

BOOK REVIEW

ASEAN Economies in Perspective: A Comparative Study of Indonesia, Malaysia, the Philippines, Singapore and Thailand by John Wong, London, Macmillan Press, 1979, xii + 217 pp.

Although, as in the case of most developing countries, there is not generally a great deal of information available on the economies of the member countries of the Association of Southeast Asian Nations (ASEAN), the author of this book has been able to set forth a considerable amount of economic data in an effective manner on the basis of his extensive knowledge of the countries in question. What this book represents is a sketch of the economies of the ASEAN countries that portrays them as they actually are as a whole on the basis of such data. In the following the reviewer comments on the contents of this book in such a way as, hopefully, to contribute to further study of the ASEAN countries by those interested in this area, including himself.

I

The book is made up of a first introductory chapter, a second chapter on international trade, a third chapter on industrialization, a fourth chapter on agricultural and rural development, a fifth chapter on the socioeconomic framework of development and an appendix of statistical tables that constitute about a third of the book and relate to each of its chapters.

The introductory chapter deals briefly with the history of ASEAN since its inauguration and the problems that the ASEAN countries are presently facing as a whole. Chapter 2 on international trade and Chapter 3 on industrialization, which suggest the future course of development that the ASEAN countries can be expected to take, form the core of the book and are therefore of particular importance. In this review, the important points are mentioned in the order that they appear in the book, starting from Chapter 2.

The author is of the opinion that it has been mistakenly conceived that the industrial structures of developing countries are competitive and therefore nonconductive to expansion of trade, arguing that in the case of the ASEAN countries "room for further growth of intra-regional trade in manufactures no doubt exists, partly because the industrial structures of the five ASEAN countries tend to be rather complementary and partly due to the dynamic trade effects arising from the rapid pace of industrialization over the past few years" (p. 41). He attaches a great deal of importance to the cooperative structure of ASEAN in terms of facilitating the contribution of such dynamic trade effects to future expansion of intraregional trade in manufactures.

Next, the author discusses various issues that he deems important in terms of the future outlook for ASEAN. In relation to trade, those considered are: (1) the instability of exports on the basis of the present pattern of international trade, (2) the

positive effect of economic cooperation among the ASEAN countries on intraregional trade in manufactures, and (3) the possibilities of expansion of trade with countries outside the region.

Four subjects are discussed in connection with industrialization. The first dealt with is the question of increase in imports as a result of industrialization. In the opinion of the author, the increase in imports results from increased demand for machinery and industrial raw materials in the early stages of import substitution, and it is therefore questionable whether import substitution is the best direction for industrialization to take in view of the obvious fact that the purpose of import-substitution industrialization is to hold down imports while making effective use of limited foreign exchange.

The second matter discussed in this connection is the fact that whereas the overwhelming majority of manufacturing businesses are small-scale enterprises, a small number of large enterprises account for a considerable portion of total value added in manufacturing. The author considers it only natural that the traditional sector or small industries should exist in such large numbers in the ASEAN countries in view of their stage of industrialization and also points out that "most small industries of a traditional character in developing countries operate in areas closely linked to the so-called 'informal sector,' which is likely to be excluded in a normal industrial survey, suggesting the underestimation of the actual economic significance of small industries" (p. 84).

Thirdly, the author gives a detailed analysis of the problem of concentration of industrialization in particular geographic areas, suggesting that such concentration is inevitable in the case of the ASEAN countries as in that of other developing countries in view of the close association between industrialization and urbanization. He also points out the disturbing fact that "there is no evidence for the growth of regional imbalances being arrested, let alone reversed" (p. 88) and the fact that an accumulative mechanism that works for continuation of concentration in particular industrial regions makes it extremely difficult to decentralize industry or move it to outlying regions without giving rise to a serious reaction in the form of dampening the economic activity of the country as a whole.

The fourth matter considered by the author in connection with industrialization is that of the particular pattern of direct foreign investment in the ASEAN region, with enterprises of a small number of investing countries accounting for most of the investment and a concentration of the investment in a few sector of the industry such as metal-related and petrochemical industries. While pointing out that these features are closely connected with the industrialization policies of the ASEAN countries, he suggests that there is considerable "foreign economic intrusion" (p. 89) in them that could very well force domestic companies to shut down their operations.

Chapter 4, on agricultural and rural development, reviews past development of these types, sets in relief various problems relating to it, including an appraisal of the "Green Revolution," and discusses what institutional reforms will be necessary for future progress and the connection between increase in agricultural production and integrated rural development.

In Chapter 5, on the socioeconomic framework for development, the author emphasizes that the strong political will is a prerequisite for development in each of the five

countries in question and points out the correlation between poverty, income distribution, and employment as important elements of the socioeconomic framework, maintaining that equitable distribution of wealth is a must if there is to be economic growth without imbalance in the distribution of income (p. 124) and that "the cornerstone in the region's future strategy for a more egalitarian pattern of economic development is employment" (p. 124).

II

In this book the author depicts the ASEAN countries as a regional community that is developing on the basis of successful economic cooperation. The book is of particular interest if one considers why the author chose the different topics that he did to discuss and evaluate in each chapter and how the author considers them to be related to one another. I would therefore like to analyze the author's thinking in these respects, focusing on the chapters on trade and industrialization.

An issue that relates to both trade (Chapter 2) and industrialization (Chapter 3) is that of change in the trade pattern of the ASEAN countries along with their industrialization. Industrialization is determined by industrialization policy, and the industrialization policy that the governments of the ASEAN countries have been able to adopt has been guided by the trade pattern, while the industrialization that has resulted from industrialization policy has brought about change in the trade pattern of the ASEAN countries by increasing the export of industrial products. Although the author recognizes that there is such interaction,¹ he does not examine it or the perspective that it gives for the economies of the ASEAN countries very fully. Another issue is the role of industrial products in intraregional trade, which is considered to be desirable for both improvement of the trade pattern of the ASEAN countries and industrialization. In the author's opinion, progress in intraregional trade in industrial products is important to expansion of intraregional trade, which in turn is beneficial for improvement of the trade pattern of the ASEAN countries and formation of a foundation for the ASEAN countries to stand on in a changing international economic order. The question is how to expand intraregional trade in industrial products, or what way of expanding it would be preferable for the ASEAN countries. It is regrettable that the author does not tell us in this book his opinion in this respect, and the same can be said concerning his appraisal of expansion of ASEAN extraregional trade. For instance, one would like for him to have given not just the reasons why it is difficult for the ASEAN countries to expand trade with socialist countries but also his own policy prescription for expansion of trade with such countries whose production is specialized in neither consumer goods nor capital goods.

Next, let us consider the imbalance in the industrial structure, which the author has picked up as a problem with respect to industrialization. According to him, the importance of small industries tends to be overlooked when considering the industrial sector.

¹ From the author's repeated assertion in this book (on p. 36 and p. 81 for instance) that the policy of import-substitution industrialization has hampered exports of traditional primary products, one can at least infer that he recognizes the effect of industrialization policy in terms of bringing about change in the trade pattern.

This is an opinion that few people who are interested in ASEAN affairs would take issue with.² As the author also points out, one of the characteristic features of ASEAN industry is the fact that except in the case of Singapore it is internally imbalanced, with overemphasis on certain industries. The very large percentage of the total accounted for by particular industrial sectors such as textiles and processing of primary products, which have a low value-added rate, readily meets the eye in the case of both countries such as Thailand, which did not really get its industrialization efforts underway until the 1960s, which is to be expected, and even countries such as the Philippines, which started industrializing quite a while before that.

In the author's opinion, this is due to the relationship between the industrial sector and the agricultural sector in the four ASEAN countries other than Singapore, a relationship in which the industrial sector receives the products of the agricultural sector for its own input but provides the agricultural sector with few of its products for the inputs into agriculture, i.e., a relationship of only weak complementarity. One might ask whether this means that the policy of the governments of ASEAN and other developing countries to achieve a production structure characterized by a higher rate of value added and to strengthen complementarity within the industrial sector has not had any effect. Unfortunately, the author does not say enough in this respect.

As for concentration of industrialization in particular geographic areas, the author is quite right in saying that under present circumstances it is not possible for industry in the ASEAN countries to be decentralized to outlying areas without considerable adverse effect to the economy as a whole (p. 88). I would like to suggest in this respect, however, that the governments of the countries in question provide infrastructure as a means of promoting industry in outlying areas to counter overconcentration, for if it is true, as the author states, that "once the forces of growth have been set in motion, it would be almost possible to curb them" (p. 88), the provision by the government of appropriate infrastructure would appear to be a prerequisite for getting industrial growth in outlying areas underway in the first place as a means of channelling such uncurbable forces of growth in the desired direction.

Although the internal structure of the manufacturing sector in the ASEAN countries other than Singapore differs somewhat depending on the particular country's resource endowment and the characteristics of its agricultural sector, the author considers it to be practically uniform at the present time (p. 56). It is precisely this uniform industrial structure that presents a problem in discussions regarding cooperation for intraregional industrialization and economic cooperation between developed countries and ASEAN countries. In other words, the uniformity of their industrial structures constitutes an obstacle to making decisions regarding allocation of different types of industries to each of them as package deals. This circumstance would also appear to

² I would like to make the following observation in this respect. The fact that the author thinks that the ASEAN countries should learn from the examples of the Republic of Korea, Taiwan and Hong Kong with respect to the role that small industries have played in their success in industrialization (p. 85) is indicative of the industrialization strategy that he would prescribe. Nevertheless, although it may be possible to take lessons from their examples, it will not be of much use in industrialization unless the difference between the economic environments of the two groups is taken into account.

make it difficult to reach multilateral agreements in discussions with developed countries regarding economic cooperation. For instance, under the Multi-Fiber Arrangement, concluded between the exporting side, i.e., the group of developing countries including the ASEAN countries, and the importing side, i.e., developed countries other than Japan, each importing country has concluded a separate bilateral agreement with each exporting country as a basis for detailed quantitative control. On the surface of things it would seem that such uniformity of industrial structure would be conducive to multilateral agreements, but because of the fact that the developing countries want their capacities to be fully utilized and are reluctant to accept the uniform quantitative restrictions on exports that the developing countries would agree in multilateral agreements, bilateral agreements have replaced multilateral ones.

Although the author is of the opinion that the introduction of the new technological element of new varieties has contributed to the worsening of income distribution in the agricultural sector, a consensus has not yet been reached among development economists as to whether or not this factor actually has an effect either way on income distribution. One can surmise that the reason why the author took up this point in spite of its indecisive nature is that the problem of income distribution is presently receiving a great deal of attention as a problem relating to development. However, the efforts of farmers to raise the productivity of their land has not been limited to the introduction of new varieties, for there have been many examples in the vicinity of Bangkok, Jakarta and elsewhere of farm communities near large consumer areas switching to crops that result in higher income so as to improve land productivity in terms of value, and such diversification of agriculture can be considered to have been an example of adaptation by farmers to the economic environment. This being the case, it should be possible to raise the productivity of land and achieve a more equitable distribution of income by having the government provide the kind of production infrastructure and price controls that will make the most of such adaptation by farmers to economic incentives.

In summation, the following can be said. As the author states in the conclusion section of the last chapter of this book, "piecemeal, single-sector" policy approaches cannot be expected to be very effective. One means of economic development is to invigorate other economic sectors and raise the level of income by increasing production in agriculture and industry. The author concludes that this will require strong leadership on the part of the governments of the ASEAN countries. My view of the matter is that the government should take the initiative in development but in such a way as to fully encourage the responsiveness of private economic activity to economic incentives as an extension to the entire economy of the kind of adaptability to the economic environment that we have noted on the part of some farmers.

(Kōji Taniguchi)