

SOUTHEAST ASIA

The Long Road Ahead

Second Edition

LIM Chong Yah

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The Long Road Ahead

Second Edition

For My Loved Ones

NANA

FERN & YANG, WUN & CHRIS, LYNN & GREGOR, RON & CLAIR

SHENGWU, HUANWU, SHIMEI, SHIQUAN, SHAOWU, SHIWEI

About the Author

Born in the British Straits Settlement of Malacca in 1932, he was awarded a Malacca Settlement Scholarship to study Economics at the University of Malaya, then located in Singapore. Later, he won a British Commonwealth Scholarship to read Economics at the University of Oxford, where he obtained his doctorate degree. He taught Economics at the University of Malaya (in Kuala Lumpur), where he became the first Head of the Division of Applied Economics. Subsequently, he was Reader and later Professor and Senior Professor of Economics at the University of Singapore (later renamed the National University of Singapore), where he was also Head of the Department. He is currently Professor of Economics at the Nanyang Technological University and Emeritus Professor at the National University of Singapore.

For nearly three decades (1972–2001), he served as the Founder Chairman of the National Wages Council, Singapore. He also served as the Founder Chairman of the Skills Development Fund Advisory Council. Recently, he was appointed as Consultant to the Mauritian Government on wage reforms. He was the Founder of the Federation of Asean Economic Associations (FAEA), and became its President on three separate occasions. He once served as Senior Economic Advisor to ECAFE and Economic Consultant to the World Bank Lester Pearson Commission on World Development and UNESCO-IAU Commission on Higher Education and Economic Development in Southeast Asia. He was the Founder Chairman of the Singapore National Committee for Pacific Economic Co-operation (SINCPEC).

Professor Lim publishes widely. His impressive research and publication record includes more than 160 refereed journal articles, monographs and books. His book publications, as a single author, include the *Economic Development of Modern Malaya* (1967), *Economic Development in Southeast Asia* (1981), *Economic Restructuring in Singapore* (1984), *Development and Underdevelopment* (1991), *Economic Essays by*

Lim Chong Yah (2001) and *Southeast Asia: The Long Road Ahead* (2001). His publications have been translated into Chinese, Malay and Japanese. One has gone into Braille.

For his eminent scholarship and outstanding public service, he received many distinguished awards, including *The Distinguished Service Award* by the National Trades Union Congress in 1999, and in 2000, *The Distinguished Service Order (Darjah Utama Bakti Cemerlang)* by the Singapore Government. There is also a Professorship under his name established by the National University of Singapore. He was conferred the *Doctor Honoris Causa* by Soka University in Japan, awarded an *Honorary Professorship* by Hainan University and Honorary Chairman of the Hainan University Council by the Provincial Government of Hainan. The Indiana University conferred on him the John W. Ryan Alumni Award for “Distinguished Contribution to International Education”.

He is married with four grown-up children and six grandchildren. His hobbies are mountain trekking, gardening and golfing.

Other Books by the Author

- * **1967.** *Economic Development of Modern Malaya*, Kuala Lumpur: Oxford University Press. Reprinted in 1969.
- * **1971.** *Elements of Economic Theory*, with Lee Sheng-Yi and Chia Siow Yue, Kuala Lumpur: Oxford University Press. Translated into Chinese and Malay. Adapted for use in Pakistan. Second Edition, 1975. Third Edition, 1984.
- * **1973.** *Economic Structure and Organisation*, with Chia Siow Yue, Bhanoji Rao and Ow Chwee Huay, Kuala Lumpur: Oxford University Press. Translated into Chinese and Malay. Revised Edition, 1977. Went into Braille.
- * **1981.** *Economic Development in Southeast Asia*, Singapore: Federal Publications.
- * **1984.** *Economic Restructuring in Singapore*, Singapore: Federal Publications.
- * **1986.** *Report of the Central Provident Fund Study Group*, Chairman of Group, *Singapore Economic Review*, Special Issue, Vol. XXXI, No. 1.
- * **1988.** *Policy Options for the Singapore Economy*, with Associates, Singapore: McGraw-Hill. Translated into Japanese, 1995.
- * **1991.** *Development and Underdevelopment*, Singapore: Longman.
- * **1998.** *Wages and Wages Policies: Tripartism in Singapore*, Co-Editor and Contributor, Singapore: World Scientific.
- * **2001.** *Economic Essays by Lim Chong Yah*, Singapore: World Scientific.

Preface to the Second Edition

My first debt of gratitude must go to Ms SNG Hui Ying and Ms HO Woon Yee. Both are young Lecturers in Economics in the School of Humanities and Social Sciences, Nanyang Technological University. They volunteered to help me to update the book, particularly the statistics, when the first edition went out of print. We had to comb through every chapter. We tried also to remove whatever awkward expressions or opaqueness we found on the way. The whole exercise turned out to be much more time-consuming than we first thought. All remaining inelegances and inadequacies, however, remain my responsibility. Without their undertaking to help, I would have left this book un-updated and un-revised.

I would also like to express my appreciation to my beloved professorial colleagues in the Division of Applied Economics in NTU, each commenting on one or two chapters of the revised draft. My benefactors are: Joseph ALBA, LEU Gwo-Jiun Mike, LIU Yunhua, NG Beoy Kui, PARK Donghyun, Shubhasree SESHANNA, SOON Lee Ying, TAN Kim Heng and YIP Sau Leung, Paul.

Outside my Division, my gratitude for useful and helpful comments goes to Dr TAN Khee Giap, an Associate Professor in the Division of Banking and Finance, NTU and Professor Mukul ASHER, Professor of Public Policy Programme, National University of Singapore. The usual disclaimer remains. Only the author is responsible for the book with whatever blemishes that still remain.

In the Second Edition, a few discussion topics at the back of each chapter have been added. Hopefully, these will be useful to professors and students using the book in seminar and tutorial discussion.

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July 2003

Preface to the First Edition

This is a book on the economics of Southeast Asia. It deals with cross-country and inter-temporal analyses of the macroeconomic problems, issues, policies and trends in all the ten countries that form ASEAN (Association of Southeast Asian Nations). Hopefully, the book is of use to all graduate students on Southeast Asia, not just economics graduate students. Hopefully too, the book is also of interest and use to policy makers in the region and to others interested in the policy options in these ten countries.

As the Table of Contents of the book shows, this book discusses and evaluates population policies, trade policies, industrialisation policies, agricultural policies, monetary policies, fiscal policies, regional co-operation, the 1997/98 financial crisis and prospects for further development. Some basic facts and key dates on each of the ten countries are also separately given for ease of reference. Readers familiar with Southeast Asia can ignore the basic information. Similarly, the book need not be read in the sequence that is being presented. As Southeast Asia is still essentially an agricultural region, several chapters have been devoted to agricultural development.

The book is entitled *The Long Road Ahead*. It is intended, *inter-alia*, to focus attention on the distance between Southeast Asia and the developed countries. It also discusses some of the wrong roads taken, because of special circumstances, by these countries.

Let us hope that the vision for Southeast Asia to become a developed region economically can be realised sooner than later, but hopefully, not indefinitely. I also hope that this book can be of some use or help in

supplying ideas and concepts to transform the region from under-development to development.

The book is written by an “insider”, looking at his own region, Southeast Asia; not by an “outsider” evaluating the Southeast Asian region.

Lastly, the analysis in the book shows that the road ahead to achieve developed country status is long for the Southeast Asian region as a whole. It must, however, be added that although the attainment of affluence is a worthy objective, of importance too is how that affluence is to be achieved, as Ursula K. LeGuin beautifully puts it “It is good to have an end to journey toward; but it is the journey that matters, in the end.”

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December 2000

Acknowledgements to the First Edition

This book *Southeast Asia: The Long Road Ahead* cannot be completed without the help, at varying times, of four persons. They are:

- (1) Associate Professor Bhanoji RAO, who for more than two decades was a colleague of mine at the Department of Economics of the National University of Singapore.
- (2) Mr Aidi Abdul RAHIM, *M. Soc. Sci (Economics)* from the NUS who worked as my Research Associate.
- (3) Mr LEE Chee Tong, *M. Business* from the Nanyang Technological University who helped me as a Research Associate after Mr RAHIM.
- (4) Ms SNG Hui Ying, *M. Soc. Sci* in Applied Economics from the National University of Singapore and who is a Lecturer at NTU since August 2000.

I could not have the invaluable help from Mr Aidi RAHIM and later Mr LEE Chee Tong as my Research Associates but for the research grants given to me by the NTU, for which I would like to acknowledge with thanks and gratefulness.

I am also grateful to Associate Professor Ernest Chew, a distinguished Southeast Asian historian at the National University of Singapore (NUS) and Associate Professor Teofilo C. Daquila of the Southeast Asian Studies Programme also at the NUS for their useful comments on an earlier draft on the Basic Facts and Key Dates of Southeast Asia.

Lastly, I would also like to acknowledge the help and insights that I have received from all the authors and publications cited at various places in this book. However, the remaining mistakes and weaknesses in presentation, in facts and in judgement remain my own and sole responsibility.

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December 2000

Southeast Asia: Overall Picture, 2001

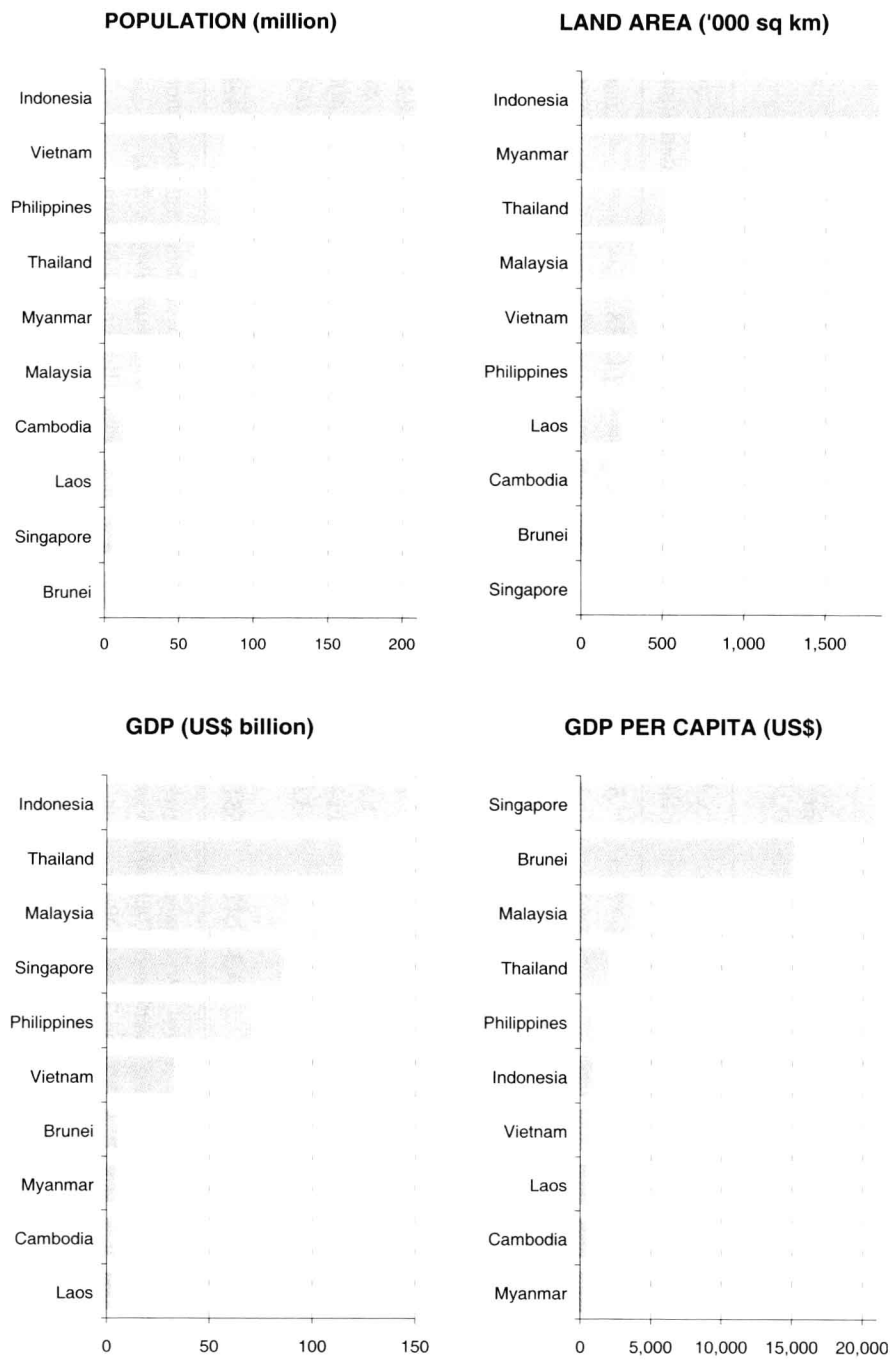
Country	Population (‘000)	Land Area (sq km)	GDP (US\$ mil)	GDP, PPP (International \$ mil)	GDP Per Capita (US\$)	GDP Per Capita, PPP (International \$)
Brunei	338	5,270	5,049	n.a.	14,938	n.a.
Cambodia	12,265	176,520	3,404	22,799	278	1,860
Indonesia	208,981	1,811,570	145,306	615,169	695	2,940
Laos	5,403	230,800	1,761	8,753	326	1,620
Malaysia	23,802	328,550	88,041	208,296	3,699	8,750
Myanmar	48,320	657,550	3,900	n.a.	78	n.a.
Philippines	78,317	298,170	71,438	301,061	912	3,840
Singapore	4,131	610	85,648	93,672	20,733	22,680
Thailand	61,184	510,890	114,681	391,694	1,874	6,400
Vietnam	79,526	325,490	32,723	164,467	411	2,070
Total SEA	522,268	4,345,420	551,950	1,805,911	1,057	3,458

Source: World Bank, *World Development Indicators (WDI) Online*, 2003 (<https://publications.worldbank.org/subscriptions/WDI/>), and Economist Intelligence Unit, *Myanmar Country Profile*, 2002, and EIU, *Brunei Country Profile*, 2002

Note: Total GDP (PPP) and Total GDP per capita (PPP) for Southeast Asia do not include Brunei and Myanmar

Note: Figures for Brunei refer to 2000

Southeast Asia: Overall Picture, 2001



Southeast Asia and Other Regions, 2001

Region/ Country	Population ('000)	Land Area (sq km)	GDP (US\$ bil)	GDP, PPP (International \$ bil)	GDP Per Capita (US\$)	GDP Per Capita, PPP (International \$)
Southeast Asia	522,268	4,345,420	552	1,806	1,057	3,458
Northeast Asia	1,477,780	11,393,338	6,168	9,696	4,174	6,561
China	1,271,850	9,327,420	1,159	5,111	911	4,020
Japan	127,035	364,500	4,141	3,193	32,601	25,130
European Monetary Union	306,675	2,537,040	6,111	7,342	19,926	23,942
India	1,032,355	2,973,190	477	2,930	462	2,840
United States	285,318	9,158,960	10,065	9,792	35,277	34,320
World	6,130,101	130,177,600	31,121	45,619	5,077	7,442

Source: World Bank, *World Development Indicators (WDI) Online*, 2003 (<https://publications.worldbank.org/subscriptions/WDI/>), and Economist Intelligence Unit, *Taiwan Country Forecast*, 2002

Note: Northeast Asia includes China, Japan, South Korea, Hong Kong, Taiwan and Mongolia