Bright Prospects for Southeast Asia

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Southeast Asia has been poorly treated by the world's press. For over a decade, while the Vietnam war raged, the region provided by far the greatest amount of foreign news in the rich countries of North America, Europe, Japan, and Australia. Every news agency, TV station, and newspaper that could afford it maintained a bureau in Saigon and other regional centers. While most headlines were captured by the hostilities in Indochina, editors mindful of the "domino theory" paid great attention too to the situation in neighboring countries.

The result was that the region quickly acquired an "image" of violence, political instability, communal unrest, intraregional disputes, and a capacity for coups and countercoups rivaled only by Latin America. The "image" was implanted in the mind of the man in the street in New York, Washington, London, Tokyo, Sydney, Paris, and Frankfort, but also found its way into the investment calculations of those cities' bankers and industrialists—those whose decisions affected the levels of investment in and trade with Southeast Asia.

It might have been thought that when, at last, a series of Communist victories brought an uneasy peace to Indochina, Southeast Asia would benefit accordingly. Instead, editors apparently decided that their readers' interest in the region was in direct proportion to the level of conflict. The television bureaus closed down and the correspondents migrated to the world's latest potential flash points—Africa and the Middle East. At the same time, the rich nations became increasingly more introspective: the U.S. with the aftermath of Watergate and with a presidential election campaign, the Europeans with their economic troubles, the Australians with their political and economic crises, and the Japanese with the political fortunes of former Premier Miki and with the Lockheed scandal. Once the shooting had stopped few journalists remained behind to chart the progress of Southeast Asia.

Now the region is faced with the task of undoing the harm caused in the past, of ridding the world of the automatic association of Southeast Asia with violence, instability, corruption, and grinding poverty that the coverage of the Vietnam war helped to create, even in the minds of those who should know better. Linked with this is the task of eradicating a habit of mind bred particularly in Americans by the Vietnam war—the assumption that Asians cannot regulate their own affairs (a false assumption, which was the original cause of the U.S. involvement in the morass of Indochina).

This assumption has since led to the equally dangerous theory that the departure of the Americans has left a power vacuum in the region that the laws of nature demand should be filled—not, it is still assumed, by regional forces but by some other superpower like China, the Soviet Union, or even Japan. Although Moscow and Peking are demonstrably engaged in competition for influence in the region, there is no evidence, even in Indochina, that either is likely to achieve hegemony or that any Asian country is willing to sacrifice a portion of its hard-won independence to any outside power. Southeast Asia does need aid and, more important, investment, trade, and technology—but on a basis of equality. There is no vacuum in the region; the day of the Asian client-state is done.

In order to overcome the wrong impressions and false assumptions of the last quarter of a century it is necessary to get down to essentials. Anyone who has watched the viscissitudes of the pound sterling, the Italian lira, or even the U.S. dollar over recent years will admit that the value of a country's currency is both an expression of others' confidence in it and a reliable indicator of economic health. Those who still see Asia in a state of unhealthy flux forget that it boasts some of the world's most resilient currencies, even apart from the Japanese yen, the Chinese renminbi, and the Taiwan and Hong Kong dollars. The currencies of Southeast Asia have, over the last decade, proved themselves among the

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(Photo: Alan Freeman)

Java rice harvest, 1977: "...the food crisis of 1972-73 had the salutary effect of reminding the...planners of the dangers of devoting too great a proportion of available resources to industry..."

world's most stable and have maintained their value well vis-à-vis the world's major currencies.

Much the same pattern of solid achievement can be seen if we examine the growth rates achieved over the last seventeen years—since 1960. The impressive growth during the late 1960's and early 1970's was due to many favorable factors, not the least of which was the high rate of growth for global trade. ASEAN's foreign trade increased at an average rate of 32 per cent per year from 1970-74—much higher than the world average, which had been 8.5 per cent per annum through the Sixties, and higher than the rates for every other country except for the oil-exporting bloc. With the exception of Singapore the ASEAN economies are still overwhelmingly agricultural. However, ASEAN's industrial performance has been equally impressive—10.3 per cent in constant value-added growth throughout the Sixties (easily surpassing the targets set by the United Nations Development Decade program), while the value output increased at an average rate of 12.3 per cent per year during the early Seventies—until the global recession slowed down the process. Today the manufacturing sector is contributing something over 10 per cent to the economy of Indonesia, about 18 per cent to that of Malaysia and Thailand, 21 per cent to the Philippines.

Before it became fashionable to question the philosophy of growth, progress was closely identified with industrialization, which explains the rates achieved during the late 1960's and early 1970's, when most effort, capital, and technology was concentrated on setting up factories. By contrast, the agricultural sectors of ASEAN countries have been discouraging. The U.N. Second Development Decade called for 4 per cent annual agricultural growth for developing countries. However, with the exception of Malaysia, rates of growth throughout the Sixties and early Seventies fell short of this target—in some cases (notably Thailand and Indonesia) the rates for the 1970's were actually lower than those of the previous decade, which suggests some uncomfortable prospects for the future.

Population remains the greatest medium and long-term obstacle to Southeast Asia's search to improve the standard of living for its peoples. At the end of the war in the Pacific the total population of the ASEAN countries was about 112 million. Today it is about 230 million. In ten years' time it will total about 300 million, and, unless there are significant reductions in birth rates, by the year 2000 it will be about 500 million. This means that the five countries of ASEAN will have to provide about 10 million new jobs every year just to keep ahead of population growth.

Typically, the bulk of the projected populations will fall into the 4-29 age group over the next decade, the largest increase being in the 15-29 bracket—in other words, that section of the population entering the labor market. These figures may appear apocalyptic. They make no allowance for the increasing stress being laid on family planning and for the reductions in birth rates already achieved in Asia—either by means of state-imposed disciplines (as in China), by rising prosperity (as in Japan), or by a combination of both (as in Singapore).

It is difficult for newly independent nations, equating prosperity and modernity with industrialization, to come to terms with the fact that their primary economic task is still to feed themselves. Ironically, it is also daunting to realize that the task can probably be achieved by new seeds, more fertilizer, better irrigation, and more crops per year—in other words, by the same number of people who at present till the soil. Thus at the same time agriculture is being developed, new jobs will have to be created in other sectors. ASEAN can expect a deepening of the present trend—which has dangerous social implications—of migration from the countryside into the towns and cities, a process that has already bred slums and shantytowns in and around Asia's urban centers.

The optimism created by the Green Revolution of the mid-1960's proved premature, for the new, high-yield rice varieties provided no easy solution to the food problem. The rice yields of Southeast Asia are still far too low: Harvests in Malaysia, the highest in the region, are still only half those achieved in Japan—an index of the need for education, for the increased use of artificial fertilizers, for further efforts in improving irrigation, and for more storage facilities.

Nevertheless, the food crisis of 1972-73 had the salutary effect of reminding the still industrially biased planners of the dangers of devoting too great a proportion of the available resources to industry, presenting them with their greatest challenge for the rest of the century: making agriculture more productive and profitable for the farmer so as to support growing populations and, at the same time, developing industry (whenever possible hand in hand with agriculture and mining) in order to provide more jobs.

Statistics on economic growth tell only part of the story. Take Indonesia's amazing success in rehabilitating its economy after the excesses and galloping inflation of the early 1960's under Sukarno and in achieving the growth rates of the early 1970's. This must be seen in its proper context, for the harsh fact is that Indonesia's per capita income is still reported at somewhere between U.S.$143 and U.S.$200 per annum.

Yet anyone who knows Indonesia will also know that statistics lie—or at least are inadequately gathered and provide inadequate measures of progress. Anyone who toured the villages of the remoter areas of Java, Sumatra, and Kalimantan ten years ago and has seen them more recently knows that over the last decade the life of the average farmer has improved significantly. He is better clothed and housed; his children are better educated; he has better access to medical services; his diet has improved and his household income has increased. He is now able to afford some admittedly basic luxuries—a radio, a sewing machine, a bicycle. He has access to agricultural loans for improvements—or, if he does not, his village does. So machinery can be bought and a village TV set can, through the nation's first domestic satellite launched last year, link him in a very real sense with the capital. The village assembly, like the similar *barangay* system in the Philippines, gives him a voice in the (admittedly parochial) affairs of his own community. New developments in the region often enable him or other members of his family to leave the fields to take temporary jobs elsewhere. Having made my own (admittedly inadequate) pilgrimages through remote Indonesian villages over the last decade or more, I cannot believe that the per capita figures for Indonesia provide any adequate reflection of the improvement in rural standards of living.

Another imponderable factor inadequately reflected in statistics is the improvement in communications, and particularly in roads. Under Indonesia's successive development plans, significant proportions of budget outlays have been devoted to the restoration and enlargement of the country's infrastructure. The current plan places heavy emphasis on sea and air communications. In 1976 the Indonesian airline carried a record 2.4 million passengers (largely domestic)—up 30 per cent. Over the next three years 125,000 more tons of shipping will improve links between the islands, while dockyards and ports are to be upgraded—understandable in an archipelago of over 13,000 islands stretching across 3,200 miles of ocean. But roads, and in particular the highway straddling the huge island of Sumatra, are doing more than simply increasing mobility and facilitating the transport of goods and products. For many years one of the most recalcitrant problems facing Indonesia has been the overcrowding of Java. Now there is every sign that the new highways and roads are likely to achieve a solution to a problem on which the planners could make little impact. The roads are opening up new regions, creating new markets, and large numbers of people from Java are already settling in new communities along them.

Communications have always been a key to Thailand's problem, and the more far-sighted of Thailand's generals have seen roads as an essential part of the developmental answer to insurgency in the countryside, large areas of which have for centuries been physically remote from Bangkok, in turn ignored or exploited by officials from the center. The new roads in Thailand are enabling farmers to bring their produce to market, and the farmers thus feel themselves and their fate more closely bound up with what happens in the capital (and thus with the monarchy). Also, they help to assimilate the farmer into a market economy—as they can spend the money they earn from their crops on more accessible consumer goods. This takes on greater importance when it is recalled that Thailand's economy, firmly rooted in agricultural exports, functioned almost entirely independent of the political crises of 1976.

While the countries of ASEAN have yet to reach "take-off" point, it is encouraging that more and more developments are being financed from domestic sources. This is fortunate at a time when the flow of bilateral aid is slowing, while multilateral sources aid such as the World Bank and the Asian Development Bank are faced with massive demands on restricted funds. It has been calcualted that the total net flow of resources to the ASEAN countries from the members of OCED between 1971 and 1974 amounted to over U.S.$6,600 million and that at the end of 1974 over

U.S.$4,000 million of this total was in the form of direct private investment.

It is evident that Southeast Asia's potential has proved highly attractive to the foreign investor, despite the continuing Vietnam war, largely because all the countries of ASEAN had adopted open economic policies. However, foreign investment causes some internal political difficulties. Those who advocate greater self-reliance argue that the region is becoming too dependent on foreign funds and that foreigners are controlling unhealthily large interests in certain sectors of the economy.

These difficulties, which have led to a rising tide of economic nationalism in ASEAN, are due to two major areas of imbalanced development. The manufacturing sectors are usually characterized by numerous small factories and a small number of large establishments (usually associated with foreign capital) that tend to dominate the industrial scene in terms of output, employment, and fixed capital assets. In the Philippines, for example, factories with over twenty workers represent only 20 per cent of the total number of industrial establishments but account for 84 per cent of total employment, 95 per cent of industrial output, and 96 per cent of fixed capital assets. While such industrial dualism has worked in Hong Kong and Japan, in the countries of ASEAN there are few structural limits to bridge the gap between big and small and few intermediate supporting industries.

The second area of imbalance occurs because, except in Singapore, there has been a high concentration of factories around the capitals and major towns—to which firms are attracted by their human resources and infrastructural facilities. The regional planners have failed to prevent such a concentration of wealth. Most industrial activities are concentrated in the main cities of Java, along the Kuala Lumpur-Klang belt of west Malaysia, and within the greater Manila and greater Bangkok areas.

Both factors help exacerbate resentment and suspicion of foreign capital on the part of the economic nationalists. The uncertainty such forces cause for the foreign investor are heightened by the failure of several ASEAN countries to formulate or, more important, to implement foreign investment policies. Contradictory statements are made, often specifying those whom foreign investors should seek as indigenous partners, limiting the foreigners' share of equity, and imposing other controls, many of them unworkable. Further uncertainty is caused by protracted negotiations to redefine (and impose new limitations on) wholly or partly foreign-owned firms. Long and bitter bargaining has gone on, for example, between Malaysia and Exxon on the terms by which the oil company will go on prospecting and developing new oil deposits, while a major boardroom battle developed with the formerly British-controlled conglomerate, Sime Darby.

Obviously it is important for individual ASEAN countries to undertake a blanket review of their policies toward foreign capital, particularly with respect to the proven responsiveness of foreign firms to their national economic priorities. But even better perhaps would be a common ASEAN policy toward foreign investment, which could help correct the structural and geographic imbalances—to allow foreign capital to play its part while, at the same time, small industries are nationalized and the development of intermediate ones given active encouragement.

Nevertheless, it is worth emphasizing again that, despite Indochina, despite the remnants of domino theory still affecting the thinking of certain quarters, despite Communist subversion and other varieties of armed dissidence that still plague the region, and despite the uncertainties mentioned above about the extent to which foreign investment is welcome, Southeast Asia has succeeded in attracting and maintaining a high degree of interest on the part of foreign investors.

The withdrawal from Vietnam and its aftermath, the Kissinger-Ford preoccupation with the Middle East, Africa, and the Soviet Union, the long campaign leading to the election of Jimmy Carter, and the lack of any clarification of Washington's future policies toward Southeast Asia since his inauguration have caused a prolonged hiccup in America's links with ASEAN—and have caused an unnecessary level of uncertainty in Southeast Asia about U.S. intentions. There have been welcome signs of a revival of European interest, and at the beginning of April the European Economic Community combined with a consortium of large European banks to mount a conference on EEC-ASEAN relations, which could well lead to a significant rise of investment interest.

Both Malaysia and Singapore have been ruled by essentially the same democratic parties ever since independence. Since President Suharto's New Order replaced the destructive ultranationalism of the Sukarno era Indonesia has repaired and revived its economy and, by forming a coalition between the Army and the centralist Golkar party, brought such stability to the country that some minor riots in 1974 caused a horrified overreaction. The martial law of President Marcos has undeniably brought greater stability to the Philippines, where freedom under its previous American-type constitution lapsed all too often into license. Even the several recent coups in Thailand were achieved with relatively little violence.

Possibly too much attention is given such changes, which hit the headlines but leave the lives of the majority of the people untouched and rarely result in any dramatic changes in national policies. Such dramas take place within a framework of stable social, cultural, and religious values. The countries of ASEAN are thought of as new nations, and the fact that they are ancient civilizations is too often forgotten. In Thailand's case the combination of the monarchy and the Buddhist religion invests society with resilient vertibrae, which means far more than the shift of power from one élite party to another. The bankers and businessmen (and the foreign correspondents) who flit in and out of the region for a week, a month, or even a couple of years tend to ascribe too much importance to such superficialities; only those who have lived in Asia for a long time can perceive the essential inner stability (one might almost say serenity)

that lies at the core. Although most remain, governments may come and go but *plus ça change, plus c'est la même chose*.

Perhaps some of the "perception of fragility" in Southeast Asia on the part of Americans and Europeans is due to the unmistakable trend throughout Asia to authoritarianism, which involves major amendments to or total rejection of constitutions inherited from the colonial powers. The reasons given are many and varied, the most popular being that Asia has had to modify Western democratic forms in response to the external and internal challenges of Communist subversion. Other reasons given by the newly authoritarian regimes include the argument that developing nations cannot afford the luxury of opposition parties, free speech, and an unfettered press, a view forcefully put by Indonesia's minister of communications, Emil Salem, during the recent election campaign. He claimed that "In the thirty years of Indonesia's independence, twenty years have been wasted by political bickering. Only in the last decade have people joined in development programs organized for them by the New Order. Development has definitely benefited the common people. It is certain that today is better than yesterday."

Of course such arguments assume that development is impeded by the trappings of democracy—which is a large assumption that deliberately ignores, for example, the model of Japan. It is true, however, that many Asian nations' experience of political freedom has proved unnecessarily divisive. Thus Southeast Asia argues that developing economies need to marshal all their resources, including human ones, for the developmental task. Students, for instance, have a duty to study, in the realization that they are lucky members of a small élite, guilty of gross ingratitude when they leave their books to take to the streets. Again, this argument ignores the fact that students often formed the vanguard of the national liberation movements that won the present governments their independence and that students spearheaded the overthrow of the economically disastrous Sukarno regime in Indonesia.

If the thesis is correct that Asia is in the process of developing its own indigenous forms of government, it is worth examining the characteristics of the new regimes to identify their strengths and weaknesses.

First, the regime must adopt a centralist position, not leaning too far to the left, as has been the case in India, Burma, and (under the Gang of Four) in China, or too far to the right, a tendency in Japan's ruling Liberal Democratic party that has led directly to the weakening of its post-World War II monopoly of power. A perennial danger to the stability of Malaysia, for example, is the government's temptation to lean too far toward favoring the economic interests of the Malay Bumiputra, which risks frustrating and alienating the loyalties of the other communities. Kuala Lumpur, however, has recognized that its war must be waged against all poverty, not just Malay poverty.

Second, the restrictions placed on political debate, free speech, and the press too often place important obstacles in the path of communications—so that while exhortation and guidance are fed downward within the system, popular aspirations, criticism, and constructive ideas are not freely fed upward. A regime in continuous power often cuts itself off from the essential feedback. Undoubtedly it was the lack of such communication and the surrounding of Mrs. Gandhi by sycophants that led her into her fatal misjudgment of the political climate in India. Few regimes feel sure enough to encourage a national debate, although it is possible that, as time goes by and as new systems stabilize and develop, sufficient confidence will be created to allow greater freedom of speech. The problem is that the longer the lid is held on the greater the head of steam that can build up. President Suharto encouraged a national debate in the latter half of 1973 only to find that certain interests had taken advantage of the liberalization to further their own political ambitions, and this led to riots in Jakarta in January, 1974.

It must be remembered that many Asian societies retain the basic pyramidal structure of their feudal antecedents, with a narrow élite at the top separated from the broad base of farmers by growing classes of industrial workers and developing middle classes. The difficulty of communication between the top and the base of the pyramid is probably one of the main reasons why Western forms of democracy proved premature and failed to "take." However, Asia has its own basic democratic forms—the Panchayat system in Hindu cultures, the elected headmen and village councils of Indonesia, the Barangay village councils of the Philippines. It is possible that such bodies, at present preoccupied quite naturally with narrow parochial issues, can be built upon, electing representatives upward to district, provincial, and national bodies. But this is still within the realm of speculation.

Third, it is understandable that Southeast Asia remains affected by the domino theory, which it learned at the knee of John Foster Dulles and which continued at the basis of U.S. thinking about the region until President Nixon pulled out the rug from under the feet of those who inhabited the black-and-white world of the cold war by going to Peking in 1972 and coming to terms with the power that Asians had regarded as the main source of subversion and the inspiration of "People's Wars." An unhealthy defensiveness developed. Although Southeast Asia has responded to the new circumstances of the last five years in a mature, flexible, and remarkably stable manner (three of the ASEAN nations having already established full diplomatic relations with Peking), there remains a tendency to exaggerate internal and external threats to justify states of emergency and constitutional amendments designed to reduce to a minimum the ability of anyone to challenge authority.

Fourth, the new regimes are faced with the problem of arranging an orderly political succession. The situation in Indonesia is typical. President Suharto has wielded effective power for a decade, and it is generally assumed he will be reelected in March, 1978. Presumably, therefore, Indonesia will be in need of a new leader in 1982. It is agreed that it would be wrong if he were to be replaced by another representative of his generation (indeed,

Suharto will have been in power for so long that it will be necessary to skip a generation or two to accomplish this). But the problem is that today's political system, built around professional groups, is not throwing up potential young leaders—or, if it is, the men are given little opportunity to exercise their talents and prove them. When there is difficulty in nominating an heir to the throne there is the inherent danger that a vacuum will be left by the departing leader and a harmful power struggle precipitated.

Fifth, the concentration of power leads to two types of corruption. From the premise that those in authority represent the country's best hope of peace and progress it is but a short step to the conclusion that anyone who criticizes authority does not have the good of the country at heart and is at best unpatriotic, at worst a traitor. Within truly centralist coalitions there is room for healthy debate, but too often the ideas and contributions of a country's best and brightest are ignored or positively discouraged—and thus forfeited.

There are dangers too in placing too much power in the hands of bureaucracies. This can lead to a corruption of power by the bureaucrat, the man on a small fixed salary who knows he can accelerate or hold up multi-million dollar deals. The result is strangulating red tape and widespread financial corruption, both important impediments to development.

Such dangers must also be seen in context. There are dangers inherent in most systems, as even the most convinced European or American advocate of democracy will admit. The systems developing in Southeast Asia today have proved by their performance that they compare favorably with other forms of government in the developing world and that they provide their people with the best hope of stability and continuing progress. They have opted for open economic systems, and, although they strive for discipline, they have not decreed the complete absence of human rights and freedom such as is found in Communist and extreme Socialist countries. Journalists, who have a vested interest in pleading the advantages of a free press, and intellectuals, who have a vested interest in the free exchange of ideas, may unduly stress the discipline and fail to record that the societies of Southeast Asia are still relatively open and free, that the atmosphere in Jakarta, Manila, Kuala Lumpur, Bangkok, and (possibly to a lesser extent) Singapore is relaxed and smiling—very different from the oppressiveness of Hanoi, Peking, or Pyongyang.

Southeast Asia has been lucky for, although the region has had to fight for its independence, the transition was achieved largely through negotiation. Thailand was never colonialized. The Americans gave up the Philippines voluntarily (a gesture that, ironically enough, excited Ho Chi Minh to cable Washington to ask if his country could be associated with the U.S.). After a period of agitation by nationalists the British in the end quit both Malaysia and Singapore peacefully, handing over power in the midst of an ultimately successful campaign against Communist insurgents. Even Indonesia's fight against the Dutch colonialists was not as protracted and bitter as were other wars of independence. The more bitter the struggle for independence the greater the degree of radical socialism in the succeeding regime—as China, Vietnam, and Indonesia's Sukarno proved. The easier the transition the more moderate and open the systems that follow, as proved today by the policies adopted by Malaysia, Singapore, and the Philippines.

In this paper I have not ignored the problems and difficulties that face the countries of ASEAN, although I have attempted to put into proper perspective the many positive aspects of the region's prospects in order to help correct the false image of Southeast Asia still extant in Europe and the United States. It is worth reiterating the hopeful auguries: All five countries have a proven record of stability and growth; Southeast Asia possesses all the components necessary for development; it has, as I hope I have shown, stability; it has got its developmental priorities right; it has abundant natural resources; it has a huge pool of relatively inexpensive, manually dextrous labor that the considerable experience so far in industrialization has proved is trainable in industrial skills; it has a growing pool of managerial talent and an increasing ability to finance its own development from its own resources. Above all, the region has demonstrated that it has the political will both to develop individually and to combine within the framework of ASEAN to speed the development of complementarity, to give its enterprises access to larger markets, to benefit from the economy of size, and to recognize that the fates of its component nations are intertwined.

Cynics have remarked on the slow development of ASEAN, claiming that the initial thrust that led to the Bali summit (largely a reaction to the Communist victories in Indochina) has dissipated. I would prefer to remark on the speed with which ASEAN has become an entity and on the realism with which internal tariff reductions and coordinated industrial enterprises are being pushed forward. To put the progress achieved by ASEAN into perspective it is only necessary to compare its achievements with the slow and tortured realization of a European Economic Community from the original impetus of the Treaty of Rome. And one should take due account of the amount of faith necessary when young, nationalistic nations, independent relatively recently, prepare to give up part of that independence to the idea of cooperation and internationalism.

Despite ASEAN's possession of most of the factors necessary for development, it is still in need of more technology and greater expertise. It still needs capital. I would suggest that Southeast Asia offers the industrialized countries the greatest potential in the world for mutually profitable partnership—and that it is time for the more hard-headed bankers and businessmen in the West to remove their gloom-tinted spectacles and take a long, cool look at Southeast Asia's past performance and future possibilities.