. The lessons gleaned from the wide-ranging topics discussed in the book serves as a good guide for all interested in tackling the demands brought about by globalization.

C. Y. CHANG

Institute of Southeast Asian Studies, Singapore

DOI: 10.1355/ae23-3k

Managing FDI in a Globalizing Economy.
Edited by Douglas H. Brooks and Hal Hill. New
York: Palgrave-MacMillan, 2004. Pp. 340.

The co-editors begin their volume by putting forth two propositions that provide the foundation upon which the remainder of their book's contents are constructed. The first is: "Investment, whether domestic or foreign, is an essential ingredient for sustainable growth: productive investment

translates into increased output. Especially where domestic resources are insufficient to steer a country towards its long-term growth path, the role of foreign investment becomes indispensable" (p. xvii). The second is: "Whether, and the ways in which, FDI is beneficial or harmful to the host country depends on the context in which the investment takes place and in which the resulting economy activity occurs" (p. 8).

The volume presents examinations of the two propositions in eight chapters with the first two providing a general historical and empirical background that sets the stage for analyses of six countries' experience with foreign direct investment (FDI). The focus is on the People's Republic of China, India, the Republic of Korea, Malaysia, Thailand, and the Socialist Republic of Vietnam. The chapters, written by the co-editors and thirteen other competent and thoughtful scholars, were supervised and co-ordinated by the Asian Development Bank (ADB) staff professionals. The ADB maintains a continuing interest in encouraging debate over the various aspects of FDI flows and the collateral activities of multinational enterprises (MNEs) that are conducted in a highly globalized world that includes the above countries whose populations collectively comprise more than 40 per cent of the world's population.

The evaluation of whether FDI is beneficial or harmful, and in what proportion, starts with the observation that until the 1980s many developing countries viewed FDI with great wariness because of its magnitude and the sheer size of MNEs from which the investments flowed. The enterprises were suspected of practising harmful unfair business practices, price fixing, and transfer pricing, and their links to parent companies residing in developed, market-economy countries posed problems. During the 1980s, a transformation took place since as many restrictions imposed against FDI and MNEs were lifted in the face of beneficial technological change, integrated production and marketing networks, bilateral trade and investment treaties and the success of economies that were open to trade, investment and financial capital flows.

The transformation took place partly because, in the judgement of some analysts: “The establishment of a multilateral framework of rules ... (helped) to improve the investment climate; create a stable, predictable, and transparent environment for investment; enhance business confidence and thereby promote the growth of FDI flows.” Other less enthusiastic observers cautioned that, “Such favorable long-term outcomes may, however, be accompanied by arduous adjustments. It is therefore important to minimize the adjustment costs faced by developing countries” (p. 26). The book’s contents add to the debate over the role of FDI in a highly open global economy in which developing countries are intricately enmeshed.

Chapters 3 through 8 evaluate the circumstances under which FDI has been and could continue to be beneficial to developing countries. Not surprisingly, the contributors do not fully agree on what circumstances are important and useful in their pursuit of national economic goals. The conflicting experiences of the six countries provide no monolith in terms of a set of policies that might guide government officials to an optimal FDI management strategy. As previously noted, a crucial area of disagreement has to do with the design and implementation of a multilateral framework. Some contributors expressed their concern that a framework would likely be designed by the powerful could be biased towards the interests of large and influential global enterprises. In order to avoid the harm that this would bring to developing countries, they “suggest that developing countries take control of the design of any multilateral framework on investment, to insure that it is ‘development friendly.’” Sceptics conclude that an optimum framework could include binding provisions that discipline MNE conduct because currently the enterprises “are often beyond the reach of domestic laws and authorities” (p. 278).

Contention over the shape of a multilateral framework is not the only matter on which the volume provides serious discussions and debates that are intended to draw the attention of an audience that includes scholars, public officials

who manage FDI, and interested citizen-observers. From this reviewer’s perspective, there is also another set of readers who could be attracted to the book; they are university teachers and students who are involved in courses ranging from macroeconomics to international finance to economic development. The volume provides an analytic and empirical framework via which to teach and to learn more about situations faced by highly open developing economies. They ordinarily experience a situation where the level of domestic investment (I) needed to maintain current level of national income (Y) is greater than the level of domestic saving (S). This requires some combination of FDI and portfolio capital flows in order to fill the gap *both* to maintain the current level of macroeconomic performance *and* to provide the capital stock essential for future growth.

Highly open developing economies are also likely to experience balance of payments current account deficits. When import expenditures (M) exceeds export earnings (X), offsetting capital account inflows in the form of FDI, portfolio capital *and* official development assistance (ODA) are required. Conceptually integrating FDI and ODA is important because such economies often undertake needed infrastructure projects that combine private sector with public sector participation. When governments undertake large, complicated and costly infrastructure projects they must also provide other high-demand public goods and services. Government spending (G) is therefore likely to exceed revenue receipts (T), and this creates a need for ODA from bilateral and multilateral donors *plus* balance of payments support from the International Monetary Fund.

The volume is a tremendous supplementary resource for faculty and students because its contents provide an opportunity to link foreign exchange markets, balances of payments, and the macroeconomic performances. Beyond this special “niche”, a far broader audience will appreciate what the co-editors, their contributors and their ADB associates have produced. It is a well-written, highly informative, readable, and useful scholarly book that frames debates and

discussions of critically important (and often divisive) contemporary issues pertaining to FDI and MNE activities. It has this reviewer's highest recommendation.

ROBERT L. CURRY, JR.
California State University, Sacramento

DOI: 10.1355/ae23-31

Implementing Codes of Conduct: How Businesses Manage Social Performance in Global Supply Chains. By Ivanka Mamic. Geneva: International Labour Office and Greenleaf Publishing, 2004. Pp. 429.

An increasing number of companies outsource all, or parts of, their production to low-wage countries with poor social and environmental standards. Concurrently with the increase in outsourcing activities, still more consumers and business-to-business customers express concern for the environmental and social conditions under which products are being produced. However, long-distance outsourcing often makes it difficult for companies to ensure that their products are being produced under socially and environmentally sound conditions. Ivana Mamic, who works with the International Labour Office (ILO) on its programmes designed to implement voluntary corporate social responsibility in global value chains, reports the findings of ILO's investigation that was conducted between 2000 and 2002 into three sectors — global sports footwear, apparel, and the retail sector.

The purpose of the book is to identify and examine the ways in which companies adopt, implement, and evaluate policies regarding codes of conduct in their global business operations. The research addresses two specific questions: firstly, what are the management systems that enterprises use at the multinational enterprise (MNE) and supplier level to set, communicate, implement, and evaluate progress in attaining the code of

conduct objectives; and secondly, how are these management systems linked, and how do they interact, between MNEs and their suppliers? *Implementing Codes of Conduct* provides useful knowledge to enterprises attempting to meet their social, ethical, and legal obligations, and to help policy-makers understand the complex interactions between business objectives and corporate social commitments.

A pertinent finding of the book is that the sports footwear industry, often criticized for alleged violations of fundamental labour standards, has made greater progress in implementing worker-friendly codes of conduct than the apparel and retail sectors. The author observes that brand recognition and intense consumer scrutiny have led the sports footwear companies analysed in the book to develop more sophisticated approaches to code implementation. It attributes the success of the sports footwear industry to effectively applying financial and human resources to compliance efforts.

Another finding is that companies should move away from “policing” as the best way of ensuring compliance towards an approach in which workers are empowered to oversee their own workplaces. Simply focusing on the numbers does not reveal the entire picture. While a large compliance team can mean improved social performance of a firm's supply base it also depends on the role that compliance staff play with suppliers. MNEs need to move away from a “policing” model of compliance to a more consultative role with workers being empowered to oversee their own workplaces. This includes having a clear vision reinforced by top management commitment, effective training, and geographically dispersed teams able to provide “hands-on” assistance at the supplier level.

The study also highlights the significant challenges facing the retail sector as a result of the extremely large and continually changing supply bases. In addition, the diversified mix of products handled by the retail sector results in difficulties identifying the entire supply chain. According to the author, progress is being made where serious efforts are being expended by buyer firms and