

**ROLE OF NEWLY INDUSTRIALISED ECONOMIES [NIEs]  
IN THE DEVELOPMENT OF ASSOCIATION OF SOUTH  
EAST ASIAN NATIONS [ASEAN]**

*Dissertation submitted to Jawaharlal Nehru University  
in the partial fulfilment of the requirements  
for the Award of the Degree of*

**MASTER OF PHILOSOPHY**

**PANKAJ KUMAR JHA**

DIVISION OF SOUTH EAST ASIAN AND SOUTH WEST PACIFIC STUDIES  
CENTRE FOR SOUTH, CENTRAL, SOUTH EAST ASIAN  
AND SOUTH WEST PACIFIC STUDIES  
SCHOOL OF INTERNATIONAL STUDIES  
JAWAHARLAL NEHRU UNIVERSITY  
NEW DELHI - 110 067.  
INDIA

1997



जवाहरलाल नेहरू विश्वविद्यालय  
JAWAHARLAL NEHRU UNIVERSITY  
NEW DELHI - 110 067

DIVISION OF SOUTH EAST ASIAN AND  
SOUTH WEST PACIFIC STUDIES  
CSCSEASWPS/SIS

DATE : 3rd July 1997

### CERTIFICATE

It is certified that the Dissertation entitled "ROLE OF NIEs IN THE DEVELOPMENT OF ASEAN" submitted by PANKAJ KUMAR JHA in partial fulfillment for the award of the Degree of Master of Philosophy, has not been previously submitted for any other Degree of this or any other University. To the best of our knowledge this is a bonafide work.

We recommend that this Dissertation be placed before the examiner for evaluation.

[PROFESSOR I.N. MUKHERJEE]  
(CHAIRPERSON)  
Centre for South East Asian and  
South West Pacific Studies  
School of International Studies  
Jawaharlal Nehru University  
New Delhi - 110067

[PROFESSOR PARIMAL KUMAR DAS]  
(SUPERVISOR)

## CONTENTS

PREFACE

ACKNOWLEDGEMENT

CHAPTER I	INTRODUCTION	1-14
CHAPTER II	FOREIGN DIRECT INVESTMENT BETWEEN THE NIES AND THE ASEAN	15-38
CHAPTER III	MUTUAL TRADE AND TECHNOLOGY TRANSFER	39-59
CHAPTER IV	IMPLICATIONS OF ECONOMIC POLICIES ON THE POLITICS OF THE REGION	60-87
CHAPTER V	CONCLUSION	88-93
	BIBLIOGRAPHY	93-105

## PREFACE

The rapid economic growth experienced by the ASEAN in the eighties and nineties have raised curiosity regarding this success. To a certain extent its success can be attributed to the role of the Newly Industrialised Economies [NIEs]. Hence, the nexus between the ASEAN's development and the NIE's was related.

In the first chapter, a brief introduction about the ASEAN and the NIEs, their historical background and the reason why the ASEAN was formed, have been discussed.

In the second chapter, the role of the foreign direct investment in development of the NIEs and the ASEAN has been evaluated along with their interrelation in terms of the FDI and development of the ASEAN.

In the third chapter, the mutual trade between the ASEAN and the NIEs, has been discussed along with the issues like transfer of technology and other related factors have been dealt with.

In the fourth chapter, implications of economic policies on politics of the region has been discussed.

Concluding chapter is based on the findings in the earlier ones.

## ACKNOWLEDGEMENT

*I acknowledge with gratitude the guidance given to me by Professor Parimal Kumar Das, whose constructive criticism, remarks and encouragement, prompted me to complete this work. He was the motivating force behind this research work and taught me the techniques of research. I also thank all the teachers of division of South East Asia and South West Pacific Studies.*

*I would like to thank the staff members of JNU, IDSA and United Nations Transfer of Technology in Asia-Pacific Libraries for their cooperation.*

*I also extend my heartfelt thanks to my friends, Sanjeev, Parvez, Shailendra, Chander and Mrityunjay for extending their support and suggestions.*

*Last but not the least, I must thank the staff of "Arpan Photostat" for typing this dissertation sincerely.*

New Delhi  
July 3, 1997

*Pankaj Kumar Jha*  
[PANKAJ KUMAR JHA]

*To*  
*My Parents*  
*&*  
*Brother*

## CHAPTER - I

### **INTRODUCTION**

In the changing world scenario and developments in the field of economics and science, what has become imperative is economic prosperity for each nation. With the adherence to the trade policy liberalization and regionalism, each nation is working for export promotion and import substitution so as to have a positive balance of payments. Economic prosperity has become the main objective of the developing nations and in order to have better bargaining position at the global level, regional organisations are being formed.

The desire for regional cooperation had deep roots in the South East Asia despite historic bilateral problems among the South East Asian nations. The first such effort was formation of South east Asia Treaty Organisation [SEATO] in 1954 as a result of U.S. initiatives. Later on, the Association of South east Asia (ASA) was formed in 1961 in Bangkok by Malaysia, the Philippines, and Thailand and it was focused on economic, social, cultural, scientific, and administrative rather than political concerns. ASA activities got hindered because of its limited membership

and the Philippine claim to Sabah and Malaysia - Indonesia confrontation.<sup>1</sup>

The Association of South East Asian Nations [ASEAN] was founded in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand, Brunei joined the organisation in 1984.<sup>2</sup> Vietnam joined ASEAN in July 1995<sup>3</sup> and Myanmar, Cambodia and Laos are to be inducted in ASEAN as members by the year 2000.<sup>4</sup>

The ASEAN was founded in response to the threat of communist expansion in Indo China, accords on greater economic co-operation have often been spurred by political considerations. Advocates of greater economic co-operation stress the dynamic gains that could be achieved through greater economic co-operation, and they have criticized the relatively slow pace of intra-regional co-operation without fully understanding the political motivations and constraints. The ASEAN countries are extremely diverse in

- 
1. Ronald D. Palmer and Thomas J. Reckford, Building ASEAN: 20 Years of South East Asian Cooperation. Washington D.C., 1987, p.6.
  2. Hans C. Blomqvist, "ASEAN as a model for Third World Regional Economic Cooperation". ASEAN Economic Bulletin, Vol. 10, No.1, July 1993, p.56.
  3. Bangkok Bank Monthly Review Vol. 37, No.11, November 1996, p.10.
  4. Ibid, p.21.



terms of economic structure and development, political orientation, factor endowments, culture, history, and religion.<sup>5</sup>

Geographically, South East Asia is located in one of the strategic locations in the Pacific and Indian Ocean. The South East Asia starts from the Southern part of China i.e., Indo-China to the Northern frontier of Australia, the eastern borders of Myanmar to the Philippines in the Pacific. Right from the 18th century, South East Asia has been the fulcrum of trade and commerce between east and west. Marred by colonial exploitation and capitalistic endeavours of the imperialist powers created a power vacuum in the region in the sixties, after the withdrawal of colonial powers.

Initially, issues like Vietnam war, Cambodian crisis caused problems for intra-ASEAN cooperation, but due to combined efforts of all member countries especially Singapore, the economic dimension of the ASEAN came into prominence in the eighties. The decision-making process in the ASEAN is based on consensus, the outcome of a consensus is that of a "positive sum" rather than a zero-sum win-lose

---

5. Seiji Naya and Michael G. Plummer, "ASEAN Economic Cooperation in the New International Economic Environment", ASEAN Economic Bulletin Vol.7, No.3, March 1991, p.261.

game. The agreements are mostly multilateral and thus, bilateral problems do not create problems for the functioning of the ASEAN. Economic co-operation in the area was largely influenced by the recommendations of the Robinson [or Kansu] Report and of a UN-initiated investigation. The report was in favour of [regional] import substitution and the primary recommendations were limited to trade liberalization combined with a co-ordinated industrialization policy though the report was sharply criticised for leading the co-operation into unfruitful projects, regional monopolies and fostering a generally inward looking attitude.<sup>6</sup>

The ASEAN first summit meeting was held in Bali, Indonesia in February 1976. The ASEAN declaration set out the objectives for the organisation in 1967 are the following:-

1. To accelerate economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South east Asian nations;<sup>7</sup>
2. To promote regional peace and stability through abiding respect for justice and the rule of law in the

---

6. Ibid, p.57.

7. n.1, p.7.

relationship among countries of the region and adherence to the principles of the United Nations Charter;

3. To promote active collaboration and mutual assistance on matter of common interest in the economic, social, cultural, technical, scientific and administrative fields;
4. To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;
5. To collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communication facilities and the raising of the living standards of their people;
6. To promote South East Asian Studies and
7. To maintain close and beneficial co-operation with existing international and regional organisation with similar aims and purposes and explore all avenues for even closer co-operation among themselves.<sup>8</sup>

---

8. n.1, p.8.

The ASEAN has been active primarily under five different programmes:-

1. The ASEAN Industrial Projects (AIP);
2. The ASEAN Industrial Complementation (AIC);
3. The ASEAN Industrial Joint Ventures (AIJV);
4. The Preferential Trading Arrangements (PTA) and
5. The ASEAN Dialogue Partner System (ADPS).<sup>9</sup>

of all these, the ASEAN to a large extent has benefitted largely from the Preferential Trading Arrangements and Dialogue Partner System. If the PTA's margin were increased to 90 percent in any good, then the potential for greater intra-industry trade will be added to that of inter-industry exchange.<sup>10</sup> The Dialogue Partner system [DPS] requires the governments of the ASEAN countries to find areas of mutual interest to raise in the discussions with the trade partners. The utility provided by the DPS has profited the ASEAN from relatively free international trade, and that the present threat of a more protectionist international trade climate is extremely unwelcome for the members of this organisation.<sup>11</sup> Also, in comparison to

---

9. n.2, p.58.

10. n.5, p.273.

11. n.2, p.60.

intra-bloc trade, the ASEAN trade with industrial countries and developing countries outside of South east Asia appears to offer far greater opportunities for trade based on the complementarity of resource endowments.<sup>12</sup> Several primary factors of production are specified as possible sources of comparative advantage : population (relative to land area); tropical and temperate climate land areas; mineral oil, and coal resources, and both human and physical capital.<sup>13</sup> In particular, substantial complementarity is apparent between Singapore and its ASEAN trading partners in connection with the measured relative abundance of both tropical land and mineral resources.<sup>14</sup>

The Newly Industrialised Countries [NICs/NIEs] are those economies which are export oriented and have experienced very rapid rates of economic growth over few decades.<sup>15</sup> The NICs/NIEs of Asia are Republic of Korea, Taiwan, Hongkong and Singapore. They have demonstrated that poor societies can substantially transform their economies

---

12. Dean A. De Rosa, "Sources of Comparative Advantage in the International Trade of the ASEAN Countries" ASEAN Economic Bulletin, Vol.10, No.1, July 1993, p.46.

13. Ibid, p.43.

14. Ibid, p.46.

15. Helen Hughes ed. Achieving Industrialization in East Asia, New York, 1988, p.6.

and alter economic prospects. They have demonstrated that rapid growth can be consistent with rapidly rising living standards.<sup>16</sup> As such their experience, provides a basis for optimism about future prospects of developing areas where authorities are committed to raising living standards of the population.

During the post Second World war period, all these NIEs were under the control of the foreign powers, and some were struggling to get to terms with their economic devastation. In case of Taiwan, it was ceded to the Japanese at the end of the Sino-Japanese war of 1895 and the subsequent immigration established the ethnic Chinese character of the island. In 1949, the Kuomintang [KMT] regime whose leader was General Chiang Kai Shek, was driven out of the mainland China by the communists and this led to KMT supporters settlement in Taiwan.<sup>17</sup>

The First Opium War of 1840-42 laid the foundation of the British rule in Hongkong after the Treaty of Nanjing [Nanking] of 1842. The United Kingdom demanded and obtained in 1898, a 99-year lease on the mainland north of Kowloon, together with the adjoining islands. The main reason for

---

16. Alvin Y. So & Stephen W.K. Chin - East Asia and World Economy, London, 1995, p.29.

17. Gary Klintworth ed., Taiwan in the Asia-Pacific in the 1990s, Canberra, 1994, p.22.

the British occupation of Hongkong in 1841 was its magnificent harbour. For the same reason, the Japanese overran Hongkong in 1941, but their occupation ended in August 1945.<sup>18</sup> In 1997, the lease period is going to end and so Hongkong will be returned back to China.<sup>19</sup> The development of Hongkong and its dynamic economy would add to the prosperity of mainland China, it is hoped so.

Korea was divided by the allied powers to suit their strategic interests, but soon after the formation of Republic of Korea, a communist inspired military rebellion broke out in October 1948 which was brutally crushed.<sup>20</sup> Political and social conditions became worse and would have turned worse if U.S. aid had not come to the rescue of South Korea.<sup>21</sup> This aid maximisation and outward looking development policy which was taken up since sixties led to Korea emerging as a sound economy.<sup>22</sup>

Singapore became one of the commercially strategic centres during early 19th century and in 1819, East India

---

18. Keith Hopkins ed., Hongkong : The Industrial Colony, London, 1971 p.339.

19. Ibid, p.340.

20. Hyun-Chin Lim, Dependent development in Korea: 1963-1979, Seoul, 1985, p.28.

21. Ibid, p.48.

22. Ibid, p.49.

company obtained permission from the Sultan of Riau-Johore and the local chief to establish a trading port in return for money payments and pensions. In the early twentieth century because of Singapore's growing commercial importance many Chinese immigrants came and settled there. In 1942, Singapore was captured by the Japanese and in 1945, after the Japanese surrender, the British set up a temporary military administration and a new government structure was set up.<sup>23</sup> In 1948, when the Federation of Malaya replaced the Malayan Union, Singapore was not included because of its predominantly Chinese ethnic composition. The "Confrontation" by Indonesia and worsening internal situation resulted in Singapore's separation in August 1965.<sup>24</sup>

The NIEs adopted common features for sustainable growth like export led growth, adoption of free market economic systems, changes towards liberalization and internationalization and macro-economic stability. The NIEs have evidenced the combined effects of cultures emphasizing group and community values, strong administrative

---

23. Edward K.Y. Chen, Hyper growth in Asian Economies, A Comparative Study of Hongkong, Japan, Korea, Singapore and Taiwan, London 1979, p.160.

24. n.1, p.2.



structures directed by technocrats imbued with economic nationalism and industrial investment, trade and other economic policies designed for rapid self-reliant export led growth.<sup>25</sup> NIEs have benefited largely from the Japanese foreign investment and US aid especially Taiwan and Korea.<sup>26</sup> The path to economic prosperity forced the ASEAN nations to look forward to the NIEs to have the economic stability which would in a way legitimise their authoritarian governments.<sup>27</sup>

National firms in NIEs especially, in South Korea, have begun to move into overseas production ventures some at high technological levels, competing against the western and Japanese multinationals.<sup>28</sup> Meanwhile, the evolution of national economic structure in South Korea and Taiwan, has remained very much under the national administrative control and has been hampered to a degree by a large scale foreign investment in Singapore and Hongkong.<sup>29</sup>

---

25. n.23, p.161.

26. Vincent Cable and Bishnodat Personel ed., Developing with Foreign Investment, New York, 1987, p.45.

27. n.15, p.285.

28. Gunnar K. Sletmo and Gavin Boyd. Industrial policies in the Pacific, Oxford, 1994, p.166.

29. Ibid, p.156.

A new pattern of investment in Asia has in fact brought about or at least assisted in an extensive industrial restructuring and a sophisticated subregional division of labour or a "flying geese" pattern of industrial development in the Asia-Pacific region.<sup>30</sup> As an organisation and as individual member countries, the ASEAN has been under going major internal changes that have important implications for the future. All member states are implementing policies of economic liberalization, export promotion, and greater participation in the international market place.<sup>31</sup>

The Third ASEAN Summit in Manila in December 1987 demonstrated a desire on the part of all member nations to promote trade and investment links, focusing on economic liberalization and private sector participation. The ASEAN is also working effectively as a group in economic consultative discussions with its dialogue partners in the fledging Asia Pacific Economic Cooperation Organisation (APEC). The recent reorientation of ASEAN economic cooperation is consistent with the national policies of most member countries i.e., economic development through market based growth and greater participation of the private sector. The greater internationalization of the ASEAN

---

30. n.23, p.33.

31. n.5, p.261.

economies has rendered them more sensitive to changes in international economic policies and trends. Concerns about rising protectionism in developed countries, the increase in bilateral trading blocs and the outcome of General Agreement on Trade and Tariff [GATT] have important implications for the economic growth prospects of ASEAN. It is argued that the ASEAN countries have no real interest in cooperation because, with the exception of Singapore, each of them has a comparative advantage in the same types of primary products and labour-intensive industrial products.<sup>32</sup>

The resource richness of ASEAN countries has given boost to relationship with the newly industrialized economies. The ASEAN has always been a major supplier of raw materials to the NIEs. In the past few years, the NIEs have been liberalizing manufactured imports and the ASEAN has, therefore, been able to diversity its exports to the region. Moreover, the NIEs have been increasing their investment in the ASEAN at a very rapid pace. Although ASEAN exports to Korea, Taiwan and Hongkong still account for a small share of the total, they are significantly higher than two decades ago.<sup>33</sup>

---

32. n.5, p.263.

33. n.5, p.268.

In a larger perspective, the ASEAN is evolving itself into a dynamic regional organisation and one major step has been the evolution of ASEAN Free Trade Area [AFTA] which is expected to come into force in 2003. The support of government and the desire on the ASEAN nations to evolve into industrialised nations has given boost to this pursuit. The main issues of concern are foreign investment, trade, technology transfer and industrial policies in the respective countries.

## CHAPTER - II

### **FOREIGN DIRECT INVESTMENT BETWEEN THE NIES AND THE ASEAN**

#### Foreign Direct Investment [FDI]

In the economic climate of the globe and unbalanced distribution of resources it has become imperative that in order to sustain balanced economic growth new avenues of investment should be sought. The ASEAN comprising of Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand have enjoyed robust economic growth and since 1980's these countries adopted an outward looking development strategy which emphasizes the role of foreign trade and FDI. Vietnam, which joined the ASEAN in July 1995 in showing trends of fast economic growth because of the FDI and its adaptability to new economic environment.

Foreign Direct Investment is defined as an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in one economy. Foreign direct investment implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. Such investment involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates both incorporated and

unincorporated FDI may be undertaken by individuals, as well as, business entities.<sup>1</sup>

FDI inflows and outflows comprise capital provided [either directly or through other related enterprises or capital received from a FDI enterprise or capital received from a FDI enterprise by a foreign direct investor to a FDI enterprise by a foreign direct investor.<sup>2</sup> There are three components in FDI:-

1. Equity capital is the foreign direct investor's purchase of shares of an enterprise in a country other than its own.
2. Reinvested earnings comprise the direct investor's share of earnings which is reinvested.
3. Intra-company loans or intra company debt transactions refer to short or long term borrowing and lending of funds between direct investors [parent enterprises] and affiliate enterprises.<sup>3</sup>

In the 1980's the ASEAN region has become one of the most attractive investment locations in the developing world and attracted a disproportionately large amount of FDI,

- 
1. Sanjaya Lall and Paul Streeten, Foreign Investment, Transnationals and Developing countries, London, 1980. p.4
  2. Ibid, p.5.
  3. Ibid, p.6.

particularly in the post-1985 period.<sup>4</sup> This reorientation of the ASEAN economic cooperation is consistent with the national policies of most member countries i.e, economic development through market based growth and greater participation of the private sector. The adoption of more outward-oriented industrialisation strategies based on international trade and greater direct foreign investment are now being pursued in all the ASEAN member states, including previously inward looking countries like Indonesia. The greater internationalisation of the ASEAN economies has rendered them more sensitive to changes in international economic policies and trends. Concerns about rising protectionism in developed countries, the increase in bilateral trading blocs, and the outcome of Uruguay Round of General Agreement on Tariffs and Trade [GATT], have important implications for the economic growth prospects of the ASEAN.<sup>5</sup>

The most pertinent question is, why such an upsurge in FDI to the ASEAN which has a heterogeneous population and

- 
4. Chia Siow Yue, "Foreign Direct Investment in ASEAN Economies" Asian Development Review, Vol. 11 , No. 1,1993,p.60
  5. Seiji Naya and Michael G. Plummer,"ASEAN Economic Co-operation in the New International Economic Environment" ASEAN Economic Bulletin, Volume 7, Number 3, March 1991, p.263

authoritative regimes in most of the member countries. The reason would be that as developing countries are liberalizing their foreign investment regimes and are seeking FDI not only as a source of capital funds and foreign exchange, but also more importantly as a dynamic and efficient vehicle to secure much needed industrial technology, managerial expertise and marketing know-how and networks to improve on growth, employment, productivity and export performance.<sup>6</sup> Also certain agreements among the ASEAN countries and the establishment of World Trade Organisation in 1995 added to increased FDI, namely

- 1987 - Revised Basic agreement on the ASEAN Joint Ventures
- 1987 - An agreement among the ASEAN nations for the Promotion and Protection of Investments.<sup>7</sup>
- 1993 - 1st Consultative meeting for the promotion of FDI in ASEAN<sup>8</sup>
- 1994 - Marrakesh Agreement establishing the WTO

- 
- 6. World Bank, Global Economic Prospects and the Developing Countries, New York, 1993, p.14.
  - 7. Documents, ASEAN Economic Bulletin, Volume 3, Number 2, 1988, p.352
  - 8. Documents, ASEAN Economic Bulletin, Volume 7, Number 3, 1993 p.267



Annexure IA

Multilateral Agreement on Trade in Goods ,  
Agreement on Trade related Investment measures.

Annexure IB

General Agreement on Trade in Services and  
Ministerial Decisions Relating to the General agreement on  
Trade in services

Annexure IC

Agreement on Trade-related aspects of Intellectual  
Property rights.<sup>9</sup>

Dunning's eclectic theory of FDI identified three sets  
of determinants relating to an advantage of direct  
investment over alternative modes.

1. The investing firm must have an ownership advantage  
over competitors in the host country. The ownership  
advantage arises from a product monopoly, superior  
technology, better knowledge of the market or better  
marketing technique.
2. The host country must possess some locational advantage  
to attract investment like potential domestic market,

---

9. GATT, The Results of the Uruguay Round of Multilateral  
Trade Negotiations, Geneva, November 1994, p.124

cost effective export production base, low cost labour, low transportation costs, generous investment incentives etc.,

3. There must also be an internalization advantage that induces the investing firm, to choose direct investment over other arrangements such as production licensing or franchising.<sup>10</sup>

The benefits of FDI to host countries are the following:

- (i) as an additional source of capital which is more important for less developed countries that are in the early stage of development;
- (ii) as a source of new technology, managerial skills and other knowledge;
- (iii) as a driving force to foster economic growth through its mobilization of domestic resources;
- (iv) as an agent to explore export markets, since many foreign investors have come to the host countries with accessible markets, and
- (v) as an accelerator of economic transformation or restructuring in the case of relatively well-developed host countries.<sup>11</sup>

---

10. Chung H.Lee, "Korea's Direct Foreign Investment in Southeast Asia" ASEAN Economic Bulletin, Volume 10, Number 3, March 1994, p.281

11. Edward K.Y.Chen, "Foreign Direct Investment in East Asia" Asian Development Review, Volume 11, Number 1, 1993, p.53

A country in transition from the developing to the developed status is losing a comparative advantage in labour-intensive industries but, at the same time, is gaining a comparative advantage in capital and knowledge intensive industries, its pattern of outward FDI to this change in comparative advantage. Relative profit rates determine the flow of investment, with the assumption that capital is in the form of "putty" and can be transferred from one industry to another without any loss of productivity. But, in fact, capital is not readily transferable in the short or intermediate run as some of the capital is industry specific; in addition to the profit rate on new investment the firm will thus consider the effect of its decision on the value of the existing capital. If it decides to invest abroad, the firm can produce the same product by transferring to its subsidiary the industry specific human and non-human capital that it already has. Also, because of the industry specificity of some of the capital that the firm owns, there can be an important difference in the value of its capital between investing abroad inter-country, intra-industry movement of capital and moving into another industry at home, intra country, inter industry movement. In the first case, the value of capital will change little; however, in the second case, the value

DISS  
337.1724059  
J559 Ro  
  
TH5950

N8

21

TH-5950



of capital will diminish by the value of its industry-specific capital. This loss in value can be regarded as the cost of intra-country, inter-industry movement of capital. Thus other things being equal the firm will be inclined to invest abroad instead of at home.<sup>12</sup>

#### Role of the FDI in the development of the NIEs

In the context of the FDI it would be reasonable to derive the economic development of NIEs and then compare it with the economic growth of the ASEAN nations so as to evaluate the role played by the FDI in the development of the ASEAN. The Asian newly industrialised economies, Hongkong, Republic of Korea, Singapore and Taiwan have experienced remarkable economic growth, as from the late 1970's a huge amount of FDI from Japan and United States.<sup>13</sup>

Among the NIEs, Singapore has always maintained a highly open economy and a friendly foreign investment regime and FDI has always played a critical role in the economy. Since 1959 economic philosophy of political leadership and small physical and economic size of a newly independent economy and an infant industrial economy which was eager to enter international markets, a heavy dependence on

---

12. n.10, pp.281-282

13. Vincent Cable and Bishnodat Persaud [ed.], Developing with Foreign Investment, New York, 1987, p.45

multinational corporations was most sought after.<sup>14</sup> The government rationalised the role of multinational corporations (MNCS) and for that Singapore's FDI policy was made liberal to attract export oriented MNCS. In the sixties, FDI inflows helped to close the saving-investment gap, financed net imports and created employment. By the 1980's, the economic situation in Singapore had changed markedly with high rates of savings, balance of payments surpluses and full employment.<sup>15</sup>

Since the end of the second world war, Hongkong has experienced extra ordinarily rapid economic growth and since 1970's it has emerged as an international commercial and financial center. From the beginning commercial and financial center outlook of Hongkong was developed by British and with industrialization, the Hongkong government has firmly upheld the principle of positive non-interventionism which provides a laissez faire environment for economic activities. Also the government plays an active role in building up physical and social infrastructure and invests substantially in human capital. It is believed that FDI in Hongkong's service and financial sectors is phenomenal, especially after the mid 1970's when

---

14. Ibid , p.84

15. Ibid,p.90

Hongkong started to switch to tertiary industries and the People's Republic of China began to carry on its open door policy which in turn generated a large demand of services from Hongkong.<sup>16</sup>

In the case of Taiwan, by the late 1950's the government realized the difficulties in its import substitution strategy and switched to an outward-looking strategy, which resulted in remarkable economic growth and rapid transformation from primary to secondary industry. In consequence of rapid industrialization, capital-intensive and technology oriented products have become more dominant since 1980's. In regard to industrial policy, Taiwanese government plays an active role in promoting and restructuring industrial production. Positive measures carried out to promote strategic industries ranged from tax incentives, preferential loans, to R & D subsidies.<sup>17</sup>

The Republic of Korea since the mid-sixties has pursued an export oriented strategy and has sustained phenomenal economic growth. The 1970-80 period was particularly crucial for the country's transition to a higher stage of

---

16. n.11,p.26

17. Ibid, p.27

industrial development. During this time industrialization was focussed on heavy industries such as automobiles, shipbuilding and iron and steel, which led to over investment and thus government took new measures to shift production to capital intensive and electronic products.<sup>18</sup> In the Republic of Korea, before the mid-eighties, FDI was restricted and encouraged on a selective basis. The government believed that this would maintain the independence of the industrial sector and also accelerate the assimilation of advanced technologies.<sup>19</sup>

From 1984, the government changed its policy to that of pro-FDI and adopted a negative list system citing those sectors closed to FDI, also foreign exchange control was relaxed, and completely relaxed in 1992. Since 1984, Amendment of the law preferential tax exemption granted to foreign investors was abolished and it was stated that it would be pursued only in certain exceptional cases.<sup>20</sup>

To a large extent, the macro economic environment of all the NIEs are generally conducive to FDI. Hongkong and

---

18. Ibid, p.27

19. Gordon waitt, "The Composition and Direction of the Republic of Korea's Outward Foreign Direct Investment," Asian Profile, Volume 21, Number 3, June 1993, p.202

20. n.11, p.31.

Taiwan have since their early days of industrialization adopted an open arm policy to foreign investment and multinational corporations have played a key role in their economic growth. Singapore's promotion of inward FDI increasingly focuses on high technology and high-value added industries and services. Republic of Korea, after the mid eighties liberalization of FDI, has reaped benefits of rapid industrial development. The development in the NIEs have induced the ASEAN nations to adopt similar strategies to attract FDI and achieve the required economic growth and thus prosperity.

#### FDI in the ASEAN, policies and the NIEs

With the exception of Brunei, the other ASEAN countries Indonesia, Malaysia, the Philippines and Thailand-have attracted sizable FDI during their import-substitution phases from the early 1960's to the mid - 1980's.<sup>21</sup> The location advantage of the ASEAN host countries derives from the availability of industrial estates and export processing zones [EPZs] with well-developed infrastructure, abundant low-wage labour, and minimal rules and regulations. FDI in export manufacturing is generally footloose in search of the

---

21. In this paper, the four larger ASEAN members - Indonesia, Malaysia, Philippines and Thailand-will be referred to as ASEAN-4.



most attractive conditions, and host countries have to compete aggressively to provide the physical infrastructure, institutional support, human resources and labour, generous tax incentives, and to minimize ownership restrictions and other performance requirements. The ASEAN countries are successful in attracting FDI, as they are buoyant economies with rapidly growing domestic markets; favourable factor endowments, particularly natural resources and labour supply in ASEAN-4; development oriented governments with sound macroeconomic policies and pro-FDI policies.<sup>22</sup>

For the Philippines, political instability and weak political leadership have slowed down economic growth, discouraged FDI inflows and led to capital flight.<sup>23</sup> Brunei has very high per capita income but its inward FDI is quite low [see Table 1] and also because of

---

22. n.4, p. 62-63.

23. Ibid, p.63.

Share of Inward and Outward FDI stock in GDP by region  
and economy, 1980, 1985, 1990, 1994, [in percentage terms]

Region	1980	1985	1990	1994
<u>Brunei</u>				
Inward	0.4	0.9	1.1	1.9
Outward	--	3.8	87.4	486.3
<u>Hongkong</u>				
Inward	6.3	10.5	18.7	20.5
Outward	0.5	7.0	18.5	62.7
<u>Indonesia</u>				
Inward	14.2	28.6	36.6	26.5
Outward	--	0.1	--	0.1
<u>ROK</u>				
Inward	1.8	1.9	3.3	3.3
Outward	0.2	0.6	0.8	2.1
<u>Malaysia</u>				
Inward	24.8	27.2	33.0	46.2
Outward	1.7	2.4	5.3	8.9
<u>Philippines</u>				
Inward	3.8	4.2	4.7	8.3
Outward	0.5	0.6	0.3	0.2
<u>Singapore</u>				
Inward	52.9	73.6	86.6	72.8
Outward	5.6	7.5	12.7	16.0
<u>Taiwan</u>				
Inward	5.8	4.7	6.2	6.6
Outward	0.2	0.3	8.2	9.9
<u>Thailand</u>				
Inward	3.0	5.1	9.3	10.1
Outward	--	--	0.5	1.0
<u>Vietnam</u>				
Inward	--	0.2	1.1	1.9
Outward	--	--	--	--

Source :- World Investment Report 1996, Investment, Trade and International Policy Arrangements, UN Conference on Trade & Development, New York & Geneva, 1996.

lack of data Brunei might not be considered in some of the arguments in this chapter.

Among the ASEAN nations, Indonesia enacted Foreign Investment Law in 1967, to promote and regulate the FDI inflows, though commodities and oil boom encouraged self-sufficiency. Falling oil and commodity prices in the mid-1980's, the heavy fiscal burden of non-performing state-owned enterprises and the demonstration effect of the NIEs caused a shift towards more open economy and the new FDI policy has more incentives and less restrictive rules for projects which are export-oriented, upgrade and update technology, internationally competitive and promotion of less developed areas.<sup>24</sup>

Malaysia introduced tax incentives to attract the FDI in manufacturing sector in the late 1950's. The New Economic policy [NEP] came up in 1970's with equity participation at 30 percent for Bumiputras, 40 percent for other Malaysians and 30 percent for foreign investors. The New Development Policy that succeeded the NEP in 1990 emphasizes the role of private enterprise and the new investment incentives are aimed at broadening and upgrading Malaysia's industrial structure and giving greater emphasis on high-technology industries and linkage between small, medium and larger industries.<sup>25</sup>

---

24. n.4, p.67.

25. n.4, p.68.

The Philippines initiated the Basic Investment Law of 1961 provided tax incentives for the importation of machinery and spare parts for basic industries. The 1967 Investment Incentives Act established the Board of Investment (BOI) and granted a range of incentives for investments in priority industries. In 1970, Export Incentive Act granted incentives to investments in export oriented industries. Laws for establishing industrial estates and export processing zones also came up in 1970's. In 1981 came the Omnibus Investment Act but because of political crises in 1983, the FDI drastically decreased. In 1991 came Foreign Investment Act which liberalized the rules and regulations of foreign ownership. Still, the growth factor is not so impressive as in case of other ASEAN nations.<sup>26</sup>

Thailand's basic legislative framework for FDI dates back to the 1950's and has not changed much though there has been substantive changes in the perceived role of the private sector which is reflected in more flexible implementation of policy after 1984.<sup>27</sup>

---

26. Ibid, p.67.

27. Ibid, p.67.

Also all the ASEAN countries have established investment boards namely,

1. The Indonesian Capital Investment Co-ordinating Board (BKPM)
2. The Malaysian Industrial Development Authority [MIDA]
3. The Board of Investment [BOI] in the Philippines and in Thailand.<sup>28</sup>

The ASEAN has always been a major supplier of raw materials to the NIEs. In the nineties, the NIEs have

**Table - II**  
**The ASEAN - Net Foreign Direct Investment Inflows, 1961-1990**

	Indonesia	Malaysia	Philippines	Singapore <sup>29</sup>	Thailand	Total
1961-80	2,163	4,453	452	3,728	1,186	11,982
1981-90	4,047	11,850	2,777	21,468	6,875	47,017
1988-90	2,222	5,523	2,029	11,162	5,045	25,981
1961-90	6,210	16,303	3,229	25,196	8,061	58,999
<b><u>Percent distribution</u></b>						
1961-80	18.1	37.2	3.8	31.3	9.9	100.0
1981-90	8.6	25.2	5.9	45.7	14.6	100.0
1988-90	8.6	21.3	7.8	43.0	19.4	100.0
1961-90	10.5	27.6	5.5	42.7	13.7	100.0

Source :- International Monetary Fund, International Financial Statistic Yearbook 1991, Washington, D.C. 1991.

28. Ibid, p.68.

29. Singapore has been included in the NIEs and so its statistics is discarded in this table.

been liberalizing manufactured imports and ASEAN has, therefore been able to diversify its exports to the region. Moreover, the NIEs have been increasing their investment in the ASEAN at a very rapid pace.<sup>30</sup> The average annual share of investment in GDP increased impressively from the 1960's to the early 1990's for the ASEAN. As in Indonesia, the sharp rise in the share of investment came later in Malaysia and Thailand than in the NIEs.<sup>31</sup> Export oriented FDI was attracted from an early date into the primary sector, but efforts to draw it into manufacturing began only in the 1970's; they were intensified in the 1980's, with a series of fiscal incentives, relaxed ownership requirements and remittance laws and the establishment of export processing zones. These measures, combined with strong regional dynamics, have generated the export growth. However, only limited use has been made of other measures to gain access to foreign technology, and more dynamic industrial policies to establish stronger domestic industries have lagged, in the past due to complex domestic political factors.<sup>32</sup>

---

30. n.5, p.268

31. World Investment Report, Investment, Trade and International Policy Arrangements, UN Conference on Trade and Development, Geneva, 1996 p.109

32. Ibid, p.132

The ASEAN countries have received a sizeable share of the FDI that flowed to the developing world. Statistics for 1961-1990 show that among the ASEAN countries, excluding Singapore, Malaysia got 27.6 percent of the ASEAN total, Thailand 13.7 percent, Indonesia 10.5 percent and the Philippines 5.5 percent [see Table II] The level of FDI in flows in the ASEAN in the 1980's was 4.3 times that of 1970's.<sup>33</sup> Most FDI flowing into the ASEAN was traditionally from North America and Western Europe. Japan emerged as a major investor in the 1970's and the Asian NIEs as major investors in the post 1987 period. European investors like UK, The Netherlands and Germany have concentrated investment in petroleum related activities, chemicals and pharmaceuticals, processed foods, electrical and electronic products, automobile industry and banking and finance U.S. investments in the ASEAN grew rapidly in 1970's in manufacturing, resource development and services like banking, commerce and hotel development, though it has decreased considerably in 1990's as compared to Japan and Asian NIEs.<sup>34</sup>

---

33. Ibid, p.132

34. n.4,p.76

The upsurge in FDI from Japan and the NIEs can be contributed to certain factors:-

- 1) Resource insecurity in the international environment and to secure a steady supply of foreign natural resources;
- 2) The buoyant economic and trade performance resulted in currency appreciation and foreign exchange decontrols;
- 3) Rapidly rising labour and land cost led to loss in comparative advantage and thus relocation of labour intensive industries;
- 4) To secure market shares in the Asian developing countries, because of, U.S. Generalized System of Preferences [GSP], rising protectionism and emergence of trading blocs.<sup>35</sup>

The increase in FDI from the NIEs to the ASEAN was motivated by cost-push and market factors in the 1980's . As the Asian NIEs pursue industrial deepening, access to foreign technology becomes increasingly critical and firms in the Asian NIEs invest abroad to diversify country markets and product risks. The NIEs investments in the ASEAN are to capitalize on lower production costs, gain access to natural resources, circumvent protectionist measures of developed countries and exploit firm specific advantages such as lower managerial costs, better marketing channels,

---

35. Ibid, p.81



more appropriate technology and better understanding of host countries because of ethnic continuity and homogeneity. Also geographical proximity and good infrastructural facility in host countries make it possible for the NIEs to locate their overseas operation near home for minimal transportation and transaction costs.<sup>36</sup>

Investment flows by the NIEs in the ASEAN-4 jumped three fold in 1988 and over took Japan in 1990. There is variation in pattern of investment among the NIEs. For Korean investors, Indonesia has traditionally been an important host and continues to be so in 1990's though a good deal of competition for Korean FDI is coming from Vietnam, followed by Malaysia.<sup>37</sup> Investment of Taiwan are more evenly distributed, though Indonesia used to be top priority before 1984 but from 1984 Malaysia, the Philippines and Thailand became more attractive destinations.<sup>38</sup>

Investment of Asian NIEs is not only in manufacturing which includes textiles and clothing, footwear, wood products, electronics, chemicals and toys, but it is also in real estate, services and labour intensive industries.

---

36. Ibid, p.85

37.n.10,p.283

38. Gary Klintworth [ed.] Taiwan in the Asia- Pacific in the 1990s, Canberra, 1994, p.128-129

Singapore's investment in the ASEAN account for near about 40% of total Singapore's FDI, with Malaysia, Brunei, Indonesia, Thailand and the Philippines in the same order.<sup>39</sup>

Also investment have been boosted in recent years in the promotion of SIJORI Growth Triangle concept representing investment cooperation among Singapore, Malaysian State of Johor and Indonesian province of Riau. Investment in Johor and Batam island in the Riau province have grown rapidly in the 1990's. Singapore investments in Batam accounted for half the approved foreign investments which include investments in real estate, tourism facilities, industrial facilities and manufacturing. In Johor, Singapore in the second largest investor while Taiwan is the third.<sup>40</sup>

Within Asia, the ASEAN can expect strong investment competition from Vietnam and China as these countries embarked on economic liberalization, particularly for investments from Japan and the NIEs. The NIEs are investing heavily in Vietnam, with some ASEAN countries following it. Vietnam's attractions are its potential sizeable market

---

39. n.4,p.87

40. Ibid p.89

abundant natural resources and a large pool of educated and hard working labour force available at very low wages. <sup>41</sup>

The main disadvantages of FDI over foreign loans is foreign ownership and control. Most newly independent countries are reluctant to surrender national sovereignty, even for substantial economic benefits. Secondly, FDI dominance may "crowd out" domestic private enterprises, including reduced pressure to foster such enterprise with the ready availability of competitive foreign enterprises. Thirdly, FDI can only be attracted by prospects of good rates of return; stagnating and depressed economies are not attractive to foreign investors. Fourth, borrowing makes good sense, when real interest rates are low otherwise due to debt crisis even loans would not be available to resource scarce countries.<sup>42</sup>

Even then the ASEAN region can be expected to remain attractive as it has buoyant economies with rapidly expanding markets, abundant natural resources and labour supply, however, it needs to ensure continuing political and social stability and undertake infrastructural and human resource development to remove existing bottlenecks. The

---

41. n.37, p.128

42.n.4, p.76

decision of ASEAN Free Trade Area [AFTA] was taken in Singapore in January 1992, to establish it by the year 2008 [now reduced to 2003] has given new hope to the regional integration of the region.<sup>43</sup> In the 1980's, when world was facing oil and commodity prices fall it was the FDI from the NIEs which supported the shambling economic structure of most of the ASEAN nations and in a way it had helped NIEs also to get over their own economic problems of cost-efficiency and production.

Composition of the Stock of FDI in ASEAN-4 in 1992, by origin

[Percentage]

Origin	ASEAN-4 <sup>44</sup>			
	Total	Indonesia	Malaysia	Thailand
Hongkong	- -	7.4	3.0	6.6
Republic of Korea	- -	5.7	2.9	1.5
Singapore	- -	4.1	6.7	6.3
Taiwan	- -	7.7	22.8	9.2
Total of NIEs	25.8	24.9	35.4	23.6

Source :- Ministry of International Trade and Industry. White Paper on International Trade 1994, Tokyo, 1994.

43. Dean A.DeRosa, "Sources of Comparative Advantage in the International Trade of the ASEAN countries, "ASEAN Economic Bulletin, Volume 10, Number1, July 1993, p.41

44. ASEAN-4 Comprise of Indonesia, Malaysia, Thailand and Philippines.

## CHAPTER - III

### MUTUAL TRADE AND TECHNOLOGY TRANSFER

#### Trade between the NIES and the ASEAN

The years since the second world war have been marked by an unprecedented expansion of world trade. In order to plan for new more viable relations in the international economy, the victorious countries were determined to initiate mutual understanding among nations. The Bretton Woods conference held in 1944 was the starting point for a new order. The World economy was organised around three cornerstones : the International Monetary Fund [IMF], the International Trade Organization [ITO] and the International Bank for Reconstruction and Development [IBRD]. IMF was designed to smooth out and the resolve difficulties that the participant countries ITO would have with their balance of payments [BOP]. The ITO would deal with "real" side of trading relations and thus help to create a liberal system of regulations governing world trade. The IBRD was formulated to channel international investments along desired lines.<sup>1</sup> In 1946, while negotiations on the charter

---

1. Bo Sodersten and Geoffrey Reed, International Economics, London, 1994, p.349

of the ITO were taking place a group of countries came to a consensus that there was a need for immediate tariff reductions which were codified as the General Agreement on Tariffs and Trade [GATT]<sup>2</sup> Today more than 100 countries are signatories to the GATT accounting for more than 80 percent of world trade<sup>3</sup> and the GATT was replaced by the World Trade organisation [WTO] on 1 January 1995<sup>4</sup> Though the GATT had been successful in meeting the objectives in securing substantial reductions in tariffs but the reductions have been concentrated on trade in industrial goods between the developed countries and there is concern about the proliferation of non-tariff barriers. This caused the growth in trade being shared very unequally between the industrialized countries and the developing countries. The statistical data had shown that trade between industrialised countries had grown faster than trade between them and third world countries.<sup>5</sup>

---

2. Ibid, p.350

3. Ibid, p.351

4. Mari Pangestu, "Global Economic Developments : Implications for Developing countries". Paper presented at the Fifth India- Indonesia conference, New Delhi, 22-23 January 1995, p.4

5. n.1, p.351

A number of factors have contributed to the differing experience of the industrialised countries and the developing countries :

- 1) There is the economic strength and high income levels of the industrialised countries.
- 2) Political and economic co-operation between the Western countries has encouraged them to liberalise payments and trade with one another with a consequent stimulus to trade between them<sup>6</sup>
- 3) The substantial reductions in tariff levels and the liberalization of quantitative import restrictions which have taken place in the post war period has favoured the exports of the industrialised countries.
- 4) The change in the commodity pattern of trade since the Second World War.<sup>7</sup>

Since the trading position of the industrialised countries is based on the export of manufactures, they have benefitted to a large extent. On the other hand, in the case of developing countries, they have succeeded in increasing the proportion of manufactures in their exports

---

6. International Trade and its Social and Economic Effects, Regional Trade Union Seminar, Paris, 7-10 Dec 1971, Final Report, Organisation for Economic Cooperation and Development, Paris, 1972, p.3

7. Ibid, p.4

but these still amount for less than a quarter of the total. Also, to a large extent, the position of many of the developing countries is made worse by their dependence on a limited range of primary commodities.<sup>8</sup>

Also, to a certain extent, developing countries are themselves responsible for their slow growth because of their inability to choose between Import Substitution Industrialisation [ISI] or Export Oriented Industrialisation [EOI]. Import substitution was viewed as a pre-requisite for halting the transfer of surplus from the periphery to the centre. Import substitution was forced because of two world wars and the depression made importation of industrial goods difficult for the developing countries.<sup>9</sup>

Import substitution achieved from the 1950s onwards was more a result of deliberate economic policies. The main device used was the restriction of imports of manufactured goods in the form of tariffs, quotas and multiple exchange rates, it was used to put off with BOP difficulties. This policy came under close scrutiny in the 1950s and 1960s as the growth of Gross National Product (GNP) was not too impressive. The main argument is that protection was

---

8. Raphael Kaplinsky ed. Third World Industrialisation in the 1980's Open Economies in a Closing world, Cornwall, 1987, p. 85

9. Ibid, p.87



overdone and led to an inefficient allocation of resources due to distortions in factor and product markets. The main points of critique are :-

- i) Intrinsic problems of government interference;
- ii) Bias against exports;
- iii) Bias against agriculture;
- iv) Under-utilisation of installed capacity;
- v) Under-utilisation of labour;
- vi) Import intensity of ISI;
- vii) Slowing down of ISI<sup>10</sup>

The policy implications drawn from this analysis were that government interference should be reduced, the free play of market forces should be encouraged, tariffs and quotas should be lowered substantially and exchange rates should be devalued. With advanced and less developed countries always attempting to achieve a balance on their payments by deflating their economies, they push each other into deficit and the net outcome is a vicious circle of deflation, reduced import capacity and shrinking international trade.<sup>11</sup>

---

10. Ibid, p.90

11. Michael P. Todaro, Economic Development in the Third World, Hyderabad, 1993, p. 458

The not so impressive performance of import substitution industrialisation led the third world countries to resort to export oriented industrialization in late 1960's and early 1970's. Indonesia after the coming of Suharto resorted to same and Malaysia also followed the suit.<sup>12</sup> To a large extent, the export oriented NICs have chalked up great success in labour absorption, income growth and equity and flexibility in response to external shocks.<sup>13</sup> The South east Asian countries had less success in labour absorption in manufacturing than the NICs, despite rapid growth of exports. The differences in economic development observed between the NICs and the resource rich South east Asian countries can perhaps be explained by differences in policies and the differing patterns of export expansion.<sup>14</sup> The classification between the NIEs and the ASEAN members [excluding Brunei] is natural, since the NICs had largely made the transition to export led growth based on labour intensive manufactured goods by the late 1960s and in the 1970's and 1980's had very high trade income ratios. The resource rich South east Asian countries only began a rapid

---

12. Monochehr Dorraj ed. The Changing Political Economy of the Third World, London, 1995, p.162

13. Ibid, p.150

14. Ibid, p.145

increase of their non-traditional labour intensive manufactured export share in the 1970's and though trade income ratios are high but they are lower in general to those of the NICs.<sup>15</sup>

Along with the increase in exports, high rates of economic growth spurred import demand for manufactures and intermediate goods during the 1970's. The share of manufactured imports, however, declined largely because of the rise in the share of petroleum products. In 1970's exports from the ASEAN four consisted almost entirely of primary commodities (ranging from 94 percent in Malaysia and the Philippines to 99 percent in Indonesia). Agricultural export growth in most of the countries was very high but despite slower growth of world trade and external disturbances such as the first oil shock, the share of manufactures in total exports was still impressive. After the second oil shock of 1979, export growth slowed until 1983, though manufactured exports increased with the growth in demand from the United States, they still comprise a relatively small share of the ASEAN exports.<sup>16</sup>

---

15. World Investment Report, 1996, Investment, Trade and International Policy Arrangements, UN conference on Trade and Development, New York & Geneva, 1996, p.7

16. Helen Hughes ed. Achieving Industrialisation in East Asia, Cambridge, 1988, p.68

Table I

**EXPORTS OF MANUFACTURES FROM SELECTED EAST ASIAN COUNTRIES,  
BY MAJOR DESTINATION, 1985 AND 1994**

*(Billions of dollars)*

Exports to	from	<i>Developing East Asia</i>									
		<i>Total</i>		<i>First-tier NIEs</i>		<i>ASEAN-4</i>		<i>China</i>		<i>Japan</i>	
		<i>1985</i>	<i>1994</i>	<i>1985</i>	<i>1994</i>	<i>1985</i>	<i>1994</i>	<i>1985</i>	<i>1994</i>	<i>1985</i>	<i>1994</i>
World		102.2	483.8	82.7	281.7	10.2	102.5	9.3	99.6	169.4	377.8
Developing East Asia		19.1	173.2	13.1	101.9	2.9	34.3	3.1	37.0	39.7	142.3
First-tier NIEs		11.9	114.8	6.6	51.9	2.4	28.4	2.9	34.5	20.9	86.0
ASEAN-4		5.1	42.9	4.5	36.2	0.4	4.2	0.2	2.5	6.9	38.8
China		2.0	15.5	1.9	13.8	0.1	1.7	.	.	11.9	17.5
Japan		7.8	50.3	5.9	23.9	0.8	11.7	1.1	14.7	.	.
Other developed market economies		61.7	105.8	53.1	122.0	5.7	46.3	2.9	37.5	100.5	196.4
Rest of world		13.5	54.5	10.5	33.9	0.8	10.2	2.2	10.4	29.2	39.1

Source : UN Trade and Investment Report 1996, p.88

Despite high export growth rates, import growth outstripped export expansion in all four ASEAN countries causing serious balance of payments problems in the first half of 1980's which led to varying degrees of import compression and one factor was oil price slump and most effected were Indonesia and Malaysia. The economic crisis in the Philippines led to negative import growth in 1983 and 1984 as the overall economy contracted.<sup>17</sup>

The export of manufactures from the ASEAN-4 to the NIEs has increased considerably from \$ 4.5 billion in 1985 to \$ 36.2 billion in 1994, though during the same period intra-ASEAN exports has increased from \$ 0.4 billion to \$ 4.2 billion. Also, the NIEs exports to ASEAN-4 has increased from \$ 2.4 billion in 1985 to \$ 28.4 billion in 1994. [See Table 1]

In this context it would be appropriate to trace the trade policy aspect of the NIEs. Governments in all the NIEs of the region have pursued policies aimed at restructuring the market in ways that reduce the uncertainty surrounding the achievement of specific development goals.<sup>18</sup> These policies have been designed to address not only market

---

17. Ibid, p.76

18. n.15, p.115

failures, but also a number of problems stemming from the organization of industry [particularly in relation to scale economies and supply of entrepreneurial capabilities], the structure of public institutions [particularly in relation to the provision of public goods] and rent seeking behaviour. The NIEs have successfully guaranteed certain basic conditions for capital accumulation by creating a pro-investment macro-economic environment. Policy makers have used monetary and fiscal measures to boost investor confidence and also avoided extreme policy shifts. A combination of selective trade, financial and competition policies has been used to create "rent" which by increasing profits, enhance the potential for corporate investment. In all the NIEs, with the exception of Hongkong, protection along with restrictions on competition among domestic enterprises has been an important source of rent for infant industries.<sup>19</sup>

One another aspect of growth of trade has been the follow up of measures taken by Japan in 1950's like controls on interest rates and direct allocation of credit. The NIEs have severely restricted consumption of luxury goods both directly through like control of imports and of domestic

---

19. Ibid, p.128

production of like goods, and indirectly through high taxation and restrictions on consumer credit. The basic difference that lies between the NIEs and the ASEAN member countries [excluding Brunei] is in the sectoral bias of policies supporting the investment profit nexus.<sup>20</sup> Also in the NIEs policies focused from an early date on manufacturing initially in low skill industries but shifting more to sophisticated industries as economies matured. In contrast, the potential contribution of natural resource rents to economic growth in the ASEAN countries led policy makers to concentrate on strengthening the profit investment nexus in the primary sector while efforts to accelerate and deepen the investment process in import substitution industries were delayed or else implemented on a largely ad-hoc basis.<sup>21</sup>

The development of labour-intensive manufacturing was very rapid in the NIEs. By contrast, in part due to their greater natural resource endowment, the shift to manufacturing has been slower in the ASEAN nations. From an early date, the NIEs also started building technology and scale intensive industries in anticipation of the

---

20. Ibid,p.132

21. n.12,p.146

difficulties they would encounter in competing in international markets for labour intensive products because of increases in domestic wages and the emergence of low cost producers in other countries. Thus, rather seeking to maintain competitiveness by keeping down wage costs, they chose to upgrade rapidly as a way of raising productivity, exports and incomes.<sup>22</sup>

The NIEs have also succeeded in combining industrial upgrading with market dynamics by penetrating the fastest growing Organisation for Economic Co-operation and Development [OECD] markets. Although in the early 1960's they were no better placed than other developing countries in respect of producing goods that were to prove to be the most dynamic in international trade. By the early 1990's high-skill, high-technology goods accounted for well over half of total export earnings in the Republic of Korea, Taiwan and Singapore which was over twice the proportion for most other major exporters of manufactures. The ASEAN-4 appear to have moved into technology-intensive products like electronic equipment, software industry etc. rather more rapidly and with heavier reliance on FDI. Exports of such products have a considerably larger import content than

---

22. Ibid, p.152



Table II

## TRADE OF JAPAN WITH FIRST-TIER NIEs, ASEAN-4 AND CHINA, 1985, 1990 AND 1994

Product group	Trade with first-tier NIEs						Trade with ASEAN-4						Trade with China					
	Trade balance (\$ billion)			Export/import ratio			Trade balance (\$ billion)			Export/import ratio			Trade balance (\$ billion)			Export/import ratio		
	1985	1990	1994	1985	1990	1994	1985	1990	1994	1985	1990	1994	1985	1990	1994	1985	1990	1994
Manufactures	15.7	34.2	63.2	4.0	2.9	3.8	6.2	16.1	26.4	10.0	4.2	3.1	10.4	0.0	-1.5	8.0	1.0	0.9
<i>Of which:</i>																		
Chemicals	1.7	4.5	7.2	4.9	5.4	6.2	0.6	1.5	2.3	5.2	5.6	4.8	0.4	0.2	0.4	2.6	1.3	1.5
Computers and office equipment	0.7	1.7	1.9	7.4	3.2	1.7	0.1	0.1	-0.3	131.4	1.2	0.7	0.2	0.1	0.0	1254.8	2.9	1.2
Electrical machinery	4.7	12.0	22.1	7.7	5.2	5.0	1.1	3.0	7.0	17.4	5.0	3.1	2.3	1.0	2.0	186.6	4.3	2.2
Non-electrical machinery	3.9	10.4	17.2	17.0	10.8	16.3	1.6	6.2	10.4	26.8	22.3	15.6	2.5	1.0	4.7	839.9	8.6	11.6
Road motor vehicles	1.1	2.7	5.0	63.0	12.6	13.0	1.1	3.9	5.6	81.3	148.1	60.2	1.8	0.2	1.4	9241.1	25.3	18.4
Clothing and footwear	-1.3	-4.0	-2.9	0.1	0.0	0.1	-0.0	-0.5	-1.2	0.2	0.0	0.0	-0.5	-2.5	-9.1	0.0	0.0	0.0
Manufactures classified by material <sup>a</sup>	3.6	4.9	8.0	3.5	2.2	2.8	1.5	1.8	2.4	5.7	1.9	1.7	3.4	0.4	1.1	7.1	1.3	1.3
Other manufactures	1.4	1.9	4.7	2.6	1.6	2.2	0.3	0.3	0.2	6.9	1.4	1.1	0.4	-0.3	-2.1	3.6	0.5	0.3
Food, materials & fuels <sup>b</sup>	-2.9	-4.0	-2.4	0.3	0.5	0.7	-15.6	-18.4	-17.7	0.0	0.0	0.1	-4.4	-5.9	-7.4	0.1	0.1	0.1
Unspecified	-0.1	0.4	1.6	0.9	1.6	2.9	0.0	-0.0	-0.2	1.1	0.9	0.7	-0.0	0.0	0.1	0.9	1.4	1.7
Total merchandise trade	12.8	30.7	62.4	2.3	2.2	3.0	-9.4	-2.2	8.6	0.4	0.9	1.3	6.0	-5.9	-8.8	1.9	0.5	0.7

Source: UN Trade and Investment Report 1996, p.87

- a) Excluding non-ferrous metals.  
b) Including non-ferrous metals.

those of the NIEs and subsequently a much lower domestic value added content. This evolution of industrial output and exports in the ASEAN-4 is currently raising concerns over insufficient technological and supply linkages between Transnational corporations dominated export sectors and the rest of the economy.<sup>23</sup>

In the context of trade the NIEs have emerged as the important trading partners for the ASEAN. They supply manufactures on a large scale to these countries and also purchase manufactures from them on a large scale. In 1994 exports of manufactures from the ASEAN-4 to the NIEs amounted to \$ 28 billion while to Japan was less than \$12 billion (see table 1). Thus, the NIEs were more than twice as important as Japan, as outlets for the manufactured exports of their less developed neighbours. Trade among the countries of the NIEs and the ASEAN has been rising much faster than trade with the outside world accounting for around one third of their total imports and exports. The resource rich ASEAN-4 have trade surpluses with both China and the NIEs in food, materials and fuels. With Japan, the trade surplus of the ASEAN-4 are in clothing, footwear, food, materials and fuels [see table 2)

---

23. n.15,p.8

**TOTAL EXPORTS OF SELECTED EAST ASIAN COUNTRIES,  
BY MAJOR DESTINATION, 1980-1994**

(Billions of dollars)

Exports to	from	Developing East Asia					World <sup>a</sup>
		Total	First-tier NIEs	ASEAN-4	China	Japan	
World	1980	117.3 <sup>b</sup>	70.3	47.0	..	129.5	..
	1985	146.2 <sup>b</sup>	100.3	45.9	39.4 <sup>c</sup>	175.8	..
	1990	361.7	213.5	86.1	62.1	286.8	..
	1994	591.6	313.8	156.8	121.0	395.3	..
Developing East Asia	1980	23.2 <sup>b</sup>	13.3	9.9	..	33.3	127.3
	1985	52.9 <sup>b</sup>	17.8	11.9	16.1 <sup>c</sup>	42.4	144.5
	1990	110.5	54.5	24.1	31.9	84.8	415.2
	1994	213.2	116.2	51.6	45.4	152.4	648.1
First-tier NIEs	1980	14.4 <sup>b</sup>	5.4	3.0	..	13.1	22.5
	1985	17.7 <sup>b</sup>	8.5	9.2	15.1 <sup>c</sup>	22.6	107.0
	1990	76.7	27.8	18.7	30.2	56.5	266.1
	1994	139.9	58.4	39.9	41.6	93.2	365.8
ASEAN-4	1980	7.8 <sup>b</sup>	6.3	1.5	..	9.1	39.3
	1985	9.1 <sup>b</sup>	7.0	2.1	1.0 <sup>c</sup>	7.3	37.5
	1990	25.1	19.8	3.6	1.7	22.2	95.8
	1994	52.8	41.6	7.4	3.8	40.5	166.7
China	1980	1.0 <sup>b</sup>	0.6	0.4	..	5.1	..
	1985	2.9 <sup>b</sup>	2.3	0.6	..	12.5	..
	1990	8.7	6.9	1.8	..	6.1	53.3
	1994	20.5	16.2	4.3	..	18.7	115.6
Japan	1980	23.4 <sup>b</sup>	7.2	16.2	..	..	139.9
	1985	24.8 <sup>b</sup>	10.7	14.1	6.4 <sup>c</sup>	..	127.5
	1990	57.1	27.0	21.1	9.0	..	231.2
	1994	81.0	31.8	27.6	21.6	..	272.3
North America	1980	28.7 <sup>b</sup>	19.7	9.0	..	34.1	308.0
	1985	50.1 <sup>b</sup>	40.7	9.4	3.4 <sup>c</sup>	70.6	434.1
	1990	88.5	65.4	17.5	5.6	97.6	632.3
	1994	132.6	75.1	34.6	22.9	124.6	834.3
Western Europe <sup>d</sup>	1980	20.3 <sup>b</sup>	13.6	6.7	..	21.5	902.4
	1985	19.5 <sup>b</sup>	13.6	5.9	4.5 <sup>c</sup>	25.3	779.9
	1990	53.4	38.5	14.9	6.2	63.2	1655.3
	1994	84.4	43.7	24.6	16.1	65.6	1692.8

Source : UN Trade and Investment Report 1996, p.89

a) Owing to lack of data exports from 'world' to the countries listed are imports (c.i.f.) as reported by those countries

b) Excluding China, for which no data were available before 1987.

c) 1987.

d) Including the eastern Lander of Germany from 1991.

At present, even the NIEs and the ASEAN-4 run large surpluses in manufacturing trade with the developed market economy countries of Europe and America. For ASEAN-4 this surplus reflects their rising exports of labour intensive items which now exceed their imports of more sophisticated items such as chemicals, machinery and transport equipment. Regarding the NIEs, these countries have a large trade surplus with Europe and North America in labour intensive products but this surplus is diminishing as they develop and shift to more sophisticated products.<sup>24</sup>

Overall perspective is that these trade trends support the flying geese paradigm and Japan plays a leading role in it and so it would be beneficial to keep Japan as pivot point of trade and take the increase of trade into account. Japan's deficit in food, raw materials and fuel in trade with ASEAN-4 can be accounted to the ASEAN greater resource endowments and the greater reliance on primary exports.<sup>25</sup> Taking note of statistics, in 1980 the ASEAN-4 exports were to the tune of \$ 8.0 billion to the NIEs which increased upto \$ 40.0 billion in 1994 which means five fold increase, [see table 3] while from the NIEs to the ASEAN-4 the corresponding figures for the same period was \$ 6.3 billion

---

24. n.15, p.90

25. Ibid,p.88

and \$ 41.6 billion respectively i.e. near about seven fold increase.

In the 1990s, there has been an upsurge in Japanese imports of electronic goods from other East Asian countries, such as telecommunication and sound equipment from Malaysia, electronic micro circuits from the Republic of Korea and automatic data processing equipment from Singapore and Taiwan. The trade between Japan and the East Asian developing countries has significant trade imbalance. The latter countries have become of growing importance as a market for Japan now absorbing more than a third of all its exports. Japan enjoys a larger trade surplus with the East Asian countries but it is liable to shrink because of more joint ventures between the NIEs and the ASEAN and also larger savings, investment and the FDI flows in the two regions of East and South - East Asia.<sup>26</sup>

To a certain extent the increase in volume of trade between the NIEs and the ASEAN can be contributed to factors like environment consciousness in the NIEs, higher cost of production, search for new markets, the NIEs businessmen getting investment opportunities in the ASEAN and also reduction of tariffs between the NIEs and the ASEAN. In

---

26. Ibid, p.87

Table IV

PRIMARY COMMODITIES AND LABOUR-INTENSIVE AND RESOURCE-BASED EXPORTS AS A SHARE OF TOTAL NON-OIL EXPORTS OF SELECTED DEVELOPING COUNTRIES AND REGIONS, 1965-1994					
	<i>First-tier NIEs (2 countries)<sup>a</sup></i>	<i>Second-tier NIEs</i>	<i>Latin America (3 countries)<sup>b</sup></i>	<i>Brazil</i>	<i>Mexico</i>
<i>Primary commodities<sup>c</sup></i>					
1965	51.4	96.6	94.6	92.3	84.3
1975	18.4	87.5	81.6	74.0	64.8
1985	7.2	67.6	84.0	52.8	33.9
1994	6.1	31.4	69.5	43.9	13.1
<i>Primary commodities<sup>c</sup> plus resource-based and low-skill labour-intensive goods<sup>d</sup></i>					
1965	86.5	97.7	96.6	94.2	89.2
1975	69.4	93.2	87.7	83.4	75.0
1985	47.6	82.9	89.6	64.1	44.7
1994	31.6	59.0	82.0	58.1	22.8

Source : UN Trade and Investment Report 1996, p.116.

- a) Republic of Korea and Taiwan Province of China.
- b) Argentina, Chile and Colombia.
- c) Excluding petroleum and including non-ferrous metals (SITC 68).
- d) Wood and paper products : non-metallic mineral products : textile and clothing (including footwear) ; and toys and sports equipment.

this context, setting up of production units in the ASEAN became the incentive aspect of investors in the NIEs and also a dynamic investment profit nexus with high profits have enhanced the capacity of firms to invest. In this regard it would be beneficial to peep into the transfer of technology aspect of trade between the two regions.<sup>27</sup>

### Transfer of Technology

With the boom in Asia-Pacific economies in the 1980's off-shore trade and investment activity became an attractive option for all businessmen of NIEs who got dissatisfied with the confines of local business. Industrial developing in the NIEs is still mainly based on mature industries like steel, ship building or consumer durables. Some NIEs started producing microchips or computers, industries which are labelled as high-tech. The important prerequisites were government policy and technology transfer from abroad. The high-tech development of the four NICs was partly dependent on conventional modes of technology transfer like the FDI or licensing.<sup>28</sup>

In 1987 the UNCTC distinguished two types of technology transfer - commercial and non-commercial. Commercial

---

27. Ibid, p.90

28. Manas Chatterjee ed. Technology Transfer in the Developing Countries, Hongkong, 1990, p.281.

technology transfer comprise of foreign direct investment, joint ventures, licensing, franchising, marketing contracts, technical service contracts, turn key contracts and international subcontracting. High tech development in the NIEs would not have occurred with exclusive reliance on conventional modes of technology transfer. Non-commercial technology transfer comprise of reverse engineering, reverse brain drain and FDI in industrialised countries.<sup>29</sup>

Though companies from the four NIEs have successfully entered joint ventures and licensing agreements. In case of South Korea most of these agreements involved the jaebol i.e, big conglomerates. Prominent cases were the joint ventures between Lucky-Goldstar and AT & T and between Samsung and Hewlett Packard, as well as, the subcontracting agreement between IBM's South Korea subsidiary and local component makers. To a larger extent, NICs have also engaged in unconventional technology transfer and acted as "clone" producers.

Taiwan's micro computer makers who started as backyard pirate producers are now making profits who were dependent on reverse engineering. Also South Korean micro chip makers are especially known to have based some of their

---

29. Ibid, p.282.



micro chip design on reverse engineering. In the context of reverse brain-drain both Taiwan and Singapore in the early 1980's have set up science based industrial parks which provided cheap facilities for potential entrepreneurs. Another form of the FDI is the acquisition of enterprises which are in financial trouble which turns out to be the cheapest and most effective ways of high-technology transfer.<sup>30</sup>

In South-East Asia, the increase in profitability, improvement of the quality of the product and expansion of production capacity were the three most important reasons for acquiring new technology. For small companies regard reduction of unit cost of production to be more important than improvement of quality products. Also government influences the adoption of new technologies by private corporations by granting permits for introducing foreign technologies.<sup>31</sup>

Most of the NIEs have resorted to transfer of technology in the ASEAN because of the following factors:-

---

30. Ibid, p.283.

31. Ibid, p.310.

1. In a move of symbolic significance, the U.S. government "graduated" the four NIEs from the Generalized System of Preferences (GSP) beginning in January 1989.
2. Both South Korea and Taiwan were strongly pressured to revalue their currencies against the U.S. dollar to reduce their export competitiveness and reduce their trade surpluses with the U.S.
3. The rapid growth during the last decade in all the NIEs has led to the tightening labour market conditions especially in Taiwan and Singapore and increasing labour costs. This has led to reallocation of the labour intensive operations to lower wage countries mainly the ASEAN countries.
4. The NIEs are involved in investing heavily in education and training of skilled personal, as well as, more active promotion of R&D.<sup>32</sup>

So investments have been made in setting up industrial units in the ASEAN and some of the examples are :-

<u>Corporation</u>	<u>Host Country</u>	<u>Investment Project</u>
ACER [Taiwan]	The Philippines	New production plants in electronics at Subic Bay to strengthen export capacity and take advantage of

---

32. UN Report on Transfer of Tecnology in Asia-Pacific 1992  
New York, 1992, p.78.

		Subic Bay's transportation network.
Daewoo [ROK]	Vietnam	Car factories to tap emerging local markets and reduce production costs.
Singapore Telecom [Singapore]	Indonesia	Establish telephone networks, aims at becoming important service provider in these countries. <sup>33</sup>

In the ASEAN countries, the Philippines has not showed up impressive development because the Philippines is still attached to stringent tariff barriers to the FDI and also political conditions in the Philippines have tended to discourage sizeable investments and also joint-ventures. There has been considerable increase in transfer of technology through joint ventures and multinational enterprises subsidiaries set up in the ASEAN.<sup>34</sup>

The overall perspective of trade and technology transfer looks rosy at this juncture but there are many undercurrents also like high transaction costs and risks inherent in investing or in collaborating with weak and inexperienced local partners in developing countries. The

---

33. John H. Dunning ed. Multinational Enterprises, Economic Structure and International competitiveness, New York, 1985, p.28.

34. Ibid, p.84.

stringent regulations on Intellectual Property Rights means developing countries will have to pay heavily for transfer of technology. Also in the ASEAN countries, issues like ethnic and religious fundamentalism, may pose problems for future development of these countries.<sup>35</sup> In the larger perspective, ASEAN Free Trade Area [AFTA] which was to evolve till 2008 has now been rescheduled to be ready till 2003; which shows insecurity of the ASEAN nations in economic aspect and their desire to tap this regional economic dynamism to sustain their growth. Most interestingly, the state may save transaction costs in the economy by providing a focal point or consensus around which decisions can be co-ordinated. For example, investments in complementary projects may be made only at high transaction costs when they are agreed upon through private bargaining. In practical terms economic planning agency can provide criteria or orientation against which countless individual decisions by private and public officials can be tested and hence given order and coherence which could otherwise only be achieved by a much higher degree of centralisation.

Information costs can be reduced through appropriate changes in the organisational structure of the bureaucracy

---

35. n.28, p.311.

and society. Rent-seeking costs may also be reduced through changes in the rules of political competition and the tools of state intervention.<sup>36</sup>

In case of Trade Related Intellectual Property Rights, resources should be focussed on to the selected technologies in both national laboratories and the R&D laboratories of major companies and the projects should be supported through both public and private funds.<sup>37</sup> Also MNCs, being major producers of industrial products and among the most important conduits for the transfer of modern technologies from abroad, may provide sufficient feedback for development in the subsidiary industries in the less-developed countries.<sup>38</sup>

---

36. Ha-Joon Chang, The Political Economy of Industrial Policy, London, 1996, p.53.

37. Roy Rothwell and Walter Zegveld, Reindustrialization and Technology, Somerset, 1985, p.170.

38. Sanjaya Lall, Multinationals, Technology and Exports, New York, 1985, p.114.

Table V

## COMMODITY STRUCTURE OF EXPORTS FROM SECOND-TIER NIEs, 1965-1994

(Percentage of total non-oil exports)

Commodity group	Indonesia				Malaysia				Thailand			
	1967	1975	1985	1994	1965	1975	1985	1994	1965	1975	1985	1994
<i>Group I</i>	96.7	95.8	75.9	42.0	94.8	81.0	63.6	23.6	98.0	85.7	63.3	28.7
Food	27.0	22.7	14.6	11.7	6.9	7.7	6.1	3.6	55.2	64.0	47.4	22.7
Other primary commodities	69.7	73.1	61.3	30.3	87.9	73.3	57.5	20.0	42.8	21.7	15.9	6.0
<i>Group II</i>	0.2	0.4	16.4	43.6	1.5	5.6	7.0	12.0	1.6	11.1	22.5	27.1
Wood and paper products	0.0	0.1	10.0	17.3	0.7	2.6	1.5	4.1	0.1	1.3	1.3	1.1
Textiles, clothing, footwear	0.2	0.3	6.1	24.7	0.5	2.7	4.5	6.2	0.5	6.6	16.7	20.4
Non-metallic mineral products	0.0	0.0	0.4	1.0	0.3	0.3	0.5	1.1	1.0	3.2	4.2	4.0
Toys and sports equipment	0.0	0.0	0.0	0.6	0.0	0.0	0.4	0.7	0.0	0.0	0.3	1.6
<i>Group III</i>	0.1	0.3	0.4	3.0	0.3	0.8	2.2	3.0	0.1	0.8	1.7	3.3
Iron and steel	0.0	0.0	0.3	1.0	0.1	0.2	0.5	0.8	0.0	0.3	1.0	0.7
Fabricated metal products	0.1	0.2	0.0	1.1	0.2	0.4	0.5	1.1	0.1	0.5	0.6	1.5
Ships and boats	0.0	0.1	0.0	0.2	0.0	0.1	1.2	0.6	0.0	0.0	0.0	0.2
Other <sup>a</sup>	0.0	0.0	0.0	0.7	0.0	0.1	0.1	0.5	0.0	0.0	0.1	0.9
<i>Group IV</i>	2.5	1.4	1.0	3.9	2.3	5.7	20.7	29.8	0.1	1.6	9.6	20.7
Rubber and plastic products	0.0	0.0	0.1	0.9	0.5	0.7	0.6	1.3	0.0	0.4	1.3	2.8
Non-electrical machinery	2.5	0.8	0.2	0.6	0.7	1.6	2.1	3.6	0.0	0.2	1.8	3.7
Electrical machinery	0.0	0.6	0.8	2.1	0.2	3.1	17.9	24.5	0.1	1.0	6.3	12.7
Road motor vehicles	0.0	0.0	0.0	0.4	1.0	0.4	0.2	0.4	0.0	0.0	0.2	1.5
<i>Group V</i>	0.5	2.1	6.3	7.5	1.2	6.9	6.5	31.6	0.1	0.9	3.0	20.2
Chemicals and pharmaceuticals	0.5	1.4	5.9	3.2	1.1	1.0	1.6	3.1	0.1	0.6	1.4	3.0
Computer and office equipment	0.0	0.0	0.0	0.9	0.0	0.9	0.2	10.0	0.0	0.0	0.8	9.5
Communication equipment <sup>b</sup>	0.0	0.1	0.0	2.5	0.0	0.6	3.3	13.8	0.0	0.1	0.1	4.2
Other <sup>c</sup>	0.0	0.6	0.4	0.9	0.1	4.4	1.4	4.7	0.0	0.2	0.7	3.5

Source : UN Trade and Investment Report 1996, p.119

- a) Transport equipment other than road motor vehicles, ships and aircraft; and sanitary and plumbing products.
- b) Telecommunications and sound recording and reproducing apparatus and equipment ; and semiconductors.
- c) Aircraft and associated equipment ; and scientific instruments; including watches and photo equipment.

Table VI COMMODITY STRUCTURE OF EXPORTS FROM FIRST-TIER NIEs, 1965-1994

(Percentage of total non-oil exports)

Commodity group	Republic of Korea				Taiwan Province of China				Singapore				Hong Kong			
	1965	1975	1985	1994	1965	1975	1985	1994	1965	1975	1985	1994	1965	1975	1985	1994
<i>Group I</i>	42.8	17.7	5.9	5.3	60.0	19.0	8.6	7.0	61.1	36.9	23.3	8.6	7.5	3.2	4.0	5.0
Food	17.5	14.1	4.4	2.8	53.0	16.6	6.2	4.0	21.2	11.8	7.6	4.8	4.7	1.9	2.1	2.9
Other primary commodities	25.3	3.6	1.5	2.5	7.0	2.4	2.4	3.0	39.9	25.1	15.7	3.8	2.8	1.3	1.9	2.1
<i>Group II</i>	43.8	53.3	36.3	25.2	26.3	48.7	44.4	25.7	12.6	12.4	10.6	6.1	74.4	63.0	56.4	48.4
Wood & paper products	11.1	5.6	0.7	1.1	7.3	5.2	2.9	1.7	1.3	3.1	2.4	1.0	0.5	0.3	0.6	1.5
Textiles, cloth., footwear	30.9	43.9	32.1	22.7	15.8	38.9	32.6	19.4	9.1	7.8	6.5	4.0	64.2	60.4	46.7	44.8
Non-metallic mineral products	1.7	2.3	1.2	0.7	2.6	1.1	2.3	1.2	1.9	1.1	0.9	0.7	0.9	0.8	0.5	0.7
Toys and sports equipment	0.1	1.5	2.3	0.7	0.6	3.5	6.6	3.4	0.3	0.4	0.8	0.4	8.8	7.5	8.6	1.4
<i>Group III</i>	9.1	11.0	30.8	14.7	4.2	6.1	11.1	9.6	5.4	8.6	4.8	3.9	7.7	4.4	3.6	2.7
Iron and steel	7.7	4.9	6.4	5.4	2.6	1.9	2.1	1.9	2.3	2.6	1.4	0.9	0.9	0.1	0.1	0.2
Fabricated metal products	1.3	2.6	5.2	2.8	1.2	2.7	5.4	6.1	2.5	2.0	1.7	1.3	3.6	2.9	2.5	2.3
Ships and boats	0.0	3.0	17.9	5.6	0.0	0.4	0.6	0.5	0.1	3.8	1.4	1.1	0.5	0.3	0.1	0.0
Other <sup>a</sup>	0.1	0.6	1.3	1.0	0.4	1.1	3.0	1.0	0.5	0.2	0.3	0.6	2.6	1.2	0.9	0.2
<i>Group IV</i>	3.0	10.9	13.4	35.3	3.1	11.7	19.0	29.2	13.7	24.8	29.4	32.7	4.7	9.5	12.9	18.2
Rubber and plastic products	0.7	3.7	2.0	2.2	0.3	3.1	4.1	3.9	0.8	0.6	0.8	1.1	1.0	2.8	2.3	1.8
Non-electrical machinery	1.5	0.7	2.0	5.7	1.4	2.8	4.5	8.2	4.6	8.6	8.6	7.5	0.6	0.6	1.6	3.3
Electrical machinery	0.3	6.4	7.2	20.8	1.4	5.1	9.1	15.1	1.8	13.2	19.0	23.4	3.1	6.1	9.0	13.1
Road motor vehicles	0.6	0.1	2.2	6.6	0.0	0.7	1.3	2.0	6.5	2.4	1.0	0.7	0.0	0.0	0.0	0.0
<i>Group V</i>	1.4	7.2	13.5	19.5	6.4	14.4	17.0	28.5	7.4	17.4	31.9	48.7	5.8	13.9	23.1	25.8
Chemicals and pharmaceuticals	0.2	1.6	3.6	7.1	4.9	2.0	2.9	6.1	5.7	6.0	8.7	6.9	1.3	0.9	1.1	4.0
Computer and office equipment	0.0	1.0	2.1	4.0	0.0	1.6	4.5	13.5	0.3	2.6	9.3	27.6	0.0	1.7	5.7	7.1
Communication equipment <sup>b</sup>	0.9	3.0	5.7	6.7	1.3	9.0	7.7	6.6	0.5	4.9	8.6	10.4	3.6	7.0	6.9	4.5
Other <sup>c</sup>	0.3	1.7	2.1	1.7	0.1	1.8	1.9	2.3	0.9	4.0	5.3	3.8	0.9	4.3	9.4	10.2

Source : UN Trade & Development Report 1996, p.118

- a) Transport equipment other than road motor vehicles, ships and aircraft; and sanitary and plumbing products.
- b) Telecommunications and sound recording and reproducing apparatus and equipment; and semiconductors.
- c) Aircraft and associated equipment; and scientific instruments, including watches and photo equipment.

Table VII

## GROSS NATIONAL SAVINGS, GROSS DOMESTIC INVESTMENT AND EXPORTS IN THE ASIAN NIEs, 1951-1994

*(Percentage of GDP)*

Period	Republic of Korea			Taiwan Province of China			Hong Kong		Singapore		Indonesia			Malaysia			Thailand		
	Savings	Investment	Exports	Savings	Investment	Exports	Savings	Investment	Savings	Investment	Savings	Investment	Exports	Savings	Investment	Exports	Savings	Investment	Exports
1951-1960	3.3	10.0	2.0	9.8	16.3	9.6	9.2	9.1	...	11.4 <sup>a</sup>	...	9.2 <sup>a</sup>	13.6 <sup>a</sup>	23.2 <sup>b</sup>	15.3 <sup>a</sup>	51.4 <sup>a</sup>	15.3	13.5	18.3
1961-1970	13.7	20.0	9.1	19.7	21.9	20.4	20.6	20.6	14.9	22.3	4.9	10.4	9.7	21.5 <sup>c</sup>	19.9	42.3	19.9	21.5	16.2
1971-1980	22.0	28.0	27.6	31.9	30.5	46.4	28.3	26.7	28.9	41.2	24.6	22.7	23.6	26.2	26.3	46.4	22.4	26.2	20.0
1981-1990	30.4	30.7	35.4	32.9	21.9	53.5	34.0	24.8	42.1	42.1	25.1	28.3	24.6	27.4	30.7	60.1	26.2	30.7	26.8
1991-1994	34.7	37.1	28.6	27.4	23.2	46.1	34.0	27.6	48.9	36.3	26.9	29.7	27.0	30.0	36.1	82.7	33.7	40.5	36.9

Source: UNCTAD secretariat calculations, based on national and international sources; and J. Riedel, "Economic Development in East Asia: Doing What Comes Naturally?", in H. Hughes (ed.), *Achieving Industrialization in East Asia* (Cambridge University Press, 1988), table 1.5.

Note: Exports include services.

<sup>a</sup> 1960 only.

<sup>b</sup> Including Singapore, which became independent in 1965.

<sup>c</sup> 1965-1970.



## CHAPTER - IV

### IMPLICATIONS OF THE ECONOMIC POLICIES ON THE POLITICS OF THE REGION.

#### Economic policy and related issues

In the past, states sought territory, but in the contemporary world they seek the ability to create wealth and for that to adopt certain policy perspectives, and extensive planning at both macro and micro levels is required. In a world economy cleft politically by sovereign states and separated culturally by ethnicity and religion, a coherent economy policy adapting itself to changing times is most sought after. Economic policy formulation is based on the form of development choices the government chooses and how much effectively it implements them.<sup>1</sup>

Economic planning may be described as a deliberate governmental attempt to co ordinate economic decision making over the long run and to influence, direct and in some cases even control the level and growth of a nation's principal economic variables [income, consumption, employment, investment, saving, imports, exports etc.] in order to achieve a predetermined set of development objectives, the government then sets various targets and finally organizes a

---

1. Merilee Grindle and Thomas John, Public Choices and Policy Change, Baltimore, 1991, p.28

framework for implementing co ordinating and monitoring a development plan.<sup>2</sup>

In the context of such an institutional setting, one can identify two principal components of development planning in mixed economies :-

1) The government's deliberate utilization of domestic saving and foreign finance to carry out public investment projects and to mobilize and channel scarce resource into areas that can be expected to make the greatest contribution toward the realization of long term economic objectives (e.g. the construction of railways, schools, hydroelectric projects and other components of "economic infrastructure", as well as, the creation of import substituting industries).

2) Governmental economic policy [e.g. taxation, industrial licensing, the setting of tariffs and the manipulation of quotas, wages, interest rates and prices] to stimulate, direct and in some cases even control private economic activity in order to ensure a harmonious relationship between the desires of private businessmen and the social objectives of the central government.<sup>3</sup>

---

2. Michael P. Todaro, Economic Development in the Third World, Hyderabad, 1993, p.504

3. Ibid, p.506

The economic successes of both the ASEAN and the NIES have been contributed by

- 1) the neoclassical economist's prescriptions for limiting government intervention in the market and "getting" the prices right;
- 2) sector or industry specific state intervention;
- 3) non-state institutions.<sup>4</sup>

It is impossible to explain the NICs rapid and impressive industrialisation without considering the ways in which state officials have gone beyond neo-classical prescriptions such as free trade regimes and realistic exchange rates to adopt sector-specific measures. In so doing, they have often reconciled the interests of diverse economic agents with the broader needs of national economic growth.<sup>5</sup> To a greater extent the frequent absence of such examples of government intervention in the ASEAN- four, helps to account for their relatively inferior performance compared to the NIEs.

State sponsored measures alone do not constitute a major aspect of developmental success. Sectoral studies suggest that the NIEs successes are often a function of

---

4. Monochehr Dorraj ed. The Changing Political Economy of the Third World, London, 1995, p. 146

5. Ibid, p. 147.

states responding to learning from and strengthening private sector interests and institutions such as business groups and business associations. Such institutions have begun to make important contributions to economic growth and diversification in the ASEAN-4.

The NIEs have succeeded by choosing a neutral or outward looking policy regime (one not biased in favour of import substitution), and by limiting the role of public enterprises. Entrepreneurs were thus freed to innovate, to pursue their natural comparative advantage and to follow the dictates of the market, not the whims of policy makers nor their politically generated prices. This pattern of limited government intervention in the market, coupled with cheap labour and an open economy, have guaranteed the private sector stability and predictability, the means to achieve competitiveness on a global scale and access to the international market, so that the entrepreneurs could actually discover areas where they have a comparative advantage.<sup>6</sup>

The NIEs have used structured capital accumulation which means, that the state helps to

---

6. Ibid, p.146

- 1) create an entrepreneurial class,
- 2) identify critical economic areas for investment,
- 3) expose the industrialists to the pressures of international competition, and
- 4) supply local entrepreneurs with advice and occasionally strategically applied help.<sup>7</sup>

After the second world war, the NIEs needed security from metropolitan powers and it is said, that none of the NICs would have come into existence if the political and security policies of metropolitan powers, the United States in the case of Taiwan and Korea, Britain in the case of Singapore and Hongkong had been different. If the Asian NICs project was begun by the metropolitan powers, it was also sustained by them, the United States in the 1950's giving more civil and military aid to Korea and to Taiwan than to Singapore and Hongkong.<sup>8</sup> The NICs benefitted from market access, patents, technology and capital and booming world trade and the small size of their economies as compared to the economy of the United States led to an

---

7. Gunnar K. Sletmo and Gavin Boyd [ed.] Industrial Policies in the Pacific, Oxford, 1994, p.153

8. Ibid, p.160

almost complete lack of complaint about the less than free NIC practices.<sup>9</sup>

After the war under the guidance of the U.S. advisors, both Taiwan and South Korea, implemented thorough going land reform in the early 1950's, thus eliminating the conservative land-holding elite that might have been a hindrance to the implementation of policies favouring industry.<sup>10</sup> The United States also provided these two countries with high levels of economic assistance after independence-levels that allowed the governments to subsidise industrialisation and consumption while at the same time investing in physical and human capital without resource to international indebtedness. Later, though the U.S. manipulation of disbursement and stated intention to withdraw the financial support over time aid provided, the United States with leverage to press for reforms and to provide incentives for the two countries to move towards export promotion.<sup>11</sup>

Taiwan and Korea reaped at large the economic benefits of land reforms. The political consequences of land reform

---

9. Helen Hughes[ed.] Achieving Industrialization in East Asia, New York, 1988, p.39

10. n.4, p.153

11. Ibid, p.153.

were no less significant than the economic effects. Land reforms reduced the influence of potentially anti-industrial rural elites. The reforms secured a support base for both regimes in the countryside, pre-empting the possibility of rural based revolutionary movements seen in China, the Philippines and Vietnam. The reforms were accompanied by new organisational mechanisms such as Taiwan's rice-fertiliser barter system which expanded the state's resources by tapping into the surpluses generated by rising rural productivity and output.<sup>12</sup>

### Taiwan

Taiwan exhibits a fundamental political continuity over the entire post-war period. The Kuomintang [KMT] underwent a gradual change in economic orientation over the fifties under the combined influence of reform minded planners such as K.Y.Yin and American advisers. The KMT initially retained control of virtually all assets in the modern sector creating resentment among the Taiwanese. Over time, the KMT has successfully recruited Taiwanese into the party and bureaucracy but the country's centralised, one party political structure has remained intact and helps explain the ability of the KMT to sustain growth oriented policies.

---

12. n.12, p.262

American aid supported a series of economic reforms that reflected the painful political lessons, the KMT had drawn from its experiences on the main land. Though there was spiralling inflation in the early years but prices gradually stabilising by 1954. A series of innovative financial reforms was initiated beginning in 1950, including real interest rates for depositors. In 1953 an Economic Stabilisation Board [ESB] was formed, chaired by Governor and later by the Premier with committees to deal with different development issues. A National Association of Industry and Commerce provided a channel for communicating government decisions to business. Even though U.S. aid was withdrawn later but the KMT maintained relatively harmonious relations with American aid personnel and experts.<sup>13</sup>

The economic ideology of the KMT, based on Sun Yatsen's "Three Principles of the People" combined, private ownership of the productive machinery, government intervention and control of productive assets. Over the fifties significant policy debates centred on the proper extent of the state's role in the economy and even on the priority that should be

---

13. n.9, p.274



given to the island's economic development given the government's stated goal of recapturing the mainland.<sup>14</sup>

The wider-ranging 19-Point Programme, formally adopted in January 1960, incorporated a number of American and Chinese proposals, committing the government to encourage savings and investment, to remove controls and hidden subsidies, to strengthen tax administration, to improve the budget system, to develop money and capital markets to establish a unitary exchange rate and to encourage exports. The government created the Council of International Economic Co-operation and Development which centralised previously dispersed planning activities.<sup>15</sup>

Taiwan's domestic political system also faced new pressures over the seventies with the growth of tang-wai or non-party politicians but KMT was better placed to engineer political adjustments. The government in Taiwan continues to avoid promoting industrial conglomerates instead promotes dynamic and profitable firms like Kennex and Acer that have impressive world market shares in their well-delimited product ranges. The Taiwanese industrialists are carving out international niches in small-scale, skill intensive

---

14. Ibid, p.276

15. Ibid, p.277

production such as automobile components, speciality steel, customer-designed electronics and machine tools with a perfect support base from the government.<sup>16</sup>

### South Korea

In case of the Republic of Korea, the left acted quickly to proclaim the aim of a People's Republic after the defeat of the Japanese but the American government sought to assemble a moderate centralist coalition in part through urging and support land reforms. Peasants uprisings in 1947 were suppressed and leftist unions replaced by unions with close links to the government.<sup>17</sup>

In spite of impositions by the American, Syngman Rhee was able to maintain a significant degree of executive autonomy, aided by extensive resources in the hands of bureaucracy. The Korean war gave Rhee a reprieve from growing domestic political opposition weakened the left and thus allowed him to consolidate his political hold. Rhee manipulated the opinion of its Liberal Party in favour of the American aid programme and large scale purchases of won [Korean currency] at official rate by resident U.S. forces constituted a major incentive to maintain an overvalued

---

16. Ibid, p.280

17. B.Cummings -The Origins of the Korean war: Liberation and the Emergence of Separate Regimes 1945-1947, Princeton, 1981, p.15-16

exchange rate. Aid and control over import licenses gave Rhee an instrument in securing the loyalty of the army, bureaucracy and favoured firms. Pre occupied with domestic political issues, Rhee consistently ignored efforts within his own bureaucracy to give greater coherence to policy but visible corruption of the regime finally forced Rhee's resignation. The gradual disintegration of the second Republic left a vacuum into which the military stepped unopposed.<sup>18</sup>

The military rule undertook certain institutional changes which strengthened the state. Firstly, a range of new instruments of economic control and planning were developed, including the creation of an Economic Planning Board that combined planning and banking sector was nationalised. Secondly, despite the return to democracy in 1964, the government had become more politically centralised, as well as, insulated. Decision making was centered in executive and the organisation of agricultural co operatives and labour unions was centralised. All factions of the military saw economic growth as a primary task with the political problem of high levels of urban unemployment. General Park Chung Hee even justified the coup on economic

---

18. n.9, p.268.

ground and later on, Park was forced to stake his political legitimacy on improving economic performance. The final economic reforms came in 1964 after the elections which returned Park to the presidency as a civilian. Key measures taken were origin of Economic Planning Board, sizeable devaluation and consistent policies promoting exports but had a distinctly political foundation.<sup>19</sup>

A complicated system of incentives and supports were initiated to stimulate a free-trade system for those firms willing to export, while mechanisms, such as generous wastage allowances provided additional pay offs. Park chaired meetings between business organisations and government to sort out bureaucratic-red tapism and coherence in developmental strategy. Financial scandals in early eighties put a belief that large amounts of money was siphoned to the ruling party's political activities.<sup>20</sup>

With the change in economic conditions like increasing protectionism, competition from other NICs and developing countries, the presumed disadvantages of light manufacturing led to Heavy and Chemical Industry Development Plan of 1973.

---

19. Ibid, p.269-270

20. n.7, p.158

But this plan led to economic imbalances leading to increase in labour conflicts and thus new labour legislation was enacted in December 1980 which led to decline in labour Union membership. 21

The Chun Doo Hwan regime was accompanied by a turn in economic policy back toward a more balanced course with efforts to liberalise economic management on a number of fronts. These included trade liberalisation, liberalisation of foreign investment, the restructuring of the heavy and Chemical industries and the return of the banking sector to private hands. Though there is a trend toward the liberalisation of economic management , the actual pace of reform had been shaped by political and bureaucratic conflict and was more gradual than policy pronouncements. 22

### Singapore

Singapore's traumatic separation from Malaysia in 1965 pushed it into staggering problems of redefining its previously intimate commercial, financial and manufacturing connections with the Malaysian Federation. Prime Minister Lee Kuan Yew who gave vigorous leadership to Singapore, challenged his nation to build a "rugged and robust" society. Lee equated economic success with political

---

21. n.9, p.272

22. Ibid, p.273

survival and established active policies of economic diversification and industrialisation. Singapore was suffering from the results of rapid population growth and very high unemployment rate of around 10 percent in 1960's. Singapore had neither the resources nor the area of the other states and embarked on a campaign of zero-population growth to complement its other development policies.<sup>23</sup>

The Singapore government's investment in public housing was only a facet of a broad based strategy to transform the economy and promote national security. This strategy was to encourage export-oriented industries and to rely on economic growth to meet the equity considerations with key government support of basic social service such as housing, health, population control and education. Wide array of incentives regarding foreign investment in refining, textiles and electronics induced 451 foreign firms to invest by 1970 which increased manufacturing output, employment and national income.<sup>24</sup>

The shrewd political judgement of Lee Kuan Yew and the tight party discipline of the People's Action Party [PAP]

---

23. Ronald D. Palmer and Thomas J. Reckford - Building ASEAN :20 years of South East Asian Cooperation, Washington D.C, 1987, p.6

24. Ibid. p.7

led to Singapore's political support to economic policies.<sup>25</sup> Though individual capitalist class in Singapore has exerted very tacit influence on the PAP government but the fact is that the PAP has relied primarily on public enterprises and foreign investment. The Singapore model also combines the public and private sector and from the inception of multinational led growth, a close network of international executives and public sector employees, primarily in EDB and Ministry of Finance and also in the National Wages Council has co operatively developed the island's economy. <sup>26</sup>

The government enhanced the investment climate through the provision of fiscal incentives, including tax holidays, accelerated depreciation for capital expenditures and concessionary tax rates on profits accruing from the export of manufactured products. The government continued to rely on similar fiscal and financial incentives throughout the 1970's and 1980's to stimulate economic growth. A wish to advance into high-technology and capital intensive industries and the introduction of automation and more effective mechanisation into existing production methods prompted the establishment of new industries, such as petrochemicals, aerospace, bio technology and information

---

25. n.9, p.322

26. Ibid, p. 323

technology throughout the 1980's<sup>27</sup> In the early 1992, ASEAN decided to establish an ASEAN Free Trade Area with in 15 years<sup>28</sup> [subsequently reduced to 10 years], and on this issue Singapore acted as a catalyst so as to reduce its difficulties through economic expansion over seas.

### Hongkong

Hongkong became a colony of the British in 1841 because of its magnificent harbour and after the Second World war the Britishers restored the public services and traditional colonial pattern was re-established in May 1946.<sup>29</sup> The Governor promised a greater measure a self-government and after inviting suggestions from the public, proposed that an elected Municipal Council with wide powers over local affairs in the urban area. Until 1985, there was no move towards democratic government instead the number of appointed unofficial members on the Legislative council was increased from eight in 1951 to 30 in 1984. In 1985, the composition of Legislative Council was substantially changed

- 
27. Yuen Ng Chee and Sudo Sueo, Development Trends in the Asia-Pacific, ISEAS, Singapore, 1991. p.216
  28. Decision taken in the Singapore summit meeting of ASEAN in 1992, Source:- Chia Siow Yue, " Foreign Direct Investment in ASEAN Economies, Asian Development Review, Volume 11, Number 1, 1993, p.99
  29. Keith Hopkins [ed.] Hong Kong : The Industrial Colony, London, 1971, p.339.



to include 24 directly elected members <sup>30</sup>. In 1990, Basic law was promulgated which stated that the 1997 Legislative Council must consist of 30 members elected by functional constituencies and 10 by an electoral college. Hongkong's economic growth has been exceptionally high from 1950's to 1990's though it was effected by the oil crisis of 1973-74 but the average annual rate of growth was still impressive. Hongkong has evolved itself into a service post industrial economy. Banking, trade of all kinds and tourism are now particularly significant in Hongkong and economic policy has adjusted to these realities. <sup>31</sup>

Hongkong had eased its immigration policy to adjust to the requirements of its industry for labour. For more than forty years, the government has maintained reasonable stability of political institutions and has supported a market regime, that allowed for great flexibility of resource use and provided strong incentives to wealth acquisition in the form of tax concessions. Further more, the expansive domestic policies of the Ronald Reagan administration in the U.S., combined with a policy of

---

30. Colin Bradford and W.H. Branson [ed.], Trade and Structural Change in Pacific Asia, Chicago, 1987, p.187

31. Hongkong Economic Profile, Number 205, Research Department Hongkong Trade Development Council, Hongkong, November 96. p.2

linking the Hongkong and American dollars provided very favourable opportunities for Hongkong exporters. <sup>32</sup>

One aspect of the growing role of the government in the economy is that its rising involvement is a reflection of the policy of being willing to borrow. Hongkong's prosperity was based earlier on the development of labour intensive manufactures especially textiles. Since 1980's, this pattern has changed partly because Hongkong's costs became too high for many of its established industries. Many economic experts predict Hongkong to be the world's richest city. this skepticism is because of firstly, the skill of Hongkong entrepreneurs in shifting their industries to low cost location. Secondly, the development of links with China, partly owing to political change. Hongkong has become a centre for other economies also relocating and developing businesses in China and Taiwan.<sup>33</sup>

After 1997 transfer of Hongkong to China, Hongkong is to become a Special Administrative Region (SAR) of China. In the Sino-British Joint Declaration of 1984, China undertook not to interfere in Hongkong's affairs after 1997,

---

32. Edward K.Y.Chen, "Foreign direct Investment in East Asia" Asian Development Review, Volume 11, Number 1, 1993, p.26

33. Ibid, p.26

apart from the areas of defence and foreign policy, and if this happens so, then Hongkong will emerge as one of dynamic economies of the region.<sup>34</sup>

### ASEAN

The importance of political factors in influencing the economic performance of various countries is so obvious in the post war period that the ASEAN is not an exception to it either. With Indonesia's amazingly rapid turn around after 1967 from an abysmal record of economic and administrative deterioration under Sukarno in the early 1960's, towards the steady growth in Suharto era.<sup>35</sup> In the Philippines, conversely the economic decline of the early 1980's revealed that even an autocrat like President Marcos, backed by competent technocrats, experienced businessmen and lavish loans from foreign bankers, cannot keep economic growth plans on track if the political circumstances adversely affect their implementation. The ASEAN states in their early development met the socio-political requisites for economic policy.<sup>36</sup> There are various factors for effective implementation of policy issues :-

---

34. n.28, p.340

35. Andrew, Mac Intyre- Business and Politics in Indonesia, London, 1991, p.3

36. n.9, p.308

- 1) An autonomous state agency must have the technocratic capacity to formulate policy goals and guide private actors toward a common end.
- 2) There must be capital and capitalists available to mobilise. South Korea's chaebol is an example.
- 3) The pattern of state- society linkages in the business sector must produce an embedded state capacity, an ability to direct development co operatively.<sup>37</sup>

The ASEAN economies have experienced rapid industrial growth over the past several decades and their primary thrust was to transform themselves from primarily agricultural economies into industrial giants. In the 1950's and 1960's highly protected import-substituting investment [ISI] was prominent throughout the region. From 1950 to the early 1970's, the Philippines stressed import substitution which led to rapid early expansion of production. Up through the late 1960's, Malaysia focussed primarily on expanding locally made consumer goods. Into the early 1970's, Thailand emphasised food processing, consumer goods and construction materials within an ISI frame work. Indonesia in effect insured stagnation of manufacturing through its strict ISI regime of the 1950's and 1960's <sup>38</sup>

---

37. Ibid, p.172-173

38. Ibid. p.172-173

Foreign investment was sought as viable component of manufacturing but extensive reliance on foreign forms conflicted with the rising nationalist climate in some states during the 1960's and 1970's. In every ASEAN member, there were public expressions of hostility toward foreign investment, ranging from student riots in Indonesia and Thailand to public debates in Malaysia and the Philippines. In the anti-foreign climate of the 1970's, the low industrial development of the ASEAN economies made the few foreign firms more prominent and national elites were unsure of their abilities to control them.<sup>39</sup>

The Indonesian nationalisation of the 1950's established military in the economy, a role that was to expand. Thailand's developmental push of the late 1950's was led by state firms. In Malaysia and the Philippines industry was over whelmingly foreign owned in the 1950's but the state took a leading role in the 1970's through very different paths. Malaysian interests brought out selected foreign sectors, particularly tin and rubber and forced partnerships with state controlled holding companies. The Marcos government in the Philippines used state control of finance and "crony capitalists" to obtain controlling

---

39. Ibid, p. 173

positions in major industrial conglomerates. Controls acted to close sectors that were increasingly occupied by state firms.<sup>40</sup>

Indonesia's economic policy making was severely constrained by the vested political interests within the government. The power of the technocrats to implement policies which conflicted with the interests of military associated firms remained very limited.<sup>41</sup> Major economic institutions such as the national oil company, Pertamina and the rice trading agency, Bulog were managed by army officers who used them to siphon off funds for patronage.<sup>42</sup>

The large percentage of capital in all the ASEAN-4 countries is Chinese and this led to overt restrictions in Thailand and Indonesia, what were in essence quotas in Malaysia after 1969 and restrictions on citizenship in the Philippines that were aimed at curtailing the Chinese economic role. Relations between the governments and national private entrepreneurs were everywhere tense. Personalistic means of control were common, whether "Ali-

---

40. Ibid, p.174

41. n.9, p.314.

42. n.7,p.174

Baba" in Malaysia, military board members in Thailand or military-Chinese "partnerships" in Indonesia.<sup>43</sup>

The combination of state intervention, foreign firms and weak domestic capital resulted in what has been called "Ersatz capitalism"<sup>44</sup> lacking domestic technology but relying on foreign firms for it. The environment of the 1960's and 1970's prevented a focussed industrial policy due to weak bureaucratic capabilities, inadequate capital resources and fragmented state-social linkages.<sup>45</sup>

In Malaysia and Indonesia, programmes were designed to foster the development of "indigenous" business. Malaysia's New Economic Policy [NEP] after 1971 channelled vast resources into the building of a "bhumiputra" (Malay) business class through educational and state preferences. In the 1970's the number of Malay professionals and managers more than doubled. Substantially increasing their share in these occupations relative to other races.<sup>46</sup>

---

43. Ibid, p. 175

44. Ersatz capitalism means flight of foreign technology which is inferior than the original through foreign firms to the host country. Kunio Yoshihara, The Rise of Ersatz Capitalism in South East Asia, Singapore, 1988, p.4.

45. Ibid, p.5

46. n.7, p.177.

Indonesia in the early 1970's also initiated a "pribhumi" policy which included many non-Chinese business operators in pervasive clientlist networks. Although the ethnic basis of distinction was de-emphasised during the 1980's in favour of all "weak" national business interests. In 1980's many domestic entrepreneurs including military officers and bureaucrats along with ethnic Chinese formed large joint ventures which were called "Cukong" system.<sup>47</sup>

In the 1970's Thai technocrats, based on World Bank recommendations, proposed that Thailand's attempt to emulate the developmental successes of countries such as South Korea and Singapore. The concept was introduced by the Social Action Party [SAP] and supported by banking interests behind the SAP but was opposed by Chart Thai Party. President Marcos "Crony capitalist" structures in the Philippines had more severe problems. Centered in agricultural monopolies, they were so shot with corruption that they provoked to the regime in the business circles of Makati toward the end of Marcos rule.<sup>48</sup>

Malaysia's relative shortage of technically trained Malays caused emphasis on their training and combination of technical and political skills, especially in such new

---

47. Ibid, p.177.

48. Ibid, p.178.



agencies as the Prime Minister's Office.<sup>49</sup> In Thailand, the traditionally strong bureaucracy primarily the domain of generalists, was infused with a large cohort of mostly foreign trained technical personnel. In the mid-1970's one third of the highest grade in the bureaucracy and one-fifth of the next grade had foreign training, much of it sponsored by the United States Agency for International Development.<sup>50</sup> In the Philippines, the Marcos administration, especially after the declaration of martial law, boosted the number of technocrats in government economic agencies.<sup>51</sup>

Only in the Philippines did the regime of the 1990s resemble that of the 1960s despite considerable rotation among individuals through the Marcos and Aquino years. In Malaysia and Thailand, the state emerged with greater capacity to effect change while in Indonesia hard authoritarianism has limited state capacity.<sup>52</sup>

---

49. James Jesudason, Ethnicity and the Economy : The State, Chinese Business and Multinationals in Malaysia, London, 1989, p.56.

50. Frederic Deyo ed. The Political Economy of the New Asian Industrialism, Ithaca, 1987, p.28

51. n.7, p.179

52. Ibid, p.180

In the current scenario the political chaos and economic instability had deprived the Philippines of the economic boom that the other ASEAN nations experienced. In early 1980s, a series of sectors were identified for industrial projects but the plan was dropped without implementation. Under the General Ramos government certain guidelines has been given to domestic industries and entrance of foreign firms and the results to an extent satisfactory. In Indonesia and in some cases in Thailand and Malaysia, decisions continue to be personalistic but the role of state as a sheet anchor has evolved an economic growth which is hoped to be sustained in future also.

One very pertinent question arises that why the growth rates of the ASEAN-Four is generally, higher since the inception of the ASEAN. In fact ASEAN-Four and the NICs were fortunate in their timing in the 1960s-70s. Various circumstances combined to favour them in the crucial early stages of industrialisation, helping to get the momentum of growth started, particularly the "pull" effects of Japan's rapid growth and the great outflow of Japanese capital that followed after 1970. The stimulus given by United states off-shore purchases during the Vietnam war also gave an important boost to Thailand and Singapore. The oil boom

gave a major fillip to Indonesia and Malaysia.<sup>53</sup> In addition, access to world markets was not the problem because of the dialogue partners of the ASEAN. The ASEAN Four have not achieved the phenomenally high growth rates of the NICs because of certain factors like:-

- a) size and degree of urbanization,
- b) Legacies of colonial rule,
- c) The ambivalence towards foreign capital and the economic nationalism associated with those legacies have at time posed difficulties for governments and constraints upon them, varying in intensity from one to another.
- d) The dominant position of Chinese businessmen.
- e) Domestic capital Formation.<sup>54</sup>

The ASEAN-Four do not resemble the NICs in respect of being either "insulated developmentalist states" or of being backed by cohesive "growth coalitions" in their upper classes. Economic nationalism and its ideological legacies have constituted far more significant political constraint upon governments in the ASEAN-Four than in the NIEs.<sup>55</sup>

---

53. n.4, p.163

54. n.9,p.297

55. John Brohman, Popular Development : Rethinking the Theory and Practice of Development, Cambridge, 1994,p.98.

The anti-Chinese sentiments have also decelerated growth in ASEAN-Four and now both Thailand and the Philippines are getting over it. Certain vested interests are highly dependent over monopolies, monopsony, protection or other forms of disguised subsidy which are strong enough to obstruct efforts to achieve administrative or political reform. Deeply entrenched elites have a particularly stubborn capacity to resist changes in status quo and the same has happened in case of the Philippines.<sup>56</sup>

In Thailand, a relatively strong urban middle class has been emerging over the last thirty years, converting the Thai aristocracy, bureaucracy, salaried and professional classes and the Sino-Thai commercial and industrial bourgeoisie into the relatively homogeneous whole. In Malaysia the ethnic line of distinction is much sharper and its political manifestation are much more problematic.<sup>57</sup>

In the contemporary situation, all the governments of the NIEs and the ASEAN are giving thoughts to democracy and with the end of the Vietnam War and the Cambodian crisis peace prevails in the region. But it has to an extent stagnated the ASEAN growth and thus in 1990s many

---

56. n.4,p.169

57. n.7,p.184

alternatives like Asia-Pacific Economic Cooperation [APEC] and the formation of AFTA has become necessary so as to sustain the ASEAN rate of growth. with the NIEs seeking greener pastures of Indo-China for investment, the ASEAN have to evolve better policy framework and give tax holidays to FDI.

## CHAPTER - V

### CONCLUSION

In the 1980's the ASEAN's economic growth was not significant because of the specialisation of the ASEAN countries in the identical primary products and predominance of raw materials in exports. This in a way led to the reduction in export bills of the ASEAN because of lack of collective bargaining. During the same period the world economy was going through slack period of growth and in order to get out of it trans-national investment was thought as an alternative. Though the ASEAN countries had not much developed infrastructure, but still they were preferred by Japan the US and the NIE's because, they were better than most of the developing countries which were trying to come to terms with their economic requirements after colonial rule. Most of the favourable steps were taken by the ASEAN to attract the FDI like the change in the form of industrialisation adopted from import substitution to export promotion, development of economic boards and investment by the government for developing infrastructure. One of the major advantages of the ASEAN was the availability of cheap and skilled labour and in order to cut the production costs, the NIEs started investing in the ASEAN member countries. The investment profit nexus was positive for the NIE and

this led to increased investment in the ASEAN. Its not only the ASEAN's FDI policy which attracted the FDI but also the compulsion on the part of the NIEs to shift their production units because of labour strikes, evaluated exchange rate, competition with the Japanese and U.S. products, cutting down of transaction costs and achieving cost efficiency. In case of the FDI, what is most sought by the investing firms in proximity of their production units. Hence, most of the multinational companies invested heavily in the ASEAN countries. The positive repercussions in the ASEAN were increase in employment, sustaining of the domestic production, transfer of technology at low cost and mushrooming of domestic allied industries to the MNCs.

If one analyses, the economic developments in the region of East and South east Asia, then one would notice, that in the 1950's and 1960's Japan adopted effective industrialisation policy which trickled down to the NIEs in the 1960's and 1970's. The same policy of industrialisation based on export promotion shifted to the ASEAN. The demonstration effect in the region led to the development of the ASEAN. In much more wider perspective, Japan shifted its production units to the NIEs in search of cheap labour for labour intensive industries and the NIEs did the same in case of the ASEAN. The rising protectionism in Europe and

the U.S. i.e., Generalised System of Preference in a way, forced the NIEs to look for new markets for their products. In order to justify their market infiltration in the ASEAN, they started investing in the ASEAN member countries. Also, land costs in the NIEs were very high and in order to cut down on rent most of the FDI flowed in the ASEAN.

In terms of trade, the NIEs were mostly importing raw materials from the ASEAN in the 1960's and 1970's and exporting finished products to the ASEAN. The ASEAN exports, later on, constituted mostly labour intensive products and in certain products like footwear, textiles etc. the NIEs were facing tough competition from the ASEAN in the international markets. In order to reduce their trade deficits vis-a-vis the ASEAN, the NIEs started joint ventures with the ASEAN in those products in which the NIEs were having disadvantages in cost effectiveness. The collective bargaining of the ASEAN and the NIEs led to economic growth of both the regions. To a large extent, the increase in the volume of trade can be attributed to the reduction of tariffs and guarantee of investment security by the ASEAN. The compatibility of the ASEAN and the NIEs led to the transfer of technology from the NIEs to the ASEAN in the form of subsidiary units of MNCs, training of personnel, R&D programmes by private firms and the setting up of



auxiliary units for the main production units. This gave the ASEAN "catching-up" bonus and boosted the production levels of domestic units much above the levels of other developing countries in Asia and Africa.

The failure of import substitution industrialisation in most of the ASEAN countries led to rethinking of their industrial policies and the changing economic scene forced the governments in the ASEAN countries to formulate economic policies according to the needs of the domestic economy and requirements for coming at par with development prospects. This resulted in export promotion industrialisation and the governments in the ASEAN, in order to legitimise themselves, had to achieve rapid economic growth. The formulation of economic policies and establishment of investment and economic development boards fastened the whole process of development. These regimes stressed the need for economic growth and in need, they resorted to all means to attract foreign investment and increase trade with the NIEs. The NIEs, in turn, played the role of 'catalyst' with Singapore acting as a entreport and Hongkong as a major financial centre for the ASEAN. Also, the dialogue partners of the ASEAN effectively supported the cause. In case of Brunei, which is more of a self contained economy with large percentage of exports being fuel, it already had a very high

per capita income. The induction of Vietnam led to diversification of the ASEAN interests and extension of the ASEAN's area of influence. With Vietnam emerging out of its economic backwardness caused by successive wars, the ASEAN can play an effective role in integration and development of South east Asia. The emergence of Asean Free Trade Area in 2003 might give a boost to economic development in the area and dilution of the tariffs in most of the countries of East Asia and South East Asia. The future looks rosy and if everything goes right, then the ASEAN and the NIEs economic cooperation may become an important milestone in the development of the developing countries.

## BIBLIOGRAPHY

### Primary Sources

Asian Development Bank, Asian Development Outlook, Manila, ADB, 1990

General Agreement on Tariffs and Trade [GATT]. the Result of the Uruguay Round of Multilateral Trade Negotiations, Geneva. November. 1994

International Monetary Fund [IMF], Report on the Measurement of International capital Flows, Washington, 1992

---- Private Market Financing for Developing Countries, World Economic and Financial Survey, December 1992, Washington,

---- World Economic Outlook, October 1993, Washington

Ministry of International Trade and Industry, White Papers on International Trade 1994, Tokyo, 1994

Organisation for Economic Cooperation and Development [OECD]

-- International Trade and its Social and Economic Effects, Regional Trade Union Seminar, 7-10 December 1971 Paris, Final Report, Paris, 1972

United Nations Conference on Trade and Development

-- World Investment Report 1996, Investment, Trade and International Policy Arrangement, New York and Geneva, 1996

World Bank

-- Global Economic Prospects and the Developing Countries, New York, 1993.

Pangestu, Mari. "Global Economic Development: Implications for Developing Countries" Paper Presented at the Fifth India-Indonesia conference, 22-23 January 1995, New Delhi.

Secondary Sources :-

Articles:-

Akrasance, Narongchai and Stifel, David, "A Vision of South-East Asia in the year 2000 : Towards a common Economic Regime, Contemporary South East Asia, Singapore, Volume 16, Number 1 June 1994.

Akrasance, Narongchai, 'ASEAN Economies and ASEAN Economic Co-operation, Asian Development Bank, Economic Staff Paper No. 23, Manila.' 1984.

Antolik, Michael. "ASEAN's Singapore Rendezvous : Just Another Summit? "Contemporary South East Asia, Singapore, Volume 14, Number 2 1992

Arndt, Heinz W. and Ross, Garnaut, "ASEAN and the Industrialization of East Asia, Journal of Common Market Studies, Volume 17, 1979

"ASEAN and Asia-Pacific " Indonesian Quarterly. Volume 22, Number 1 1994

Ariff, Mohamed and Tan, Eu Chy, "ASEAN -Pacific Trade Relations" ASEAN Economic Bulletin, Volume 8, Number 3. March 1992

Ariff, Mohamed and Joseph, L.H.Tan, "Introduction" ASEAN Economic Bulletin, Volume 8, Number 3. March 1992

Atiff, Saleh "Economic Adjustment : The Indonesian Experience "Asian Development Bank, Second Round Table on Development Strategies, 22-24 January 1990, Manila 1990.

Balassa, Bela and Ardy, Stontjesdijk, "Economic Integration among Developing Countries" Journal of Common Market Studies, Volume 14, 1976

- Bates, Robert H., Philip, Brock and Jill, Tiefenthaler, "Risk and Trade Regimes : Another Exploration" International Organisation, Volume 45, Number 1. 1991
- Blomqvist, Hans C., "ASEAN as a model for Third World Regional Economic Co-operation" ASEAN Economic Bulletin, Volume 10, Number 1. July 1993.
- Bradford, Colin I., "Trade and Structural Change : NICs and Next Ties NICs as Transitional Economies," World Development Volume 15, 1987
- Chen, Edward K.Y., "Foreign Direct Investment in East Asia" Asian Development Review, Volume 11, Number 1. 1993
- Chen, Xiangming, "Taiwan Investments in China and South East Asia : go West but also go South" Asian Survey, Volume 36 Number 5. May 1996.
- Chug, Meng Kng, "ASEAN's Institutional Structure and Economic Co-operation" ASEAN Economic Bulletin, Volume 6, Number 3. March 1990.
- Curry, Robert L.Jr. "Regional Co-operation in Southern Africa and South East Asia" ASEAN Economic Bulletin, Volume 8, Number 1. July 1991.
- Das, Parimal Kumar, "ASEAN : Its Salience and Relevance to Regional Peace and Development in South Asia" Chopra H.S. et al. ed. SAARC 2000 and beyond, Omega Scientific Publishers, Delhi, 1995.
- Devan, Janamitra, "The ASEAN Preferential Trading Arrangement. Some Problems, Ex Ante Result and a Multipronged Approach to Future Intra-ASEAN Trade Development " ASEAN Economic Bulletin, Volume 4, Number 2. 1987
- De Rosa, Dean A, "Sources of Comparative Advantage in the International Trade of the ASEAN Countries" ASEAN Economic Bulletin, Volume 10. Number 1 July 1993.

- Dexiang, Jin, "The Changing World Economy and Asia-Pacific Co-operation" Contemporary International Relations, China Institute of Contemporary International Relations, Volume 6, Number 10. October 1996.
- Dorn, James A. "Economic Liberty and Democracy in East Asia" Strategic Digest, Volume 24, Number 4. April 1994.
- "Framework agreement on Enhancing ASEAN Economic Co-operation" ASEAN Economic Bulletin, Volume 8, Number 3. March 1992.
- Hamilton, Clive, "The Irrelevance of Trade Liberalization in the Third World", World Development, Volume 17, Number 10. 1989
- Heitger, Bernhard, "Comparative Economic Growth : Catching up in East Asia" ASEAN Economic Bulletin, Volume 10, Number 1. July 1993.
- Hyun, Jung Taik and Whitmore k. " Japanese Direct Foreign Investment : Patterns and Implications for Developing countries" World Bank Industry Series, Number 1. February 1989.
- Ignatius, Adi "Future Shock" For Eastern Economic Review, Singapore, 31 October 1996.
- Koppel, Bruce and Plummer, Michael "Japan's Ascendancy as a Foreign Aid Power : Asian Perspectives" Asian Survey, Volume 29, Number 11. 1989.
- Kurus, Bilson "The ASEAN Triad : National Interest, Consensus Seeking and Economic Co-operation, Contemporary South East Asia, Volume 16, Number 4. March 1995.
- Langhammer, Rolf J. "Trade in Manufactures Between Asian Pacific Rim Countries" ASEAN Economic Bulletin, Volume 6, Number 1. July 1989
- Lee, Chung H. "Korea's Direct Foreign Investment in South East Asia" ASEAN Economic Bulletin, Volume 10, Number 3. March 1994.

- Naya, Seiji and Plummer, Michael G. "ASEAN Economic Co-operation in the New International Economic Environment" "ASEAN Economic Bulletin, Volume 7, Number 3, 1991
- Nemetz, Peter N. "Primary Commodities and Strategies for Development in ASEAN" ASEAN Economic Bulletin, Volume 6, Number 3 March 1990.
- Pangestu, Mari, Hadi, Soesastro and Mubariq, Ahmad, "A New Look into Intra-ASEAN Economic Co-operation" "ASEAN Economic Bulletin, Volume 8, Number 3. March 1992
- Park, H. and Westphal, L.E., "Industrial Strategy and Technological Change : Theory Versus Reality" "Journal of Development Economics, Volume 22,1986.
- Paribatra, Sukhumband, "From ASEAN six to ASEAN Ten: Issues and Prospects, Contemporary South East Asia, Volume 16, Number 3 December 1994.
- Rahman, Ibrahim and Mansor, Md. Isa, "Non-Tariff Barriers to Expanding Intra-ASEAN Trade" ASEAN Economic Bulletin, Volume 4, Number 1. July 1987
- Reiger, Hans c., "ASEAN Co-operation and Intra ASEAN Trade, Research Notes and Discussion Paper No.57, ISEAS, Singapore, 1985.
- Rolls, Marks G., "ASEAN : Where from or where to ?" Contemporary South east Asia, Volume 13, Number 4, 1991
- "Singapore Declaration 1992" ASEAN Economic Bulletin, Volume 8, Number 3. March 1992
- "Towards an ASEAN Economic Community" Bangkok Post, Bangkok, 9 October 1991.
- United Nation, "Economic Co-operation for ASEAN" Journal of Development Planning, Number 7. 1994

- Vaitsos, Constantine V., "Crisis in Regional Economic Co-operation (Integration) Among Developing Countries" World Development, Volume 6, Number 6. 1978.
- Waite, Gordon, "The Composition and Direction of the Republic of Korea's Outward Foreign Direct Investment" Asian Profile, Volume 21, number 3 June 1993.
- Whitmore, Katherine, Lall, S. and Hyun, J.T., "Foreign Direct Investment from the Newly Industrialized Economies" World Bank Industry Series, Number 22. December 1989.
- Wong, John, "ASEAN's Experience in Regional Economic Co-operation" Asian Development Review, Volume 3, Number 1 1985
- Yue, Chia Siow, "Foreign Direct Investment in ASEAN Economies" Asian Development Review, Volume 11, Number 1 1993.

**Books :-**

- Acharya, Amitav and Stubbs, Richard [ed.] New Challenges for ASEAN Emerging Policy Issues, UBC Press, Vancouver, 1995.
- Ali, Anwar, Malaysia's Industrialisation : The Quest for Technology, Oxford University Press, Singapore, 1992
- Anek, Laothamatas, Business Associations and the New Political Economy of Thailand, Westview Press, Boulder, 1991
- Ariff, M and Hill, H., Export Oriented Industrialization : The ASEAN Experience, Allen & Unwin, Sydney, 1985.
- Aziz, G.A., Strategies for Structural Adjustment : The Experience of South East Asia, International Monetary Fund, Bank Negara, Malaysia, 1991



- Bowie, Alasdair, Crossing the Industrial Divide : State, Society and the Politics of Economic Transformation in Malaysia, Columbia University Press, New York, 1991.
- Boyd, Gavin, Corporate planning and Policy Planning in the Pacific, Pinter Publishers, London, 1993.
- Boyd, Gavin, Pacific Trade : Investment and Policies, Pinter Publishers, London, 1989
- Branson, W.H. and Bradford, Colin I. [ed.] Trade and Structural Change in Pacific Asia, University of Chicago Press, Chicago, 1987
- Bresnan, John, Managing Indonesia : The Modern Political Economy, Columbia University Press, New York, 1993.
- Chan, Steve, "East Asian Dynamism : Growth, Order and Security in the Pacific Region", Westview Press, Boulder, 1990.
- Chatterji, Manas [ed.], Technology Transfer in the Developing countries, Macmillan Press Ltd., Hongkong, 1990.
- Chen, Peter S.J. [ed.] Singapore Development Policies and Trends, Oxford University Press, Singapore, 1984
- Chen, Edward K.Y., Hyper growth in Asian Economies, A Comparative study of Hongkong, Japan, Korea, Singapore and Taiwan, Macmillan Press Ltd. London, 1979
- Chowdury A. and Iyanatul, I., The Newly Industrialising Economies of East Asia, Routledge, New York, 1993
- Cheng, H.S., Monetary Policy in Pacific Basin Countries, Kluwer Academic Publishers, Boston, 1988
- Chopra H.S. Mehrotra L. and Kneck Gerw, [ed.] SAARC 2000 and beyond, Konrad Adenauer Foundation in association with JNU, Omega Scientific Publishers, New Delhi, 1995

- Cronch, Harold, Domestic Political Structure and Regional Economic Co-operation, Institute of South East Asian Studies, Singapore, 1984.
- Crone, Donald, The ASEAN States : Coping with Dependence, Praeger, New York, 1983
- Deyo, Frederic C. [ed.], The Political Economy of the New Asian Industrialism, Cornell University Press, Ithaca, 1987
- Dixon, Chris, South East Asia in the World Economy, Cambridge University Press, London, 1991.
- Dorraj, Monochehr [ed.] The Changing Political Economy of the Third World, Lynne Rienner Publishers, London, 1995.
- Drysdale, Peter, International Economic Pluralism : Economic Policy in East Asia and the Pacific, Allen and Unwin, London, 1988.
- Freeman, John R., Democracy and Markets : The Politics of Mixed Economies, Cornell University, Ithaca, 1989.
- Gale, Bruce, Politics and Public Enterprise in Malaysia, Eastern Universities Press, Singapore 1981.
- Gereffi & Wyman, Donald L. [eds.] Manufacturing Miracles : Paths of Industrialization in Latin America and East Asia, Princeton University Press, Princeton, 1990
- Harberger, Arnold [ed.], World Economic Growth- Case Studies of Developed and Developing Nations, Institute of Contemporary Studies, San Francisco, California, 1984
- Hardt, John P. and Kim, Young C. [ed.] Economic Co-operation in the Asia-Pacific Region : The South East Asia Dimension in the Economic Co-operation in the Asia-Pacific Region, West view Press, Boulder, 1990.

- Hawes, Gary, The Philippine State and the Marcos Regime : The Politics of Export, Cornell University Press, Ithaca, 1987
- Hewison, Kevin, Bankers and Bureaucrats : Capital and the Role of the State in Thailand, Yale University Press, New Haven, 1989.
- Hobday, Michael, Innovation in East Asia : The Challenge to Japan, Aldershot, Hants, 1995.
- Higgot, Richard and Robinson, Richard [ed.] South East Asia : Essays in the Political Economy of Structural Change, Routledge and Kegan Paul, London, 1985
- Higgot, Richard, Hewison, Kevin and Robins, Richard [eds.], South East Asia in the 1980s The politics of Economic Crises, Allen and Unwin, London, 1987.
- Hufbauer, Gary L. and Erb, Joanna S., Subsidies in International Trade, MIT Press, Cambridge, 1984
- Hughes, Helen [ed.] Achieving Industrialization in East Asia, Cambridge University Press, Cambridge, 1988
- Inada, K., Sekiguchi, S. and Shoda, Y., The Mechanism of Economic Development - Growth in the Japan and East Asian Economies, Clarendon Press, Oxford, 1992.
- Inone, R., Kohama, H. and Urata, S. Industrial Policy in East Asia, JETRO, 1993
- Jesudasani, James, Ethnicity and the Economy: The State, Chinese Business and Multinationals in Malaysia, Oxford University Press, London, 1989
- Kim, Kihwan, The South Korean Economy, South Korea Development Institute, Seoul, 1984

- Klintworth, G. [ed.] Taiwan in the Asia-Pacific in the 1990's Allen & Unwin in association with Department of International Relations, ANU, Canberra 1994.
- Krause, Lawrence, Koh, Ai Tee and Yuan, Lee, The Singapore Economy Reconsidered, Institute of South East Asian Studies, Singapore, 1987.
- Krugman, Paul [ed.], Strategic Trade Policy and the New International Economics, MIT Press, Cambridge, 1986
- Lall, Sanjaya and Streeten, Paul, Foreign Investments, Transnationals and Developing Countries, English Language Book Society, London, 1980
- Langford, J.S. and Brownsey, K.L.[ed.] The Changing Shape of Government in the Asia-Pacific Region, Institute for Research on Public Policy, Halifax, 1988.
- Lim, Linda J.C. and Fong, Pang Eng, Foreign Direct Investment and Industrialization in Malaysia, Singapore, Taiwan and Thailand, OECD, Paris, 1991.
- Lo, F. and Salih K. [ed.], The Challenge of Asia-Pacific Cooperation, Association of Development Research and Training, Institute of Asia and the Pacific, Kuala Lumpur, 1987.
- Mack, Andrew and Raven Hill, John, Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific Allen & Unwin, St. Leonards, 1994.
- Marley, James W.[ed.], Driven by Growth Political Change the Asia-Pacific Region, M.E. Sharpe, New York, 1993
- MacIntyre, Andrew, Business and Politics in Indonesia, Allen and Unwin, London, 1991.
- McVey, Ruth [ed.] South East Asian Capitalists, Cornell South East Asia Program, Cornell University Press, Ithaca, 1992.

- Markusen, James R. and Melvin, James R., The Theory of International Trade, Harper and Row, New York, 1988.
- Ng Chee Yuen and Sudo, Sueo, Development Trends in the Asia-Pacific, Institute of South East Asian Studies, Singapore, 1991.
- Noland, Marcus, Pacific Basin Developing Countries: Prospects for the Future, Institute for International Economics, Washington D.C., 1990.
- Palmer, Ronald D. and Reckford, Thomas J., Building ASEAN: 20 years of South East Asian Co-operation, Praeger, Washington D.C., 1987.
- Patel, S.J., "East Asia's Explosive Development: Its Relevance to Theories and Strategies", Working Paper No. 93.5, Saint Mary's University, Halifax, 1993.
- Santikarn, M., Technology Transfer: A Case Study, Singapore University Press, Singapore, 1981.
- So, Alvin Y, and Chin, Stephen W.K., East Asia and the World Economy, Sage Publications, London, 1995.
- Streeten, P., Beyond Adjustment : The Asian Experience, International Monetary Fund, Washington, 1988.
- Vogel, E., The Four Little Dragons: The Spread of Industrialization in East Asia, Harvard University Press, Harvard, 1991.
- Weiss, Julian, The Economic Ascent of the Pacific Rim The Asian Century: and What it means for the West, Facts on File, Oxford, New York, 1989.
- West, Philip, Gensau, Von and Alting, F.A.M [ed.], Pacific Rim and the Western World: Strategic, Economic and Cultural Perspectives, Westview Press, Boulder, 1987.
- Wilson, James Q, [ed.], The Politics of Regulation, Basic Books, New York, 1980.

- Wong, John, ASEAN Economies in perspective. A comparative study of Indonesia, Malaysia, Philippines, Singapore and Thailand, Macmillan Press, Hongkong, 1980
- Wu, Yuan Liand Wu, Chun Hsi, Economic Development in South East Asia: The Chinese Dimension, Hoover Institution Press, Stanford University, California.
- Yoo, Jung Ho, The Industrial Policy of the 1970's and the Evolution of the Manufacturing Sector in South Korea, South Korea Development Institute, Working Paper No. 9017, Seoul, 1990
- Yoshihara, Kunio, The Rise of Ersatz Capitalism in South East Asia, Oxford University Press, Singapore, 1988.