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Debatte

Perspectives From Development Economics: The Case of Southeast Asia

Philippe Régnier

Introduction

Development economics

Development economics is a segment of interdisciplinary development studies as defined by the European Association of Development and Training Institutes (EADI, www.eadi.org), and is not restricted here to the Northern American narrow academic definition, which applies macro/micro-economics and econometrics to the study of developing countries. Of course it borrows from political economy in a large sense, but also from new institutional economics and new endogenous growth theory. Additional ingredients are also derived from economic geography and socio-economic history, history of agriculture and rural development, and history of sciences, technology and the industrial revolution in particular.

The study of Southeast Asian economies

The scientific production dealing with the Southeast Asian economies has been rather limited compared with the abundant number of publications by historians, political scientists and anthropologists/ethnologists. This trend is even clearer when looking at European academia and may reflect, first a retreat of European scholarship about the region during and after decolonization, and second a non economic perception of local nation-building in a fragile and unstable Cold/Hot War context until the 1970s. The first ASEAN-EU cooperation agreement of 1981 was just a pale recognition of re-rising political but also economic interests in Southeast Asia, taking into account the rapid industrial take off of Singapore/Malaysia, Thailand and Indonesia.

Southeast Asia: Problems of definitions?

Southeast Asia, a region?

Local and foreign economists had to face the central problem that Southeast Asia has been only defined since the early 1940s as a colonial geo-strategic concept of the British military command, which was planning a form of resistance to the Japanese invasion. The region remained segmented under various colonial masters until the 1950s and 1960s, and was further divided in newly established states (with the exception of Thailand), which had to build up from scratch their national political and socio-economic entity (SarDesai 2003). Until the adoption in 1979 of a first PTA (Preferential Trade Agreement) by the ASEAN-6 (founded in 1967), this association had no economic content and remained a geo-political tool to resist the potential threat of neighbour communist Indochina (Antolik 1990).

A second difficulty had to do with the ancient trade flows integrating the very diverse agro-based or sea-based kingdoms of Southeast Asia with both China and/or India (Hall 1985). This long period was followed by forced integration to different colonial imperialisms, and by further segmentations under new types of economic nationalism following decolonization. However, the rapid industrialization and so-called economic miracle of East Asia has produced especially since the 1980s a gradual economic integration not so much of Southeast Asia alone, but of the entire East Asian region (World Bank 1993). This trend has not only accelerated during the 1990s, but the impact of the financial crisis of 1997-98 has also produced a rising inclusion or sub-convergence of most Southeast Asian economies vis-a-vis Northeast Asia becoming a global powerhouse. By the turn of the century, the real issue was not exactly the repetition of ancient economic history, but definitely how far the various Southeast Asian countries commit themselves, more separately than collectively, to closer and closer competitive and cooperative relations vis-a-vis the three Asian giants: Japan, China and India.

Which development “models”?

Even a superficial observation of the economic scenery is sufficient to realize that a wide diversity of development systems have shaped but divided Southeast Asia since decolonization and until now:

- Rapid take off and catching-up industrialization have succeeded in Singapore, Malaysia and Thailand, and to a lesser extent in Java (Indonesia),
- Most economies however can still be classified among developing countries (Indonesia, Philippines, Vietnam) and least developing countries (Cambodia, Laos, Myanmar),
- Some small economies are essentially oil and gas producers (Brunei, East Timor),
- and Vietnam has also been considered since the Doi Moi reform of 1986 one of the most interesting transition economies moving away from communism, after the Eastern European and Chinese examples.

Southeast Asia: an economic region or sub-region?

The case of ASEAN has been more or less the only one Asian case study under the new regional cooperation and integration theories developed first in the context of Europe and post-1945 transatlantic relations (Karl Deutsch et al. 1957), and then applied to newly-born or possible regional groupings in the Third World (Jorgensen-Dahl 1982).

The pure geo-strategic and political nature of ASEAN had nothing to do with a gradual economic integration in Southeast Asia through rising trans-national business networks animated mainly by foreign investors and local Overseas Chinese diasporas. Economic convergence has also taken place bilaterally among a limited number of countries (Singapore/Malaysia, Singapore/Indonesia, Malaysia/Thailand), and has been concentrated in specific trans-border territories identified as growth triangles (for example between Singapore, the Rhiau archipelago/Western Indonesia, and the State of Johor/Peninsular Malaysia).

The enlargement of ASEAN during the 1990s covering the entire territory of Southeast Asia has not led to much economic content and deepening of regional cooperation, except possibly on the front of multilateral economic negotiations under the GATT/WTO or other international organizations (Garnaut 1996, Tan 1996). At the intra-regional level, the AFTA project (ASEAN Free Trade Area) to be completed in 2010-2015 has not been very convincing (Liu 2003). It has made slow progress, whereas some most advanced economies such as Singapore or Thailand have opted for bilateral free trade agreements among themselves and vis-a-vis major economic partners like the USA or Japan.

In the immediate aftermath of the East Asian financial crisis and the systemic collapse of Indonesia (1997-98), most Southeast Asian economies have retreated. The economic attraction and viability of a regional construction such as ASEAN has faded facing the economic boom of China, renewed growth in Korea and Taiwan, and since 2004-05 a new rise of Japan after 10 years of sluggish recession. New regional economic initiatives have been proposed, mainly by China, with the concepts of ASEAN+1 (China) or ASEAN+3 (China, Japan, Korea). The fragile economic identity of Southeast Asia as a sub-region almost disappeared when a tentative East Asia Economic Community was announced for the year 2020 during a summit of Asian Heads of State and Governments in Kuala Lumpur in December 2005. It would include not only Northeast and Southeast Asian economies, but also India and Australia/New Zealand (Mya Than 2001).

Southeast Asia and Globalization: Inclusion versus Exclusion?

A second but more recent series of questions deals with the capacity of Southeast Asian economies to absorb individually, semi-collectively or collectively (ASEAN) the challenges of a new wave of accelerated globalisation since the 1990s and the end of the Cold War (Rigg 2003).

Divides and linkages among various development systems

Southeast Asia is divided in several development systems, which are partially linked to globalization (inclusion argument) or hardly related to it (exclusion or non inclusion argument). The non-inclusion argument differs from the exclusion one, as the latest has a rather pejorative meaning, at least from the viewpoint of the strongest supporters of neo-liberal globalization.

Three distinct but overlapping economic systems prevail in Southeast Asia:

- Subsistence economics continue to dominate in most countries, and ranges from survival endeavours of vast segments of rural and urban poor, up to other segments of rural and semi-urban populations, self-consuming most of their production, or producing limited surpluses in kind or cash, which feed highly localised development mostly isolated from the rest of the domestic economy.

- Market economics has definitely emerged in most countries, with the exception of Myanmar and most areas of Cambodia and Laos. However, this system implies according to each national context different territorialities and intensities of capital formation and economic transactions at sub-national, local and small-scale levels. The market place has to cope with various types of imbalances between local demand and supply, which are both highly constrained by limited access to resources and low mobilization capacity of factors of production.
- Since the late 1970s, a third system has been introduced from outside into the region, namely a form of so-called “Ersatz” capitalism (Kunio 1988) induced by global market forces and networks. Southeast Asian capitalism has relied primarily on foreign direct investment interacting with strong developmental States and local business elites highly active in trade and finance already during the colonial era. This system was kicked out from Vietnam in 1975, but gradually reintroduced especially in the South since the Doi Moi reform of 1986.

The evolving and unstable coexistence of these three systems explains the global inclusion, exclusion and non-inclusion of the Southeast Asian economies through domestic and intra-regional divides. The most sensitive challenge facing both public and private actors, indigenous and foreign ones, is to address sharp unequal access to capital and resources among economic and social agents under the three different systems, and therefore sharp unequal redistribution of growth and wealth benefits to the vast majority of the populations concerned.

Global, regional and national economic linkages

The intrusive and challenging progress of neo-liberal globalization in recent years takes interregional, regional and national routes particularly clear in the case of East/Southeast Asia (Dobson/Chia 1997).

Global and partly regionalized, if not localized, chains of production in manufacturing and services are on the rise, with limited added value capacity and therefore benefit among most Southeast Asian economies, a sharp contrast here with Northeast Asian neighbours.

The agents and promoters of such globalization are mainly foreign operators (North America, Japan, Western Europe, but also China/Hong Kong, Korea, Taiwan, India), trans-national business diasporas (Chinese, Indian, Eurasian, Jew-

ish and Persian ones), and national/local business networks including various types of rather non transparent alliances between State and private actors, which have resisted and survived the post-East Asian financial crisis deregulation and liberalization agenda.

The increased linkages between the global, regional and national economic scenes, which are by far nowadays the most documented (UNCTAD 2005) should not give the illusion that the third type of economic system, namely “Ersatz” capitalism possibly transforming itself progressively into genuine indigenous capitalism, is submerging Southeast Asia. As underlined in previous sections, the two other systems tend to prevail in a region still dominated by a majority of vast and highly populated developing and least developed countries.

Suggestions for future research (1): Southeast Asia, the East Asian Community and the reconfiguration of globalization?

Under this heading, there are at least three different levels of analysis, which should feed future research work.

A first level of analysis should encourage further research on the role of *de facto* (in absence of *de jure*) trans-national and intra-regional economic integration in Southeast Asia. As illustrated in the previous section, globalization and its inter-regional and intra-regional/national ramifications are progressing rapidly in several directions and sectors, making various pressures for a full convergence of some segments of the national economies with the expansion of global capitalism. This research effort could capitalize on a rather significant amount of both theoretical and empirical scientific literature already at disposal, among both Southeast Asian and foreign academics (Chia/Pacini 1997).

A second level of analysis, which is already under consideration at least among some leading economists of the region, could focus on various emerging trends of competition versus cooperation between Southeast and Northeast Asian economies. Such a dualistic approach should be questioned, as the equalization of competition with possible exclusion or marginalization of less competitive Southeast Asia sounds too simplistic. This is also true for the equalization of the positive signification of cooperation with the inclusion option left as the only one for the future destiny of Southeast Asia. A more realistic approach, as documented by a

first series of studies, would preach in favour of a combination of both competitive and complementary transactions between Southeast and Northeast Asia, and the development of win-win industrial, tertiary and scientific partnerships reinforced by geographic and cross-cultural proximities. Existing and future partnerships with Japan, Korea and Taiwan can be revisited based on accumulated data and newly identified potentials. The global and regional positioning of the Chinese economy, and of major global players investing massively there, with a whole range of implications for the different economies of Southeast Asia, remains much more open to alternative scenarios. Furthermore, the global positioning of the Indian economy, but also its relations with China and Southeast Asia, should not be ignored either in the coming decades.

A third level of analysis could be purely prospective, exploring the possible contributions of Southeast Asia/ASEAN-10 as one pillar of the future East Asian Economic Community 2020 as announced in December 2005. Such contributions should not be envisaged only from the intra-regional viewpoint. On the one hand, the construction of this community under Northeast Asian leadership (Japan, China, Hong Kong/Korea/Taiwan) could facilitate in several ways the regionalization and further internationalization of the Southeast Asian economies including, at least through indirect routes, the developing and least developed ones. On the other hand, the inclusion of Southeast Asia into the rising Northeast Asian powerhouse could add further engine capacity to East Asia, and reinforce its role as the third global player of the so-called triad (NAFTA/North America + Mexico, EU/enlarged Western Europe and East Asia Community/with or without India and Australia-New Zealand). Some analysts have already indicated that such triadic system of inter-regionalism between three major global centres of innovation and growth would shape and command the future developments of globalization. However, not much has been reflected as yet regarding the strategic capacity of East Asia not only to converge towards the rules of the global game as established so far by the OECD economies, but also to resist them, and/or change entire segments of the world market place to be mastered and possibly controlled by East Asian industrialists and scientists. In other words, East Asia 2020 could influence to a greater extent the future of globalization at the expense of less exclusive control by Western interests.

Suggestions for future research (2): Conditions of growth and compatibility with sustainable development in Southeast Asia?

Beyond subsistence economics as if people matter

As described earlier, this type of economy still prevails in most parts of Southeast Asia, especially in developing and least developed economies. There is ample scope for further research how highly localised embryonic and petty transactions among huge segments of populations could be promoted. Ways and means to facilitate access to minimum capital resources in order to set up micro and small scale production activities generating employment and income would serve poverty reduction and community development, which are key objectives of the Millennium. Renewed attention should be devoted to agriculture and the rural world, where the majority of the population still lives outside Singapore, Peninsular Malaysia and the Great Bangkok Area.

Consolidation of emerging market economics

There are definitely several economic and social functions to be attributed to foreign and indigenous capital to further consolidate the emerging domestic market place in most Southeast Asian economies, where it still remains infant and fragile. A more positive contribution of business political practices and ethics should be revisited again and again beyond the slim progress induced by the East Asian financial crisis of 1997-98 (Hefner 1998, Gomez 2002). It should address not only better access to basic resources and services for the poor, but also rising social inequalities and domestic/trans-national labour migrations within and outside Southeast Asia in unstable multi-ethnic, multi-cultural and multi-religious settings.

Global capitalism submerging Southeast Asia?

The resumption of economic and financial growth in Southeast Asia a couple of years after the financial crisis can be explained by a new boom of exports of natural resources and industrial components in high demand by Northeast Asian and other international chains of production.

First, the thirst for natural resources of China, other emerging economies, and the OECD countries can jeopardize the sustainable development of various

countries and sub-regions of Southeast Asia. Forestry exploitation and wood semi-transformation before exports are among the most vibrant illustrations (Parnwell 1996).

Second, the renewed and rapid expansion of purely export-oriented industries do contribute to high performing growth, but may result in rather isolated urban and semi-urban enclaves, which do not include or outreach most segments of society. The full dichotomy between external market penetration capacity and the domestic economy without a constant evaluation of possible business inter-linkages, economic multiplier effects, and social spill over benefits, may prove to be unsustainable in the long term.

Thirdly, the tentative global submerge of Southeast Asia during the financial crisis of 1997-98 has also shown that pure capitalist and highly speculative interests, foreign and indigenous ones combined, can lead to the systemic collapse of an entire country as large as Indonesia. This is a rare phenomenon in international relations but it has been almost repeated a few years later in the case of Argentina! In the case of Indonesia, the economic disaster was followed within a matter of a few months by political and social chaos in Jakarta and the rest of the country, leading to the destruction of the ageing authoritarian regime of President Suharto, which had been yet able since 1965 to deliver not only economic take off and massive poverty reduction, but also national identity and dignity, which were in total disarray by the end of the first presidency under Sukarno (Hewison 1993). The extremely difficult remaking of Indonesian governance since the fall of President Suharto in 1998 is still an open question mark.

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