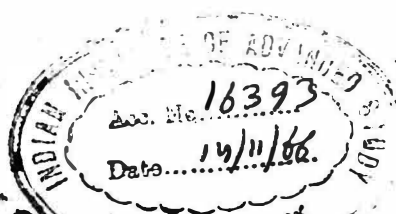


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PROBLEMS OF ECONOMIC DEVELOPMENT IN SOUTH EAST ASIA

By HLA MYINT

(Address given to the Royal Central Asian Society on March 26, 1963)

I WANT to talk very briefly and very generally on certain problems connected with the economic development of South-east Asia. Paradoxically, most of the important problems are to my mind not economic at all. It is the problems of political economy, the social equities, people's feelings and attitudes—which are not easily susceptible to formal economic analysis—rather than failure to raise the level of national incomes, that are at the root of the matter.

Let me give an illustration. In dealing with a country like India or China, an economic problem is at once evident, because of over-population. But in South-east Asia, by which I mean the triangle enclosed between Burma, the Philippines and Indonesia, I do not really think that there is over-population in the sense in which we think of it in China or India or the Middle East. If we talk of "the teeming millions of Asia" we are thinking of India or China, not really of South-east Asia. Burma is thinly populated; so are Thailand, Malaya, the Philippines and Borneo. Even in Indonesia only Java is very thickly populated, and in Sumatra and the other islands there is plenty of land, and there are plenty of resources to be developed.

In the post-war years economic development has been rather slow in these areas; the people seem to be very discontented, and their whole economy is unstable and almost on the point of collapse. In terms of progress, I would say broadly that the Philippines and Thailand seem to have made the most. Malaya is a very rich country, but we do not really know how it is going to shape in the future. It started at a good pace but has not done so well as the Philippines and Thailand. The slowest progress has been that of Indonesia, closely followed, I think, by Burma.

Certain broad conclusions can be drawn, and there is no doubt that there is a relation between the types of peoples, their political attitudes and philosophies, and their rate of progress. I shall return to this later, but use it now to illustrate my point: that the problem is not fundamentally one of lack of material resources, or of over-population or starvation, but of what is happening in the people's minds and in their social attitudes.

In order to understand this it is necessary, I think, to go back to the past, and in South-east Asia this can hardly be done without talking about the Colonial Era. During that period there may have been very rapid economic progress in the sense that an export industry in rubber, rice, etc., was very quickly developed, starting from around 1900. But the people



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themselves felt that they were not getting their fair share of the fruits of their natural resources, and for this they naturally blamed the Western businessmen. But, in addition, one of the most striking features of history in South-east Asia was that, as a result of the business expansion developed by western enterprise, there was a considerable immigration of Chinese and Indians into the countries of South-east Asia. The Chinese wave came down from the east as far as Burma, the Indian wave into Burma and Malaya where the two immigrations meet. Thailand has its Chinese problem, and so has Indonesia and the Philippines. Malaya has both Chinese and Indian, with a preponderance of Chinese. I think this is one of the crucial things to understand in the present mental state of these countries.

In pre-war days there was a sort of economic pyramid, with western businessmen at the top, the middle occupied by Chinese or Indian or both, and the indigenous people on the ground floor. The great preoccupation in the post-war years, therefore, has been not so much to have rapid economic development, as related to total output, but rather to try to get a larger share out of the existing total for the people of the country. Now, this is all very well, but if one's energies are bent on getting a larger share of the cake one tends to overlook that the total size of the cake too should grow bigger. I think that is the crucial dilemma of these countries. For instance, in Burma and in Indonesia the cake has not grown; it has shrunk quite a bit.

It must also be remembered that the whole region, particularly Burma and the Philippines, and parts of Indonesia to a certain extent, suffered a considerable amount of physical damage during the war, either by denial policy or by actual fighting; and has suffered since, in the post-war period, by disturbances of various kinds. From the nationalistic point of view the crucial question for these countries was: could they redress and improve their economic position without a reimposition of western or Sino-Indian domination, which they felt was unfavourable to them. And there, I think, the position has rested. Where the people were willing not only to accept outside help and co-operation but were also willing to share the proceeds of development, their progress has been rapid. The Philippine case is a good illustration of this. In the last ten years the national income has risen by 6 per cent. per year, which is a very high rate. Thailand, too, has been growing fairly rapidly, because they encourage outside investment and enterprise even though they are very nationalistic in outlook.

What the Philippines have done is to squeeze out the Chinese while still retaining American capital and enterprise.

The most extreme case of both anti-western and also anti-Chinese feeling is to be found in Indonesia, where rabid anti-Dutch and anti-western reaction generally are coupled with a very radical reaction against the Chinese, resulting in a policy of Chinese evacuation from Java. Indonesia and Burma have not so far recovered their material resources sufficiently to reach their pre-war level. The Philippines and Thailand recovered their pre-war position about five years ago and are now starting on a new path of expansion.

To revert to my earlier point about mental attitudes, there is a very important factor to take into consideration when one talks about the con-

ditions that prevailed during the war. The material destruction at that time was very great; but to my mind there was also a most subtle sort of destruction going on which may in the long run prove to have been more costly. It was the great destruction by governments of people's social attitudes and of social order during the anti-colonial revolution. Because it was associated with the past, any coherent social order had to be destroyed, and I think that the breakdown of social values which accompanied the fierce national revolutions may be a very important matter. In the old days the various south-east Asian societies, though perhaps less coherent than the Chinese and Indian societies, nevertheless had a certain set of social relationships, and certain authorities which conditioned their behaviour. Now, I think partly as the result, ironically, of these nationalistic revolutions, all social structure has been destroyed, and instead of a coherent society there are splinter groups which disagree very profoundly among themselves. And this, I am sure, is one of the big obstacles. I think that economic development is not merely a question of having more money to put into a country; it also means harnessing people's energies, and making them work harder, save more and do things they do not normally do but which they might do under a common leadership. That is a sort of social discipline which you have (or used to have) in England but which is lacking in South-east Asia.

There are two main sources that can be relied upon for economic development. One is ordinary incentives: people can be persuaded to work harder because they want to earn more money and they want to have a higher standard of living. That is a fact, and as an economist I do not despise this because it is a very potent force and one which I wish more politicians would recognize. Politicians often seem to think that if they just talk, and arouse people, things will get done. Well, this may work for a time, but for pressure to be maintained some other, more substantial force is needed, and economic incentive is one such. In Burma we have a saying that people's enthusiasm is like straw, meaning that it is easy to set it alight but that the flame will flare up and then die down quickly. For real progress a steady force is necessary. In the new situation the steady force has to be sought apart from political enthusiasm, in the building up of a more or less integrated society, with social values and ethics that can be built upon. And the absence of this force seems to me to be one of the drawbacks. Certainly it has had its effects in Burma, and to a certain extent in Indonesia. The Philippines also had a breakdown of the former social structure, but have managed to switch to modern westernized methods more thoroughly than the other countries. The cohesive force of the traditional authority can still be seen in Thailand; and Malaya has it in the Malay section. This is in fact one of the interesting points—how far the traditional Malayan society can adapt itself in relation to the Chinese population and to modern economic development associated with Chinese and western methods.

Let me say at this point that I am not one of those modern economists who think that all ancient and traditional societies are bad and that feudalism has to be bulldozed out of existence and a new order set up everywhere. I do not think that this would work. What one wants to do is to try to

find out the extent to which the traditional society still exists, to learn its strong points and try to use them. The most successful country in Asia in terms of modern development is Japan, and in my opinion Japanese feudalism had quite a lot to do with it, because for this one needs a certain discipline and a certain sense of purpose and a certain coherence which may be quite unapparent. Economic development is not just fun and games; it is a very difficult process, and to carry this difficult process through a sense of discipline is essential, and I think that in South-east Asia the countries I have been mentioning had this quality destroyed in them; partly in the pre-war days under the impact of western economic forces, and more recently by political revolutions which have as it were put the finishing touch to the whole story of decay, so that now it is difficult to find something on which to base the progress of these societies.

Let me now turn to a more familiar type of economics which links up with what I have been saying. These countries normally live by exporting raw materials and primary products. Burma exports rice, Malaya exports rubber and tin, Thailand rice, and so on. The belief has now grown up, particularly in post-war years, that this was a bad thing for those countries. They think that the international division of labour whereby they are made to produce primary products and buy manufactured goods from advanced countries is not a very good distribution of functions: they feel that producers of primary products are in an inferior position which leads to a dead end. They aspire to become industrialized nations themselves, and in the post-war years most of these countries have attempted very rapid industrialization. Now, the money and resources to pay for the industrialization are derived from agriculture. In Burma the whole proceeds come from the rice exports, the profits from which are taken by the Government and used to try to stimulate manufacturing industries. Similarly, in the Philippines industrialization has been going on, and in fact it is in the Philippines that there has been the greatest progress. Industrialization is good by itself, but one has to ascertain how far these countries can go in the most economical manner. This is the most urgent thing to do, and I believe that countries like Burma or Malaya (unlike bigger countries such as India) are relatively less suitable for total industrialization. They can manage with little light industries, and by manufacturing domestically they can make substitutes for some of the things they buy from abroad, but it will always be necessary for them to import machines and some of the raw materials and a certain number of experts to run the industries, so not really very much will have been gained. Of course there is the satisfaction of having a number of factories which visitors can be shown around, but all that can be achieved is the creation of some domestic employment: it is not the sort of total industrialization they are wanting. In order to have that, they would have to produce the machines instead of buying them, and they would have to have a steel or iron industry to produce the machines. Now with a large country such as India this can be achieved; or there is a reasonable chance of being able to achieve it because an engineering industry cannot be run unless a fairly large output is produced. This means that the country must have enough outlet for the machinery to have a successful machine tool industry established within it. On the whole, the South-

eastern countries are too small for this, so their prospects for industrialization are not good. They can, of course, improve their roads, basic services, railways and water supplies, but sooner or later, if indeed it has not already happened, the process of substituting the imports they used to buy by means of industrialization will ultimately come to a stop, and what are the prospects then? Future progress would have to depend upon something else, and the only possibility of growth that I can see is still to improve their export of agricultural products and compete more efficiently. The Malayan rubber industry is a good instance. There has been some competition from synthetic rubber, but instead of giving up Malaya has tried to put more science and more research into the production of natural rubber, and has a reasonably expanding market for it. There is a fairly good prospect that Malaya can continue to make economic progress through this basic export industry.

But what about rice-growing countries like Burma or Thailand? Here there has been much scope for improvement. Burma used to produce, I think, about three and a half million tons of rice per year for export before the war. At present she can barely export one and a half million tons annually (the Government is trying to increase it to two million tons). There is then quite a lot of room for improvement in this type of production, and I believe that with an improvement in her rice and teak industries Burma could still go a fairly long way before she would do better by turning to heavy industry. In a way, economic development is not predictable; what should be done is to get on with the most promising line available and hope that by the time this comes to an end something more would have emerged in the meantime. But this is not the way things are being done in many of the countries. Governments have not given enough encouragement to agriculture: rather they have used the primary industries simply as a source of revenue, the money being utilized for some other line of investment in manufacturing industry, and the new industries have not always been very efficient, so that they have been costly to the country. Some of them have even had to be abandoned.

It is true that one of the things which is holding back these countries is lack of skill and knowledge, but this has been misinterpreted, in a way, because the inhabitants think this implies that more money must be spent on schools, that there must be greater expansion of universities. What has happened is that (and here I speak from personal experience of Burma, but I gather the experience of other Asian countries is similar) when we started the post-war period, with very few trained people (people good enough to be teachers in the schools and universities), there was a great demand for education. Parents wanted their sons and daughters to get better jobs, therefore they wanted to put them into schools. The reasonable thing to my mind would have been to choose the cleverest children, whether they came from rich or poor families, and to teach them so that they could become the teachers of the future, and to progress in this way. But no, the general political opinion was that it was unequal and undemocratic to discriminate: everyone had the basic right to education, not only at school level but also at university level. This meant that there was wholesale crowding of schools and universities, with only limited teaching resources,

so that the cleverer children could not be taught properly and existing intelligence potential and skills never had the chance to develop. The aim was to extend education to all, and while certain experts in education say this is a very good thing and that where in the old days education was very restricted and narrow now it is extended to all, the trouble is that now there is less chance to produce the sort of skilled people these countries need because of lack of selection. And the drive to get education is simply that parents want their children to attain middle-class standards of living by means of getting good jobs, because middle-class people have about five or six times the average income of the country. Of course it is not possible for everyone in the country to have five or six times the prevailing average income. Only a limited number of such people can be supported, and it must be ensured that those who do get the high incomes are very good. With the departure, after the war, of colonial administrators, there were a certain number of well-paid jobs available, but they were soon filled and the countries have not advanced enough for the creation of many more of such high-level jobs for graduates. Theoretically, these graduates should have helped to quicken the rate of progress, but in practice they are not of sufficient quality to be of much help. In fact, many of them, because of insufficient training and ability, may hinder the process. So there is this unsatisfactory situation—of a great deal of talent being wasted, countries being unable to offer enough jobs to graduates, and a storm-centre for future political tension being created thereby.

As I see it, the basic significance lies in the mental attitudes, deeply-rooted, and aggravated rather than soothed by various developments in the post-war period. And I think that the fault lies not only with the outside world but with the peoples themselves. It is they who must accustom themselves to changes. I think there have been a lot of experiments, with a variety of governmental interference, to try to stimulate economic growth. Again, the countries which have been successful have, on the whole, encouraged private enterprise. I am thinking of the Philippines particularly. Certainly Thailand and Malaya are at present inclined towards controlling private enterprise rather than having Government take direct action, but Burma and Indonesia have been more inclined towards direct Government action and larger centralization of activity. The big question is how far the governments have resources, ideological inclination apart, which will enable them to perform efficiently the tasks they have undertaken. I believe this mixed economy to be very unstable and unpredictable. One either has to depend more and more on Government control on the one hand, or more and more on private industry on the other hand. And I for one am not at all sure that political conditions are stable enough for the successful encouragement of progress through this delicate balance between the state sector and the private sector without the one or the other dominating the whole economy in the end.

REPORT OF DISCUSSION

The CHAIRMAN, Sir RICHARD GALE, opened the discussion which followed by asking why there had been such a big drop in rice production in

Burma. In reply, the lecturer said that the Burmese Government considered the private methods used by big foreign import and export firms to be on a basis other than that of fair-shares, and subject to exploitation by middlemen, and had therefore decided to intervene and buy the rice direct from the peasant. This, he added, was all right up to a point, but it was questionable whether the Government was trying to protect the peasant or was simply trying to get extra profit from rice so that it could pursue other schemes for development. He thought it undeniable that when the Government went into marketing they were inefficient and there was much wastage. State Marketing Boards' costs for delivering rice were much more than those of private enterprise, either foreign or even Burman. On top of this, the farmers who grew the rice had not been given enough incentive. The price of rice had been fixed at 300 rupees per hundred baskets as long ago as 1949, and had never been raised. In the meantime the price of other things had gone up, and it was hardly worth while for farmers to work hard on the land when law and order was not maintained in the outlying districts.

A member asked how Thailand's projected Kra Isthmus Canal would affect the economies of Thailand and Malaya, and whether Thailand would be able to bear the enormous burden of its cost. The speaker answered that in fact the cost of projects of this size was very rarely borne by Governments; they hoped to attract foreign loans or foreign aid of some kind for their realization. The hope was that ships would be able to go straight through the Canal to Bangkok instead of round by way of Singapore. This was ordinary business competition. Thailand hoped by this means to divert a lot of business, and if it proved successful this would naturally affect Singapore. It was reasonable to ask if it were worth while to do this when there was already an excellent port at Singapore; duplication of this sort recurred constantly in these small countries. In Kuala Lumpur, for instance, a new airfield and a new harbour were being built because no one there wanted to be dependent upon Singapore. Regional planning would of course be much more economical, but each country wanted to have its own ports and airfields. There was intense nationalism among these countries which made it very hard for them to co-operate. It was a phase which they would have to grow out of, and this would take time.

Another member asked if the smaller countries such as Java had any mineral resources which would help them to establish export industries. The lecturer said that there were some promising resources, but people were rather confused about the whole matter. In pre-war days there had been considerable mining and plantation industries in Indonesia. The inhabitants of those countries, however, believed that the big foreign firms were exploiting the natural resources without letting the countries themselves have a large enough share. They wanted, therefore, to work the industries themselves, but they lacked skilled personnel and did not know the markets, so some of the natural resources which might have been worked were not being worked. From any raw material an industry might be built up, rather than that the raw material itself should be exported, but it was something that had to be done by stages. The countries under discussion

wanted to have large mills and factories working immediately; this was the real problem.

A member commented on recent drastic developments in Burma in connexion with the nationalization of Banks. He had visited Burma a year ago and had appointed an agent for his business; he had also made contacts with a number of prominent businessmen. All had been very enthusiastic at first, but in the past nine months conditions had deteriorated and it was now difficult to export to Burma. He wished to ask if in the lecturer's opinion Burma must nowadays be regarded as a communistic state, like its neighbour China. To this the lecturer answered that although there had been an increase in Government ownership in Burma, he thought it would be putting it too strongly to say that Burma was now a communistic state in the way that China was.

On the question of industrialization "in small national packets" a member suggested that there was in South-east Asia, at least as far as Thailand, Malaya and the Philippines were concerned, some tentative groping towards a common market. There was, for instance, the so-called "Associated States of South-east Asia". Did the lecturer think there was much future for this? Could industrialization be developed and rationalized through a very much larger area, for instance? He himself thought it unlikely that Indonesia would join in; nor, possibly, Burma, owing to its very different fiscal system. In reply, the lecturer said he was enthusiastic about the tentative growth towards a common market but that there were many technical problems, the first being that the majority of the countries concerned export the same things. The trouble was that everyone wanted to develop heavy industries, and none of these countries would be content merely to produce food, or light industrial products. Here again was the struggle for the larger share of the cake; here was the ultimate drawback. At the moment, therefore, it was necessary to look for some looser form of co-operation. For his part he thought there should be universities in different regions specializing in different subjects, so that there might be regional development. He admitted, however, that there was very little hope for this, the reason being partly that in order for such a plan to succeed it would be necessary to have a common language, such as English, so that graduates might be employed throughout South-east Asia. Secondly, each university desired to study such subjects as physics. In addition, everyone wanted air lines, because these were easily-recognized symbols of modern development. Every little country wanted its own airlines, on which of course they lost money.

Reverting to the lecturer's comments on the effect of colonialism on economic progress, a member asked if he would comment on the parallel between Thailand, which had never been a colonial country, and the Philippines, which had been under the American flag, as distinct from the other, colonial countries. The lecturer replied that in his opinion the type of colonial rule that had prevailed in South-east Asia had not been bad. The significant point however, was not what *had* been done, but what people *thought* had been done. It was a specific state of mind wherein people thought of their past wrongs rather than of future co-operation. This was the real trouble. Speaking once more of the universities, which

was what he knew most about, the standard of colonial universities had been higher than the standards in independent countries. Burma had had a very good university before the war, but it had declined seriously. Malaya University was still good, but it would decline. Hong Kong still had a colonial university, a very good one. India, which had been the most nationalistic and advanced of the countries under discussion had the largest number of students, and therefore rather poorer universities. He was not sure that it was possible to draw comparisons between British colonial territories such as Burma and Malaya, and American such as the Philippines. He had been very impressed by what he had seen of the Philippines: he thought that they had had a longer period of preparation for independence; they had known during the war that at a definite date they would get their independence, and there had in consequence been a longer period of co-operation. On the other hand, when the British "Blue-Print for Burma" came out in 1943 there had been no mention of any date for the granting of independence, so that for the Burmese the whole matter was uncertain. That, he thought, did make some difference. Malaya had had a longer time for preparation and he was hopeful that the later development of Malaya would be happier than had been the case with Burma.

To a question about the siting of the new universities the lecturer said that there were two at Bangkok, and many in Indonesia.

A member then asked the lecturer about the E.C.A.F.E. Meeting in 1959, where it had first been discussed that there should be a division of labour between the old countries (the industrialized countries of the west) and the countries of South-east Asia in preparation for the time when those Asian countries would have the industrial revolution of the type we ourselves had had some 150 years ago, after which the west should then concentrate on the more refined and complicated industries such as electronics. In reply the lecturer said that this was a very good idea which had been thought about for a very long time; namely, that the more advanced countries should start to produce more advanced capital goods for export whereas the other countries should progress to light industries. In very thickly populated regions such as India or Hong Kong exports had to consist of textiles or some other commodity which utilized a great deal of labour, their cheapest commodity. The idea had excellent possibilities for co-operation, but it was only necessary to look at the fearfulness of Lancashire or any other similar interest in an advanced country to see what pressure there would be in advanced countries from one section of the community. It was a pressure no Government would be able to resist. A Government might give millions of pounds' worth of aid with one hand while closing outlets for trade for the same countries with the other. He could not adjudicate on such questions, but he did wish to point out that these were the sort of matters that impeded schemes which, however well they looked on paper, always and immediately came up against human and economic difficulties.

Asked whether the Colombo plan was having any effect, the lecturer said he thought it a very useful plan. Although the total aid had not perhaps been very large it had helped a great deal, and by concentrating on

technical aid, skills, etc., had been very useful. The only trouble was that everything had been done on an annual basis, the receiving countries having no assurance that they would receive a certain amount during, say, the five years ahead. It would greatly improve the situation if they were able to plan ahead. This was part of the problem of aid: countries were prepared to give very large sums immediately, sums larger than the small countries could use at one time, whereas Congress allotted on a yearly basis.

In reply to an American visitor who asked if the economic aid given to Burma under the Walinsky Plan had been of use the lecturer said he had returned to Burma as Economic Adviser in 1954, at a time when there existed an American consultative team of which Mr. Walinsky was the head. The lecturer's opinion was that the Plan had not been a very well conceived one. Mr. Walinsky had tried to put it on a purely economic basis, wanting to increase output by specific percentages. It was necessary, however, for someone to administer such a plan, and the existing political situation made it impossible for the existing Burmese administration to do so. So of course the plan had not worked out as had been envisaged; the State Marketing Board was obviously a very creaking machine. Every scheme, however well planned, was dependent on conditions prevailing in the country concerned. He thought more would have been achieved by a smaller, more elastic plan.

