

GEOGRAPHY, DEVELOPMENT, AND SE ASIA: THEORIES

1) Coastline/area; v/s land-locked.

Coastal regions more connected to global economy, history, tradition of trade. Hard to close of the economy; smuggling. 'Indonesia was made by God for free trade'.

2) Distance, proximity to networks.

Proxied by distance to major global centres (NY, Tokyo, etc).

Regional locomotive effects; trade, production networks, competition effects. (Though no guarantees - Caribbean, North Africa, etc.)

3) 'Strategic location'.

Eg, physical location, Singapore, Straits of Malacca.

Or geo-political location results in great power competition; eg, Egypt.

4) Vulnerability to natural disasters.

See evidence on earthquakes; SE Asia in the 'ring of fire'.

Some terrible local impacts and suffering: 2004 Tsunami; Mt Pinotubo, etc. Sometimes employed as a factor explaining Philippine record.

But economic effects generally local, rarely register at national level.

Much of high-growth East Asia is disaster-prone.

5) 'Climate' theories of development.

Argument that tropics in some senses inimical to development. Harsh climate not conducive to hard physical labour. High rainfall leaches soil productivity, etc.

Empirical evidence prior to the 1970s seem to support this evidence.

See Todaro quote.

6) Natural resource endowments: curse or blessing.

International evidence suggests a 'resource curse', compared to resource-poor East Asia. Perhaps counter-intuitive.

See Sachs and Warner (Euro Ec Rev, 2001): 'Resource intensity tends to correlate with slow economic growth'.

Natural resource abundance may lead to:

- Complacency on policy reform, weak fiscal effort, under-investment in human resources.
- Higher levels of corruption; more prone to conflicts (eg Sierra Leone).
- Difficulty in managing 'Dutch Disease': effects on non-boom (oil) tradables sectors; arising from (a) exchange rate appreciation, and (b) expenditure effects.
- Vulnerable to oscillating terms of trade; resource boom and bust; very difficult to manage the macro economy; unable to adjust to sharp export price decline; hence debt crises.

Key seems to be depends on institutions, capacity to manage. Eg, Australia, Botswana; also Malaysia, Indonesia.

Key is how to 'sterilize' the resource inflows. One useful device is some sort of 'petroleum fund', which keeps resource boom revenues off-shore, brought in consistent with local absorptive capacity. Also inter-generationally fairer.

Recent example in East Timor: \$400 million economy managing a (potentially) \$10 billion gas windfall.