SCHOOL OF ECONOMIC AND FINANCIAL STUDIES

ECON 349 SOUTHEAST ASIAN ECONOMIES

2003

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Consulting hours: Monday 4-6 pm, Thursday 2-4 pm.
Aims
This course aims to introduce students to the main issues affecting economic growth and development in the Southeast Asian region today. Six economies in the region are studied: Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. Economic development is conceived of as a process combining economic growth, structural change and institutional change in a way that brings about increased well-being and opportunities for all members of society. This process is analysed using a political economy approach which deals specifically with the historical, political, social and cultural factors influencing economic strategies, policies and the development process in Southeast Asia. The course examines the extent to which the high growth rates experienced in many countries during the past three decades have succeeded in distributing growth in an equitable and sustainable manner. We will also spend some time examining the roots and consequences of the Asian economic crisis as it affected Southeast Asia. By highlighting similarities and differences in the patterns of development between the six countries, the course will enable students to draw conclusions about the key factors affecting the economic future of the region.

Specific issues to be dealt with are:

- The different approaches economists have used to analyse the development process and their influence on policy.
- What justifies treating Southeast Asia as a distinct economic entity - what are the similarities of experience - and in what ways do the countries making up the region differ from one another?
- What have been the main trends in economic growth and structural change in the region and how has the pattern varied within the region?
- How does state intervention affect economic development?
- How do policies towards labour, income distribution and the environment affect economic development?
- What were the causes of the Asian economic crisis of the late 1990s and what lessons can we learn from it?

Students need to be aware that economists do not always agree on the answers to these questions. You will be expected to demonstrate in your written work that you:

- understand the different points of view
- can argue a case for your own point of view
- can use evidence to support your evaluation of the different points of view.
LECTURE SYNOPSIS

Please note that the lectures do not constitute the content of the course. The content of the course is in the reading materials and the lectures are designed mainly to provide a summary of the main issues, especially the controversial ideas, which are dealt with in the readings. The lectures should, therefore, assist you to read in a focused way and to select from the mass of detail the points that are most important from an analytical point of view.

**Topic 1: Introduction**
The aims, structure and content of the course.
Two major themes which will be dealt with throughout the course:

- The meaning of ‘development’ – can it be equated with economic growth? What other factors need to be taken into account before we can say that development has taken place?
- The role of the state. There is no doubt that Southeast Asian states have played a prominent role in shaping economic and social structures. Various theories that have been put forward to explain the behaviour of states in Southeast Asia in terms of their relationship to international capital and to the people they govern. Depending on how one defines ‘development’, these theories lead to differing conclusions about the success with which states have carried out the task. A major theme of the course will be to look at the debates in the literature over what have been the actual roles of states in the region and whether these have been appropriate in terms of promoting development.

**Topic 2: Country studies:** historical survey of some major themes in the development of six Southeast Asian countries. The aim of this section is to achieve a basic familiarity with the broad contours of development in the 6 countries.

- In the case of Indonesia, the main focus is on the authoritarian New Order regime (1966-99) of President Suharto, how and why it came into being and the way in which capital was accumulated and economic policy was conducted under that regime. Aside from the implications of long-term authoritarianism of a fairly brutal nature, a key issue to be discussed is the impact of the oil boom (1973-85) on the structure of the Indonesian economy and its readjustment after the collapse of the boom. We also examine some of the ways in which the legacy of the dictatorship influences current development prospects.

- In the case of Malaysia, ethnicity has been a major factor influencing both government policy and the pattern of development. The New Economic Policy (1971-93) was designed to restructure Malaysian society and economy to assure the long-term dominance of ethnic Malays over more recent immigrant communities (of Chinese and Indian origin). We look at how this policy influenced, and continues to influence, the nature of state intervention in economic life and the debate over its consequences for Malaysia’s economic development.

- In the case of Singapore, we first examine the complex process of its emergence as an independent state from its earlier ties to Malaysia under British rule, and the extent to which its later economic success is linked to its role as a trading port in the British colonial system. Post-independence Singapore has been dominated, like most other states in the region, by a single political party which has tightly controlled many aspects of economic and social life. One of the key issues in Singapore today is the extent to which successful state promotion of economic growth has really led to development. We also examine Singapore’s unique role in the regional economy of Southeast Asia.

- The Philippines, has long been regarded as an exception among the capitalist economies in the region in the sense that its economic growth has been far less stable or rapid than that of the other countries. Since independence it has been plagued by a series of crises,
both in the economic and political spheres. The lecture compares the nature of the Philippine state with others in the region and the extent to which any difference may be said to have contributed to the relatively poor economic performance. The legacy of the Marcos dictatorship (1973-86) is a particular focus of discussions about recent Philippine development.

- **Thailand** is unique in the region in not having been a European or American colony. It is not clear, however, whether this has made any substantive difference to its post-World War II development history. The country was ruled by a series of military dictatorships, until the early 1990s. As with the other countries in the region, the lecture looks at the long-term structural effects of the dictatorship on the Thai economy, especially any weaknesses which may have contributed to the severity of the crisis which broke out in 1997.

- **Vietnam** provides a special case among the countries we will study since its post-independence history involved (a) being divided into two warring halves, one capitalist and one socialist, for 20 years and (b) being ruled, after re-unification in 1975, by a communist party. The most important factors influencing Vietnamese development since 1945 have been an extremely destructive war, socialist central planning (according to the model applied in the Soviet Union and China), and the transition from planning to a market economy after 1979. The latter has been a very complex process and one of the key issues for Vietnam today, as in China and the East European transition economies, is the way in which political and institutional legacies of the socialist system continue to influence the country’s development.

From Week 5 onwards we shift focus from individual country studies to examine a number of key development issues which have affected all countries in the region. A comparative approach will be adopted in the lectures. While for assessment purposes students will not be expected to look at these issues across all countries, awareness of relevant comparisons will be an advantage.

**Topic 3: Agrarian reform**

These lectures look first of all at the reasons for agrarian reform and the objectives of different types of reform.

(a) **Land reform**, or redistribution of land holdings, is one type of agrarian reform which was more common in Northeast Asia than in Southeast Asia. However, some examples from Southeast Asia, notably in Vietnam and Malaysia, will be looked at.

(b) A more important type of agrarian reform in Southeast Asia is known as the **Green Revolution** which involved government-supported introduction of new technology aimed at raising productivity without redistributing land. Despite its undeniably positive impact on output, the Green Revolution has been controversial with regard to its effects on income distribution, distribution of land holdings, employment in the rural sector and more generally on national economic and social development. Both the lecture and the tutorial (in Week 7) focus on the debate about the impacts of Green Revolution and the reasons why these impacts have occurred.

(c) We also examine the special case of Vietnam which first carried out a radical land reform in the 1950s and then, as the socialist model was implemented from 1959, agriculture was **collectivised**. After re-unification of the country in 1975 the socialist model of collectivisation was also applied in the South. However, increasing difficulties in the agricultural sector led to a gradual process of decollectivisation and the re-establishment of family-based farming in
the 1980s. Since 1988 Vietnam's agriculture has been characterised by a market economy. The lecture will look at the way in which collectivisation was carried out, the strengths and weaknesses of collective agriculture in the Vietnamese context, particularly its effects on output growth and income distribution, and the reasons for the later process of decollectivisation. Finally, some of the features of the current market economy will be examined.

**Topic 4: Industrialisation strategies**

(a) *The shift from import-substitution to export-orientation*

Every country in Southeast Asia began, after achieving independence, to implement an import-substitution industrialisation (ISI) strategy. The first part of the lecture examines why this happened and we then move on to examine the achievements and difficulties experienced with this type of strategy. By the 1970s most had switched to export-oriented industrialisation (EOI), although ISI was never entirely abandoned. The lecture examines both the domestic and the international reasons for this change in strategy as well as the major developments in export-oriented manufacture. The EOI phase, like the ISI phase before it, was associated with high rates of industrial growth and rapid changes in the socio-economic structure of the Southeast Asian countries. However, EOI has also been associated with economic difficulties which, in part, contributed to the onset of the Asian crisis in 1997-98. The final part of the lecture examines these difficulties and the success or otherwise of the strategies which were adopted to overcome them.

(b) *The case of a transition economy*

Again we focus in this lecture on the case of Vietnam which adopted a socialist model of industrialisation from 1960. The three basic elements of this model were central planning, public ownership of industry and priority to the development of heavy industry. The lecture examines a number of issues in the development of this industrialisation model, notably, the impact of war on the development of Vietnamese industry, the role of Soviet and Chinese aid and the difficulties caused by the model itself. By the early 1980s the Vietnamese government was attempting to reform the model and by 1989 central planning had been abandoned entirely. However, many features of this system continue to influence Vietnamese economic development, especially the preponderance of state-owned firms and a system of highly interventionist, but often ineffective, government regulation.

**Topic 5: Distribution of power, income and environmental resources**

(a) *Labour and income distribution*

The rapid economic growth of the four decades prior to 1997 led to major structural changes in the Southeast Asian economies and the expansion of the middle class. Absolute levels of poverty were also reduced markedly. However, income distribution remains highly skewed and there are also great regional inequalities. In those countries most severely affected by the Asian crisis, poverty has also increased again. The lectures examine the debate about the reasons for these inequalities, referring back to the previous discussion about agricultural and industrial development strategies, especially their effects on the workforce, and the role of governments in either ameliorating or increasing inequality.

(b) *The environment*

Environmental issues have become important in the political life of Southeast Asia in the past two decades, largely due to the effects of rapid economic growth. In some ways, the Southeast Asian countries are reliving the serious environmental problems which arose during early stages of industrialisation in Europe. A clear conflict exists between the perceived need
of governments and business to promote higher levels of economic activity and the disruption this causes to ordinary people. Among the sharpest conflicts is that caused by land clearance, by both expansion of agriculture and logging. However, there are also serious problems being caused by pollution of waterways and air as well as pollution of residential environments caused by lack of adequate infrastructure and, increasingly, traffic. Environmental problems can affect the productivity of agriculture and fisheries and they can affect the health of the population.

**Topic 6: Is there a Southeast Asian development model?**
This lecture will review the development experience of the region prior to the onset of the Asian crisis in 1997. It will focus in particular on the role played by the various states and their policies in either promoting or discouraging economic and social development. An issue which has received prominence in the literature is the question of so-called 'cronyism' - we will examine the meaning of this term and the extent to which it can be said to have played a role.

**Topic 7: Tarnished ‘miracle’: causes and consequences of the regional crisis**
Lectures will examine the unfolding of the Asian financial crisis which, in Southeast Asia, began with the collapse of the Thai currency in mid-1997 and then spread to Malaysia, the Philippines and Indonesia. We look domestic and international factors leading to the crisis and why some countries were more affected than others.

We go beyond the immediate financial problems and, drawing on the material that we have discussed in previous weeks, look at the structural problems which had built up over the previous decade. These varied in intensity from country to country, but included difficulties of expanding export-oriented production, bottlenecks in human resource development, institutional development which created an unlevel playing field and tended to favour certain regions, ethnic groups or those with connections to government leaders (‘cronyism’) and widespread political authoritarianism which prevented open discussion of problems, thus hindering the search for solutions.

In light of these analyses we examine the current recovery and the prospects for future growth and development.
TUTORIAL TOPICS

NOTE: When preparing tutorial presentations, first use the focus questions to collect relevant data and then use the data to answer the main question.

Week 2: Preliminary meeting.
Students will be assigned to discussion groups. These groups should meet regularly outside class hours as a forum for students to discuss issues raised in lectures and readings, and to prepare for tutorial discussions and presentations. Each group will be assigned at least one 20-30 minute tutorial presentation during the semester. Following the presentation other members of the tutorial will be expected to contribute to a discussion of the points raised in the presentation.

Week 4:
What are the similarities and what are the differences in the development processes of the 6 Southeast Asian countries?
Focus questions:
1. What are their basic endowments in terms of geography, natural resources, human resources?
2. What kind of political regimes do they have? Which social classes/groups do they represent? How have the interests of these classes/groups influenced development strategies and policies?
3. What are the major changes in economic structure which have taken place in the past few decades? Which economic sectors are most/least developed?
4. How have these economies performed in terms of equitable distribution of resources and incomes between regions, social classes, ethnic groups, gender?
5. What are the major bottlenecks to development that they face now? (These might include issues such as environment, education, finance, infrastructure, labour, governance.)

Week 6:
What have been the main impacts of the agrarian reform known as Green Revolution on economic development in Southeast Asia?
Focus questions:
1. What were the impacts of the Green Revolution on agricultural output, economic growth, distribution of land, distribution of income, employment, rural-urban migration, environment?
2. By what mechanisms did the new technology affect rural output and employment?
3. What role, if any, did the size of land holdings play in willingness of farmers to adopt GR technology?
4. Was the introduction of GR a state initiative or did the state simply provide support for commercial activity which was under way already?
5. Who benefited from the GR and who did not?

Week 8:
Why have some Southeast Asian countries achieved industrialisation more rapidly than others?
Focus questions:
1. What have been the main industrialisation strategies pursued in Southeast Asia?
2. What was the role of the state in promoting each type of strategy and how effective was it?
   What could have been done better?
3. In what ways was industrialisation influenced by international developments and forces?
4. Were domestic or international influences more important in shaping the pattern of industrialisation?
5. What were the main advantages and disadvantages of each type of strategy?

**Week 10:**
What have been the main causes and consequences of unequal patterns of development in Southeast Asia? How important are these for future development in the region?

*Focus questions:*
1. To what extent have Southeast Asian countries been successful in reducing poverty?
2. How equally has development been distributed across regions, social classes and other social groups?
3. What factors have contributed to either poverty reduction or increase?
4. What factors have contributed to rising or falling inequality?
5. In what ways could existing levels of inequality affect future development?

**Week 12:**
After three decades of rapid economic growth, several Southeast Asian economies erupted into crisis in 1997-98. What lessons can we learn from the crisis?

*Focus questions:*
1. What were the immediate causes of the financial crisis?
2. What underlying factors contributed to the build up of the financial ‘bubble’?
3. What measures have been taken or are being taken to bring about recovery?
4. How effective have the reforms been and why?
5. What recommendations would you make about further restructuring and reform?
ASSESSMENT

Exam 70%
Essay 20%
Tutorial presentation 10%

The examination will be a two hour paper. Students will be expected to answer three questions.

The essay should be 2000 words in length and should be submitted on Monday 28 April 2003. Essays to be delivered to assignment boxes in ERIC (Resource Centre) before closing time on that day. Extensions of time may be granted for medical or compassionate reasons, at the discretion of the lecturer in charge. Written evidence of the extension must be attached to the essay when it is submitted.

Essay topics to be advised separately.

Tutorial presentations. These involve two elements: (1) a group presentation in which the task of presenting different aspects of the topic is shared among all members of the group; and (2) preparation of a group handout which can either be distributed to the whole class (multiple copies) or placed in ERIC for reference by other students. At least one copy of this handout must be supplied to the tutor at the tutorial. Handouts must contain a list of references (including websites) to sources of information and ideas used in the presentation.
**COURSE CALENDAR**
Please note that this is only a rough guide to lecture topics. There may be some overlap between weeks.

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<td>12</td>
<td>Tarnished 'miracle': causes and consequences of the regional economic crisis</td>
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**READING GUIDE**

For each week, readings are divided into two categories: essential and supplementary.

**Essential** readings should be read prior to the lecture, so that you will be prepared to follow the lecture material. They can be found both in the Reserve Desk at the Library. Some will be placed in ERIC. Many of them come from Rodan et al (eds), *The Political Economy of Southeast Asia: Conflicts, Crises and Change*, OUP, Melbourne, 2001, which you might consider purchasing. However, they are not in themselves sufficient to cover the whole course.

**Supplementary** readings listed here are either on Reserve or on 3-day loan and will provide you with greater depth, alternative points of view, and more country-specific detail. They are intended as a guide only. Additional material, not on this list, may be found in the Library.

**Topic 1: Introduction**

**Essential:**

**Supplementary:**

**Topic 2: Country studies**

**Indonesia**

**Essential:**

**Supplementary:**
- MacIntyre, A. 1994, ‘Power, prosperity and patrimonialism: business and government in Indonesia’, ch. 9 in Macintyre, Andrew (ed.).

**Malaysia**

**Essential:**
- Khoo Boo Teik, 2001 'The State and the Market in Malaysian Political Economy', ch. 6 in Rodan et al. (eds).

**Supplementary:**
- Bowie, Alasdair 1994 ‘The dynamics of business-government relations in industrialising Malaysia’, ch. 6 in Macintyre, Andrew (ed.).
Jomo K.S. 1997, ch. 5

Singapore

Essential:

Supplementary:

Philippines

Essential:

Supplementary:
Boyce, James K. 1993, The Political Economy of Growth and Impoverishment in the Marcos Era, Ateneo de Manila University, Manila
Hawes, Gary, 1989, ‘Marcos, his cronies and the Philippines’ failure to develop’ in Ruth McVey (ed.) Southeast Asian Capitalists, Cornell University, Ithaca

Thailand

Essential:
Hewison, Kevin, 2001, ‘Thailand's Capitalism: Development through Boom and Bust’ in Rodan et al (eds) ch. 3

Supplementary:
Jomo K.S. 1997, ch. 4
Laothamatas, Anek, 1994, ‘From clientelism to partnership: business-government relations in Thailand’, ch. 7 in Macintyre, Andrew (ed.).
Warr, Peter, 1993, Thailand’s Economic Miracle, National Thai Studies Centre, ANU, Canberra
Vietnam

**Essential:**
Beresford, Melanie, 2001. ‘Vietnam: the transition from central planning’ in Rodan *et al* (eds), ch. 7

**Supplementary:**

**Topic 3: Agrarian reform**

**Essential:**
Pincus, Jonathan 1990, 'Approaches to the Political Economy of Agrarian Change in Java', *Journal of Contemporary Asia*, 20:1

**Supplementary:**
Ofreneo, Rene, 1980, *Capitalism in Philippine Agriculture*, Foundation for Nationalist Studies, Quezon City
Hill 1996, ch. 8

**Topic 4: Industrialisation strategies**

**Essential:**
Andreff, W. ‘The double transition from underdevelopment and from socialism’, *Journal of Contemporary Asia*, 23:4, pp. 515-31

**Supplementary:**


**Topic 5: Distribution of power, income and environmental resources**

**Essential:**


**Supplementary:**

Boyce, James K. 1993, ch. 2


Hill 1996: ch. 10

Jomo K.S. 1990, ch. 4


Boyce, James K. 1993, ch. 8

Huynh, F and Stengel, H., 1993, ‘Sustainable Development: challenges to a developing country’, ch. 10 in Mya Than and Tan (eds)


Topic 6: Is there a Southeast Asian model?

**Essential:**

**Supplementary:**
As for Topic 1.

Topic 7: Tarnished ‘miracle’: causes and consequences of the regional crisis

**Essential:**

**Supplementary:**
Beresford, Melanie, excerpt from ‘Impact of the Asian Crisis on Vietnam’ in ERIC
Boyce, James K. 1993, chs 9-11
Jomo K.S., 1990, chapters 4, 7

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