

SOUTHEAST ASIAN ECONOMIC POLICY AND DEVELOPMENT
(ECON 3009/3019/8049)

A course offered to students enrolled in the College of Business and Economics, and the Crawford School, Australian National University.

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Class times: Wednesday, 11.00-13.00; Thursday, 14.00-15.00.

Class location: Coombs Building Extension, room 1.04.

(On a few occasions, to be notified, the class will be held in a nearby room.)

This course may be down-loaded from my web-site, located in <http://rspas.anu.edu.au/economics> The web-site will also contain any course updates, amendments, etc.

SUMMARY

The purpose of this course is to provide a rigorous, analytically informed overview of the Southeast Asian economies, with primary emphasis on the past quarter century. The six largest ASEAN (Association of Southeast Asian Nations) economies are the main focus of study, but the other smaller economies will also be referred to, and in addition Southeast Asia's experience will be related to that of other developing regions where relevant. The ASEAN group contains considerable diversity in terms of resource endowments, policy orientations and economic performance, thereby offering a range of case studies for analysis. The principal themes and topics explored are the causes and consequences of rapid economic growth, the serious economic crisis of 1997-98, structural change and changing comparative advantage, the growing regionalization and internationalization of the economies, processes and outcomes of economic policy reform, and some social implications of the development record. Economic theory and descriptive analysis are combined to assess and evaluate the economic performance and policies of these countries.

INTRODUCTION

The economies of Southeast Asia are important for several reasons. First, they have been among the best performing economies in the world. Growth rates of at least five of them have been among the highest in the world for various, extended periods since 1970. Second, three of them experienced a sudden and very sharp economic crisis in 1997-98, the causes and consequences of which remain contentious. Third, there is considerable diversity in the region, in terms of size, resource endowments, policy orientations, political history, and

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economic performance. Thus the region offers scope for development case studies not usually available through a single-country course offering. Fourth, they are increasingly important in the East Asian and international economy, as sources of trade and investment.

The purpose of this course is to provide a rigorous, analytically informed overview of these economies, with primary emphasis on the period after 1970. The five original ASEAN (Association of Southeast Asian Nations) member states, Indonesia, Malaysia, Philippines, Singapore, and Thailand, will form the core of the unit. In addition, Vietnam, East Timor and other countries in the region will be referred to.

The principal themes and topics of the unit include: (a) rapid economic growth, (b) sudden and unanticipated crisis, 1997-98, (c) rapid structural change and changing comparative advantage, (d) growing regionalization and internationalization of the economies, (e) social dimensions and consequences, and (f) policy reform lessons and experience.

The course attempts to apply basic concepts of economic analysis to an understanding of these economies. It may be regarded as a course in applied development economics and policy, with particular reference to Southeast Asia. It will combine descriptive, analytical and theoretical building blocks to assess and evaluate the region's economic policy and performance. Although the course will focus primarily on the region, to the extent possible it will seek to integrate this experience within the broader literature on and lessons from other developing regions, especially East Asia. The unit assumes that students have a sound understanding of economic theory, principles and terminology.

Guest lectures will be provided on an occasional basis.

COURSE READING

There is no single text for this unit. The closest is Lim Chong Yah (2004), Southeast Asia: The Long Road Ahead, World Scientific Publishing, Singapore, second edition. By a leading Singaporean economist and past president of the Federation of ASEAN Economics Associations.

Because there is no single text, a 'reading brick' of key references will be available at cost for purchase from the CBE office. Items included in the brick are marked with a '**'.

Students are expected to read widely, on the basis of the references given below and from their own research. Enrolment in this course carries with it a commitment to read widely.

Major references:

(a) General development references. There are several of these on the market, including:

Perkins, D.H., S. Radelet, D.R. Snodgrass, M. Gillis, & M. Roemer (2001), Economics of Development, W.W. Norton, New York, 5th edition. Arguably the best general development economics text.

Hayami, Y. and Y. Godo (2005), Development Economics: From the Poverty to the Wealth of Nations, Oxford University Press, Oxford, 3rd edition.

Has evolved out of a volume by the first author, Japan's leading figure in development economics. Particularly strong in microeconomics, emphasizing rural development and institutions.

Meier, G.M. and J. E. Rauch, (2005) Leading Issues in Economic Development, Oxford University Press, New York; 8th edition.

Long established, encyclopedic volume of readings, combined with excellent, succinct analytical narratives. The best of its kind.

In addition, a number of books provide illuminating, and sometimes provocative, perspectives in development issues. Important examples include:

Collier, P. (2007), The Bottom Billion, Oxford University Press, Oxford. One of the most influential and readable recent books on development issues; has a heavy Africa focus.

Easterly, W. (2001), The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics, MIT Press, Cambridge, Mass. By a widely published author, on why development opportunities have been so often missed.

Pomfret, R. (2002), Constructing a Market Economy: Diverse Paths from Central Planning in Asia and Europe, Edward Elgar, Cheltenham.

An excellent synthesis of the literature on economies in transition from central planning to markets. Of particular relevance to the three Southeast Asian economies in this group, Cambodia, Laos, and Vietnam.

Rodrik, D. (2003), In Search of Prosperity: Analytical Narratives on Economic Growth, Princeton University Press, Princeton. One of the most important development books to appear in the past decade. Leading authorities dissect country experiences in light of recent growth theories and empirics. Includes three Southeast Asian case studies.

Stiglitz, J. (2002), Globalization and its Discontents, W.W. Norton, New York. A passionate, polemical volume by the 2001 Nobel Laureate. A powerful, though highly controversial, attack on the IMF-centred international financial architecture, and its handling of economic crises, including East Asia, 1997-98.

Szirmai, A. (2004), The Dynamics of Socio-Economic Development: An Introduction, Cambridge University Press, 2004.

An excellent general guide to development economics, which takes history and institutions seriously.

United Nations, Investing in Development: A Practical Plan to Achieve the Millennium Development Goals, 2005.

A massive multi-volume study on these issues, coordinated by Columbia's Jeffrey Sachs. See also Sachs (2005), The End of Poverty, Penguin.

(b) Asian development I: general (& pre-crisis)

Those published before 1998 do not cover, and do not anticipate, the crisis of 1997-98. But they contain much useful information. Notable studies include:

Asian Development Bank (1997), Emerging Asia: Changes and Challenges, ADB, Manila. From the region's major international development agency. Released just as the crisis hit, but still useful.

World Bank (1993), The East Asian Miracle: Economic Growth and Public Policy, Washington DC. A still widely cited, if controversial, study, in which the Bank offered an explanation for East Asia's rapid economic development.

(c) Asian development II: crisis and response

Since 1998, the literature on the region has been dominated by attempts to understand the crisis. Since events are changing so quickly, much of it appears in working paper form on various web-sites. Useful published collections include:

Arndt, H.W. and H. Hill (eds) (1999), Southeast Asia's Economic Crisis: Origins, Lessons, and the Way Forward, Institute of Southeast Asian Studies, Singapore.

Gill, I.S., and H.J. Kharas (eds) (2006), An East Asian Renaissance: Gravity and Friction in Economic Growth, World Bank, Washington DC. A broad-ranging Bank study on East Asia.

McLeod, R.H. and R. Garnaut (eds) (1988), East Asia in Crisis: from being a Miracle to Needing One?, Routledge, London. The first major, book-length examination of the East Asian economic crisis.

Stiglitz, J.E. and S. Yusuf (eds) (2001), Rethinking the East Asian Miracle, Oxford University, New York, for the World Bank, Washington DC. A World Bank-sponsored study, revisiting the 'Miracle' volume.

Yusuf, S. and Associates (2004), Innovative East Asia: The Future of Growth, Oxford University Press, New York. A forward-looking examination of East Asian economic development issues.

(d) Southeast Asian development

Major works, some historical in emphasis, include:

Brown, I. (1997), Economic Change in South-East Asia, c.1830-1980, Oxford University Press, Kuala Lumpur. A very useful volume on the region's long-run economic development.

Dick, H.W. et al (2002), The Emergence of a National Economy: An Economic History of Indonesia, 1800-2000, Allen & Unwin, Sydney.

Hill, H. (ed) (2002), Southeast Asian Economic Development, Edward Elgar, Cheltenham, 4 volumes, about 2500 pages. A comprehensive reference volume, comprising 80+ papers, many of which are used in this course. Far too expensive for individual purchase (GBP575!), but useful to dip into at a library.

Myint, H. (1972), Southeast Asia's Economy: Development Policies in the 1970s, Penguin. A classic. Written by one of the region's most famous economists. Useful for the perspectives it offers on the region as viewed from the late 1960s.

The best general annual round-up of events in the region is Southeast Asian Affairs, published by the Institute of Southeast Asian Studies (ISEAS), Singapore. Check also their very useful website, iseas.edu.sg.

(e) Country Studies

Indonesia:

Booth, A. (1998), The Indonesian Economy in the Nineteenth and Twentieth Centuries: A History of Missed Opportunities, Macmillan, London. Looks at the long sweep of Indonesian economic development.

Hill, H. (2000), The Indonesian Economy, Cambridge University Press, Cambridge, second edition.

ASEAN Economic Bulletin, May 2006; special issue on Indonesia.

See also the annual Indonesia Update series, based on the ANU's conference of the same name, and published by ISEAS, Singapore.

Malaysia:

Athukorala, P.-C. (2003), Crisis and Recovery in Malaysia: The Role of Capital Controls, Edward Elgar, Cheltenham, 2nd edition. As the sub-title indicates, pays particular attention to Malaysia's controversial response to the crisis.

Barlow, C. (2001), Modern Malaysia in the Global Economy, Edward Elgar, Cheltenham. A wide-ranging stocktake of the country's economic, social and political development.

Jomo K.S. (ed) (2001), Malaysian Eclipse: Economic Crisis and Recovery, Zed Books, London. By one of Southeast Asia's most prolific (and controversial) social scientists.

Mahani Zainal Abidin (2002), Rewriting the Rules: The Malaysian Crisis Management Model, Prentice Hall, Petaling Jaya. An important 'insider's account' of Malaysia's response to the 1997-98 economic crisis.

The Philippines:

Balisacan, A. and H. Hill (eds) (2003), The Philippine Economy: Development, Policies, and Challenges, Oxford University Press, New York. (A low-cost Philippine edition is published by Ateneo University Press.)

Severino, R. and L. Salazar (eds) (2007), Whither the Philippines in the 21st Century?, Institute of Southeast Asian Studies, Singapore. A wide-ranging study of Philippine development challenges.

Sicat, G.P. (2003) Philippine Economic and Development Issues, Anvil, Manila. This is volume 3 of the author's massive three-volume text on the Philippine economy. Volumes 1 and 2 mainly cover micro and macro theory. The author has been a key figure in the Philippine economics profession and policy community for four decades.

See also the website <pids.gov.ph> for output from the country's leading economic think tank.

Singapore:

Huff, W.G. (1994), The Economic Growth of Singapore, Cambridge University Press, Cambridge. A beautifully written economic history of Singapore.

Koh Ai Tee et al (eds) (2002), Singapore Economy in the 21st Century: Issues and Strategies, McGraw-Hill, Singapore. A comprehensive review of the city state's economic development.

Thailand:

Pasuk Pongpaichit and C. Baker (1995), Thailand: Economy and Politics, Oxford University Press, Kuala Lumpur.

Warr, P. (ed, 2005), Thailand Beyond the Crisis, RoutledgeCurzon, Oxford. See in particular chapter 1, Peter Warr, 'Boom, bust and beyond', pp. 3-65.

Warr, P. (ed) (1994), The Thai Economy in Transition, Cambridge University Press, Cambridge. Now dated, but still a very useful book on Thailand's long-term economic development.

ASEAN Economic Bulletin, 21 (1), 2004. A special issue on Thai economic challenges.

Vietnam:

van Arkardie, B. and R. Mallon (2003), Vietnam: A Transition Tiger?, Asia-Pacific Press, Canberra.

Fforde, A. and S. de Vylder (1996), From Plan to Market: The Economic Transition in Vietnam, Westview, Boulder.

Journal of Asia-Pacific Economy, 9 (2), 2004. A special issue on globalization and poverty in Vietnam.

The literature on the other economies is much thinner. Examples include:

Burma/Myanmar:

Economic Development of Burma: A Vision and a Strategy (2000), Singapore University Press, Singapore. An interesting forward-looking analysis by a distinguished group of Burmese economists. Constitutes a 'road map' should that country ever rejoin the international community.

Tin Maung Maung Than (2006), State Dominance in Myanmar: The Political Economy of Industrialization, ISEAS, Singapore.

See also T. Wilson (ed) (2006), Burma's Long Road to National Reconciliation, Institute of Southeast Asian Studies, Singapore; and Burma Economic Watch, an online journal published from Macquarie University: www.econ.mq.edu.au/burma_economic_watch

Cambodia:

Coe, D.T. et al (2005), Cambodia: Emerging from Rehabilitation into an Uncertain Future, IMF, Washington.

East Timor:

Hill, H. and J. Saldanha (eds) (2001), East Timor: Development Challenges for the World's Newest Nation, ISEAS, Singapore; Asia-Pacific Press, Canberra. A mainly forward-looking study, examining a broad range of policy options for this recently independent, and extremely poor, nation.

Laos:

Fane, G. (2006), 'Trade Liberalization, Economic Reform and Poverty Reduction in Lao PDR', Journal of the Asia Pacific Economy, 11 (2), pp. 213-226.

(f) The political backdrop. Some material sheds light on the political economy underpinnings.

Funston, J. (ed) (2001), Government and Politics in Southeast Asia, Institute of Southeast Asian Studies, Singapore.

Haggard, S. (2000), The Political Economy of the Asian Financial Crisis, Institute for International Economics, Washington DC. The best study on this topic, by the leading international authority.

Khan, M.H. and Jomo K.S (eds) (2001), Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia, Cambridge University Press, Cambridge. An interesting collection of papers, mainly by political scientists, focusing on why and how rapid development and rampant 'rent-seeking' have co-existed in Southeast Asia.

MacIntyre, A. (2003), The Power of Institutions: Political Architecture and Governance, Cornell University Press, Ithaca. An important political economy study of Southeast Asia.

(h) Additional Sources of Information:

In fast-changing economies, books begin to date quickly. Therefore, these general references, and the specific ones listed below, need to be supplemented by three additional sources of information.

(i) Economics journals. In addition to general economic and development journals, there are a number which focus primarily on the region. The two most useful and relevant journals for this course are:

Asian-Pacific Economic Literature (APEL), published by Blackwell for the ANU, an indispensable guide for any serious research. It consists of literature surveys, book reviews, abstracts, and contents listings, covering Northeast and Southeast Asia and the Pacific Islands. This is the most widely used journal in the course.

The ASEAN Economic Bulletin, published by ISEAS, Singapore, and which has a special focus on the ASEAN economies and regional issues.

Country-specific journals include Bulletin of Indonesian Economic Studies (ANU), Economics and Finance of Indonesia (Jakarta, irregular), Singapore Economic Review, The Malaysian Journal of Economic Studies (Kuala Lumpur, irregular), the Philippine Review of Economics and Philippine Journal of Development (both Manila, irregular). There are no regular English-language journals on the other economies.

Other journals with substantial Southeast Asian flavour include:

Journal of Asian Business, Michigan. As the name implies, has a stronger business/management focus.

Developing Economies, Tokyo. From the major Japanese research body, the Institute of Developing Economies.

Asian Development Review, Manila. Published by the region's development bank, the Asian Development Bank.

Asian Economic Journal, Blackwell. Published for the East Asian Economic Association.

Journal of the Asia-Pacific Economy, Routledge.

Journal of Asian Economics, Elsevier. Published by the American Association of Asian Economics.

Asian Economic Policy Review, Blackwell. Published for the Japan Center for Economic Research. A policy-oriented journal.

Asian Economic Papers, MIT Press.

(ii) Economic surveys and data sources. A number of these are available. Anyone wishing to do serious empirical work on the region needs to consult them regularly, as a prelude to more intensive study. These sources will be extremely useful for students preparing term papers.

The major publications include the World Development Report and World Development Indicators, published annually by the World Bank, and with an invaluable set of socio-economic tables for most countries of the world; and the Asian Development Outlook, published annually by the Asian Development Bank (Manila), which includes useful country statistical profiles and economic analyses. A useful starting point is to consult these organizations' web-sites (worldbank.org, adb.org), and also that of the International Monetary Fund (imf.org). Most of these reports and data bases may be downloaded from the relevant web-site, or accessed through the ANU library.

(iii) Press analysis and reporting. The two best sources here are the Far Eastern Economic Review (monthly) and the Asian Wall Street Journal (daily). Both carry extensive coverage of the region. See their web-sites (wsj.com, feer.com).

ASSESSMENT

Assessment will take the form of a mid-term examination in week 7 (25% of total weighting), a final examination (35%), term paper and seminar presentation (30%), and general class participation (10%). Enrolment in this course carries with the commitment to attend class.

The examinations will cover all major sections of the course that are covered in class.

Term Paper

The purpose of the term paper is to enable students to explore in depth a topic in the unit of particular interest. Students must start to plan the paper EARLY.

Students will be required to make a class presentation based on their term paper. This will contribute to the overall assessment of your class participation. The class presentation should be at the formative stage of the term paper's preparation, that is, when the framework and key concepts are developed, and data collected, but before writing has commenced. Thus the presentation will be useful to students in preparing the final version of their paper. Presentations will need to be succinct and to the point, maximum 15 minutes, followed by a period of discussion. Students should circulate, or put on the overhead or power point, a brief (1 page) synopsis, together with any major data series. Most of the tutorial time in the second half of the unit will be allocated to these presentations.

You may not be able to make your presentation and write the paper until after we cover your topic in class. But you should start thinking about a topic, planning the details, gathering data, etc, now. By the end of week three, all students will be expected to have signed on for a topic and time slot.

It is important that the papers be analytically rigorous and well grounded in the relevant country and thematic literature. Avoid topics which are purely descriptive. Original empirical material will be especially welcome.

Papers should be an all-inclusive MAXIMUM of 3,000 words, including text, references, footnotes, appendices, etc. Please indicate an all-inclusive word count on your essay, and ensure that you do not exceed this limit. Please type and double space your papers. Include your references and any data you have collected.

Please discuss your topics with me, and obtain my approval, before proceeding too far.

The due date for submission of essays is a week prior to the day of the examination.

You are free to choose any topic relevant to Southeast Asian economic development, in consultation with me. Below are some examples of possible topics. These are simply suggestions, for illustrative purposes only.

- 1) Examine a particular country's reform attempts (eg, trade reform, tax reform); explain why the reforms were undertaken, what the content of the reforms was, the results, and the reasons for success or failure.
- 2) Why is privatization a popular issue in Southeast Asia, and elsewhere? Examine with reference to a particular country. How successful have the initiatives been?
- 3) Examine economic relations between an outside country/region (eg, the US, Japan, EU, Australia, etc) and Southeast Asia. This topic would need to be narrowed down, to one country, or one issue (eg, foreign investment).
- 4) What is the ASEAN Free Trade Agreement, AFTA? Does it make economic sense?
- 5) Examine environmental policies and strategies in an ASEAN economy, and assess the environment-economic trade-offs.
- 6) Investigate the record of poverty alleviation in a Southeast Asian country. What lessons can be learned from this record?
- 7) What can the emerging economies of Indo China learn from the economic experience of the successful ASEAN countries? How might this assist in establishing an agenda for reform in Indo China?

8) Singapore plays a unique role in Southeast Asia as a major regional finance centre. Examine the implications of this role, and how it may evolve in the future.

9) Assess the role of small-scale industry in the region. Why is it important? Is there a case for special assistance to these firms?

10) Examine the causes and consequences of the 1997-98 economic crisis in a particular country.

11) Investigate the dimensions, causes, and consequences of corruption in a particular country. How and why can corruption and rapid economic growth co-exist?

12) Several Southeast Asian countries have introduced major decentralization programs. Critically assess the opportunities and challenges.

13) Examine ASEAN-China economic relations, and discuss how the ASEAN economies are adjusting to the emerging China colossus.

14) Examine the likely effects of recent major 'shocks' in the international economy – eg, rising commodity prices, the disarray in financial markets – on the ASEAN economies.

SUMMARY COURSE OUTLINE AND ORGANIZATION

The course consists of six broad topics, as listed below. They will be covered, time permitting, in approximately the order indicated. To add some variety, specialists on particular topics may be invited to speak on topics of current research. Thus, the topic sequence below may not be followed exactly; nor will all topics necessarily be treated in the same depth.

The course will be conducted more as a seminar class than a formal lecture series. In earlier weeks, there will be more emphasis on lectures, to introduce students to the major issues. Progressively, student presentations will occupy more of class time. Active class participation will be expected.

It is important to emphasize that, although advanced maths and theory will not feature in class, rigorous analytical standards are expected. Students will also be expected to read widely, and think analytically and deeply, about these countries' development records and policy experiences.

The course is designed with graduate economics students in mind, though advanced undergraduate students with a good academic record and a demonstrated interest in the subject may also enroll. Undergrad students, please consult with me beforehand.

TOPIC

(1) INTRODUCTION: AN OVERVIEW OF THE DEVELOPMENT RECORD

(2) EXPLANATIONS

- (a) Rapid Growth
- (b) The 1997-98 Crisis

(3) SOCIAL AND DISTRIBUTIONAL ISSUES

- (a) Poverty and Inequality
- (b) Labour Markets and Human Resources
- (c) Regional Development
- (d) Environmental Issues

(4) INSTITUTIONS, ACTORS AND PUBLIC POLICY

- (a) Public Policy: Intervention and Reform
- (b) Ownership and Business Structures

(5) MACROECONOMIC MANAGEMENT AND INTERNATIONAL DIMENSIONS

- (a) Monetary and Exchange Rate Policies
- (b) Fiscal Policy
- (c) Debt and Savings
- (d) International Dimensions

(6) THE MAJOR SECTORS

- (a) Agricultural Development
- (b) Industrial Transformation
- (c) The Service Economy

DETAILED COURSE OUTLINE AND READING LIST

The reading material here supplements the general references listed above.

(1) INTRODUCTION: AN OVERVIEW OF THE DEVELOPMENT RECORD

Approaches to the study of Southeast Asia. Alternate and competing paradigms - which if any fit best? The diversity of the region - historical legacies, contemporary development levels and economic structure. General policy and international orientation. The growing sense of 'region' in Southeast Asia. Southeast Asia in the Asia-Pacific and world economies. Episodes in economic development and policy emphases. A broad overview of economic performance and policy in Southeast Asia since around 1970. Turning points and transitions. The major disjunction introduced by the recent economic crisis: how to explain decades of rapid growth followed by a severe crisis?

The discussion here will range across most topics, to give a flavour of the course and the principal issues.

This will also be an appropriate point to anticipate some of the criticisms of the ASEAN growth record, which will be considered in more detail during the course. These issues include: environmental degradation, and the 'costs of growth' more generally; allegations of rising inequality and increasing relative

poverty; the presence of 'by-passed regions'; and increasing foreign debt and ownership.

References

Students are expected, very early in the course, to immerse themselves in several broad overviews of the economies. In addition to the material listed above, the following are good places to start:

Countries:

(*) ADB (2007), 'Philippines: Critical Development Constraints', Country Diagnostic Studies; also available on the ADB website.

(*) Balisacan, A.M. and H. Hill (2002), 'An Introduction to the Key Issues', chapter 1 of The Philippine Economy ..., pp. 3-44.

(*) Boediono (2005), 'Managing the Indonesian Economy: Some Lessons from the Past', BIES, 41 (3), pp. 309-324.

A very significant reflective piece by Indonesia's most important economic policy maker in the post-crisis era.

(*) Economic Development of Burma, chapters 1 & 2, pp. 1-35.

(*) Coe, D.T. et al (2005), Cambodia: Emerging from Rehabilitation into an Uncertain Future, IMF, Washington; chapter 1, pp. 1-8.

(*) Huff, W.G. (1999), 'Singapore's Economic Development: Four Lessons and Some Doubts', Oxford Development Studies, 27 (1), pp. 33-55.

(*) Lucas, R.E.B. and D. Verry (1999), Restructuring the Malaysian Economy: Development and Human Resources; chapter 2: 'National Economic Trends', pp. 5-23.

(*) Lundahl, M. and F. Sjöholm (2008), 'The Oil Resources of Timor Leste: curse or blessing?', The Pacific Review, 21 (91), pp. 67-86.

(*) Riedel, J. and B. Comer (1997), 'Transition to a Market Economy in Viet Nam', in W.T. Woo, S. Parker, and J.D. Sachs (eds), Economies in Transition: Comparing Asia and Eastern Europe, MIT Press, Cambridge, MA, pp. 189-213.

(For a good recent commentary on the country, see Pincus and Vu, 'Vietnam: A Tiger in Turmoil', FEER, May 2008)

(*) Temple J. (2003), 'Growing into Trouble: Indonesia after 1966', chapter 6 of Rodrik (ed), In Search of Prosperity ..., pp. 152-183.

(*) Peter Warr (2007), 'Long-term Economic Performance in Thailand', ASEAN Economic Bulletin, 24 (1), pp. 138-163.

Growth:

Chen, E.K.Y. (1997), 'The Total Factor Productivity Debate: Determinants of Economic Growth in East Asia', APEL, 11 (1), pp. 18-38.

(*) Hill, H. and S. Hill (2006), 'Growth Econometrics in the Tropics: What Insights for Southeast Asian Economic Development?', Singapore Economic Review, 51 (1), pp. 313-344.

(2) EXPLANATIONS

This section will draw together the main themes and issues in the course, and address specifically the factors underpinning the rapid growth in much of the region for the 30 years through until the recent crisis. The seemingly inevitable march towards OECD-style living standards was suddenly interrupted by the

sudden and serious crisis of 1997-98. We now have two sets of literature sitting uneasily alongside each other, one explaining almost continuously high growth, the other a serious crisis. We follow the division in the literature, but one of the challenges of the course will be to integrate the two sets into a 'boom and bust' framework.

References

(a) Rapid Growth

Much of the general literature listed above, and particularly in section (1), addresses this question directly or indirectly. In addition, see the following:

Asian Development Bank (1997), Emerging Asia: Changes and Challenges; chapter 2: 'Economic Growth and Transformation', pp. 61-85.

(*) Rodrik, D. (2003), 'What Do We Learn from Country Narratives?', chapter 1 of In Search of Prosperity ..., pp. 1-19.

(*) Stiglitz, J. (2001), 'From Miracle to Crisis to Recovery: Lessons from Four Decades of East Asian Experience', in Stiglitz and Yusuf (eds), pp. 509-526.

(*) T. Kong (2007), 'A Selective Review of Recent Developments in the Economic Growth Literature', APEL, 21 (1), pp. 1-33.

(b) The 1997-98 Crisis

See the general literature above. In addition:

(*) Athukorala, P.-C. (2001), 'Capital Account Regimes, Crisis and Adjustment in Malaysia', Asian Development Review, 18 (1), pp. 88-120.

(*) Athukorala, P.-C. and P. Warr (2002), 'Vulnerability to a Currency Crisis: Lessons from the Asian Experience', World Economy, 25 (1), pp. 33-57.

(*) Hill, H. (2000), 'Indonesia: the Strange and Sudden Death of a Tiger Economy', Oxford Development Studies, 28 (2), pp. 117-140.

Noland, M. (2000), 'The Philippines in the Asian Financial Crisis: How the Sick Man Avoided Pneumonia', Asian Survey, 40 (3), pp. 401-412.

Radelet, S. and J. Sachs (1998), 'The East Asian Financial Crisis: Diagnosis, Remedies, Prospects', Brookings Papers on Economic Activity, 2, pp. 1-89.

Warr, P. (1999), 'What Happened to Thailand?', World Economy, 22 (5), pp. 631-650.

(*) Corden, W.M. (2007), 'The Asian Crisis: A Perspective after Ten years', APEL, 21 (2), pp. 1-12.

(3) SOCIAL AND DISTRIBUTIONAL ISSUES

These topics are included to give a broader understanding of the Southeast Asian development record, and especially its distributional outcomes and the economic-social inter-relationships.

(a) Poverty and Inequality

ASEAN's economic growth has generally been accompanied by satisfactory distributional outcomes. Slower growth (eg, as in the Philippines in the 1980s, and in the crisis economies more recently) has resulted in slower improvement in social indicators, or even regress. The evidence on distribution and poverty alleviation will be assessed for each country. The general evidence suggests that there has been no significant deterioration in inequality (ie, the Kuznets 'inverted U' hypothesis does not seem to hold), so that growth has been the major contributing factor to the marked reduction in poverty incidence. Significantly, and contrary to conventional wisdom in many quarters, periods of structural adjustment (eg, Indonesia in the mid 1980s) have not been accompanied by increased immiserization. For Malaysia, much of the focus has been on inter-ethnic equality.

The major causes of this reasonably good distributional record will be assessed. Important factors, operative in one or more of the countries, include: the absence of an inherited, extremely unequal wealth distribution; reasonably effective provision of quasi public goods such as education; a large food-crop economy, which has historically been associated with less unequal distributional outcomes; and a labour-intensive, export-oriented growth path conducive to rapid employment generation.

References

- (*) Balisacan, A.M. (2003), 'Poverty and Inequality', in Balisacan and Hill (eds), pp. 311-341
- Cameron, L. (2003), 'Growth With or Without Equity? The Distributional Impact of Indonesian Development', APEL, 16 (2), pp. 1-17.
- Dollar, D., P. Glewwe, N. Agrawal (eds, 2004), Economic Growth, Poverty, and Household Welfare in Vietnam, World Bank.
- Ragayah Haji Mat Zin (2005), 'Income Distribution in East Asian developing Countries: Recent Trends', APEL, 19 (2), pp. 36-54
- Philippine Human Development Report 2005: Peace, Human Security and Human Development in the Philippines, Manila, 2005. See also the website: www.hdn.org.ph A comprehensive assessment of Philippine development issues, with special reference to peace and development in Mindanao.
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See also two major comparative studies, both of which contain substantial material on Southeast Asia:

Asian Economic Policy Review, special issue, 3, 2008.

Asian Development Bank (2007), Inequality in Asia, Manila.

(b) Labour Markets and Human Resources

Labour market and educational indicators are important both as general development indicators and for the economic and social inter-relationships. This section looks in turn at the operation of labour markets, and outcomes, and then

assesses a range of education outcomes and issues. The evidence generally supports the argument that living standards have been rising in the growth economies.

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(c) Regional Development

This is an important topic in large archipelagic states such as Indonesia and the Philippines. It is also relevant to Malaysia, with its pronounced 'East-West' divide, to Vietnam, with its historic 'North-South' divide, and to Thailand where there is much concern about the lagging Northeast region.

Major topics include: the emergence of a more integrated economy, following the massive expansion in infrastructure and telecommunications; trends in inter-regional equity, an issue now of particular importance in an era where the notion of 'nation states' is under challenge; the evidence on sub-regional economic structure, specialization, and performance (even in highly centralized states some regions perform better than others); elements of regional development policy, especially that of regional finance.

References

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- Balisacan, A. and H. Hill (eds) (2006), The Dynamics of Regional Development: The Philippines in East Asia, Edward Elgar, Cheltenham.
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- World Bank (2005), East Asia Decentralizes: Making Local Government Work, Washington DC.

(d) Environmental Issues

This is a relatively new topic for the region, where 'growth first' was traditionally the major concern. Some environmental indicators will be assessed, including the notion of an 'environmental Kuznets curve'. Particular problems include weak institutions, ill-defined and enforced property rights, the inherent complexities of charging for negative externalities, and rampant corruption in some cases.

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(*) Jotzo, F. (2008), 'Climate Change Economics and Policy in the Asia-Pacific', APEL, forthcoming.

(4) INSTITUTIONS, ACTORS AND PUBLIC POLICY

Government policies, and the political economy of government intervention, are addressed in all sections of the course. Here the intention is to draw some of these disparate threads together, in the context also of patterns of ownership and business organization.

(a) Public Policy: Intervention and Reform

There is a very large and diverse literature attempting to explain why governments in Southeast Asia behave the way they do: why certain regimes and institutions appear to perform better over time, and why are others corruption-prone? Within countries, bureaucratic quality and effectiveness vary considerably. Within the region, the differences are of course very large, ranging from Singapore, which has one of the world's highest standards of governance, to weak and corrupt states nearby.

One major puzzle is why high growth and extensive corruption can exist side-by-side, as for example was the case for much of Indonesia's Soeharto.

It is also of interest to document reform processes, both success and failure. The conventional wisdom is that it is easier to reform during good times, but in some instances the reverse has been the case.

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Haggard, S.M. (1998), 'Business, Politics, and Policy in East and Southeast Asia', in H.S. Rowen (ed), Behind East Asian Growth: The Political and Social Foundations of Prosperity, pp. 78-104.

(*) Lim, L.Y.C. and A. Stern (2002), 'State Power and Private Profit: the political economy of corruption in Southeast Asia', APEL, 16 (2), 2002, pp. 18-52. An excellent introduction to the issues.

Sicat, G. (1985), 'A Historical and Current Perspective of Philippine Economic Problems', Philippine Economic Journal, 24 (1), pp. 24-63. A seminal insider's account of the deteriorating economic policy framework in the last decade of the Marcos era.

A good general survey of the issues is contained in the World Bank's World Development Report 2002: Building Institutions for Markets, Washington DC, 2002, and available online.

Corruption and rent-seeking:

R.V. Fabella (2006), 'What Happens when Institutions do not Work: Jeuteng, Crises of Legitimacy, and Electoral Failures in the Philippines', Asian Economic Papers, 5 (3), pp. 104-125.

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Trade policy reform:

Basri, M.C. and H. Hill (2004), 'Ideas, Interests and Oil Prices: the Political Economy of Trade Reform during Soeharto's Indonesia', The World Economy, 27 (5), pp. 633-656.

Legal and administrative reform:

Asian Development Bank (2001), Corporate Governance and Finance in East Asia, Manila, 2 vols. Some very useful material, but uneven quality.

Lindsey, T. (2004), 'Legal Infrastructure and Governance Reform in Post-crisis Asia', APEL, 18 (1), pp. 12-40.

(b) Ownership and Business Structures

This section develops further the institutional features of the ASEAN economies by examining ownership structures, and how they shape - and are shaped by - the process of economic development. There are similarities and differences in the approach to ownership issues in the region, and these are illustrated with reference to the role of foreign investment (including recent trends in flows, sources and policy regimes, links to outward orientation, and a general assessment of the costs and benefits), state enterprises and privatization, domestic ownership structures, and the issue of competition policy.

References

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Gomez, E.T. and Jomo K.S. (1997), Malaysia's Political Economy: Politics, Patronage and Profits; chapter 4: 'Privatising State Assets', pp. 75-116.

Lim, L.Y.C. (1996), 'The Evolution of Southeast Asian Business Systems', Journal of Asian Business, 12 (1), pp. 51-74.

Yoshihara K. (1986), The Rise of Ersatz Capitalism in South-East Asia, Oxford University Press, Singapore; chapter 4: 'Rent-seekers and Speculators', pp. 68-98.

Foreign ownership and investment:

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Dobson, W. and Chia S.Y. (eds) (1997), Multinationals and East Asian Integration, ISEAS, Singapore.

Ramstetter, E.D. (1999), 'Comparisons of Foreign Multinationals and Local Firms in Asian Manufacturing Over Time', Asian Economic Journal, 13 (2), pp. 163-204.

Two detailed volumes on FDI, both published in 2004, are N.J. Freeman and F.L. Bartels (eds), The Future of Foreign Investment in Southeast Asia, Routledge-Curzon Press, London; and D.H. Brooks and H. Hill (eds), Managing FDI in a Globalizing Economy: Asian Experiences, Palgrave/MacMillan, Basingstoke, Hampshire.

(5) MACROECONOMIC MANAGEMENT AND INTERNATIONAL DIMENSIONS

Sound macroeconomic policy was one of the keys to three decades of high growth in the ASEAN Four. Fiscal policy was cautious, and monetary policy conservative. Departures from this tight regime resulted in looser macroeconomic outcomes and poorer aggregate performance. The crisis of 1997-98 arguably constituted the biggest post-independence macroeconomic policy challenge for the region, and has changed important elements of the policy framework.

Among the topics to be addressed here are:

(a) Monetary and Exchange Rate Policies

Southeast Asian economies have experimented with all forms of exchange rate regimes, including currency boards, dollarization, floating rates, and fixed but adjustable regimes. The latter two variants have been accompanied by various monetary policy regimes. Since the crisis, the conventional wisdom has favoured 'corner solutions', ie, a float or a hard peg.

Exchange rate policy options depend in part on the openness of the international capital account, an issue on which professional opinion divides quite sharply. The region's approaches have varied in this respect, with Malaysia in particular opting for quite radical short-term controls in 1998.

References

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de Brouwer, G. and Masahiro Kawai (eds, 2004), Exchange Rate Regimes in East Asia, RoutledgeCurzon, London.

(*) Fane, G. (2005), 'Post-Crisis Monetary and Exchange Rate Policies in Indonesia, Malaysia and Thailand', BIES, 41 (2), pp. 175-195.

Menon, J. (2008), 'Dealing with Multiple Currencies: what options for the transitional economies of Southeast Asia?', Journal of the Asia Pacific Economy, 13 (2), pp. 131-146.

(b) Fiscal Policy

Here too the crisis has been a significant event in several countries. Pre-crisis, budget deficits were generally modest and sustainable in the high-growth economies. However, the crisis has complicated the equations: growth is slower, politics more competitive, large private debts are being 'socialized', and decentralization may increase the stresses on national budgets. In addition, there are important microeconomic issues related to revenue collection, expenditure allocations, and the management of state-owned enterprises.

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(*) Rosengard, J.K. (2004), 'Will Bank Bailouts Bust Budgets? Fiscalization of the East Asian Financial Crisis', APEL, 18 (2), pp. 19-29.

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(c) Debt and Savings

Historically, most Southeast Asian economies have run current account deficits. In the context of high growth, reasonably effective macro management, and willing creditors, these deficits appeared to be no major cause for concern. However, following the crisis, the twin issues of external debt and current account deficits have returned to centre stage. This section looks at these issues, and also the region's major 1980s crisis, in the Philippines. Trends in and determinants of domestic savings are also examined.

References

See the crisis and general literatures for much discussion of these issues. In addition:

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(d) International Dimensions

Trade and outward orientation have been central to ASEAN's success. This comment applies with special force to the small open economies of Malaysia and Singapore, but it is also relevant to Thailand's success, to the major reorientation in Indonesia (and, more haltingly, the Philippines) after the mid 1980s, and to Vietnam's Doi Moi from the late 1980s onwards. This section examines the region's export transformation, its external economic relations, and regional cooperation. Capital flows, including foreign investment, are investigated elsewhere in the course.

References

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See also D. Hew (ed) (2007), Brick by Brick: The Building of an ASEAN Economic Community, Institute of Southeast Asian Studies, Singapore. A very useful collection of papers on future options for ASEAN economic cooperation, by leading thinkers on the subject.

Two broader studies include:

Asian Economic Policy Review, vol 1 no 2, 2006. Special issue on economic integration in East Asia. See especially papers by Hadi Soesastro, Razeen Sally, and Fukunari Kimura.

Plummer, M. (2006), ASEAN Economic Development and Integration, World Scientific Publishing, Singapore.

(6) THE MAJOR SECTORS

This section examines the record and issues at a sectoral level. It is unlikely that these topics will be covered in any depth.

(a) Agricultural Development

Agriculture has performed well in most Southeast Asian economies since the 1960s. Its share of GDP and employment is now small in the more developed economies, but the sector is important because of its size in the poorer economies, and because of the broader analytical and policy lessons.

Topics to be examined include: agricultural growth and ecological diversity; technological change – the ‘green revolution’ and beyond; the inter-sectoral implications of protection and assistance; diverging outcomes in the cash and food crop sectors; future policy issues and challenges.

References

General surveys:

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Country and issue surveys:

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Barlow, C. (1997), ‘Growth, Structural Change and Plantation Tree Crops: The Case of Rubber’, World Development, 25 (10), pp. 1589-1607.

Takamasa, A. and A. Nishio (1997), ‘Sulawesi’s Cocoa Boom: Lessons of Smallholder Dynamism and a Hands-off Policy’, BIES, 33 (2), pp. 97-121.

(b) Industrial Transformation

This is a very large topic: industry is generally the fastest-growing sector of the economy, and many of the policy and analytical debates focus around this sector of the economy.

Major topics include:

Industrial policy: What role can and should governments play in the process of industrialization? Is there a case for selective intervention and 'picking winners'?

Technological development: Links between foreign investment and technology policy, the debate over technology policy - 'big bang' v/s gradualism. The issue of 'perspiration v/s inspiration', and growth accounting.

Trade policy and protection: The nature of trade policy in the region and shifts since the 1980s. Contrasts within the region. The effects of protectionism - intersectoral, rent-seeking, spatial.

Small-scale industry: A subject of much debate, often linked to non-economic objectives. The industrial organization framework sheds some light on this issue.

References

General country surveys:

Lall, S. and S. Urata (eds) (2003), Competitiveness, FDI and Technological Activity in East Asia, Edward Elgar, Cheltenham. Contains a number of very useful country case studies.

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Hill, H. (1996), 'Indonesia's Industrial Policy and Performance: "Orthodoxy" Vindicated', Economic Development and Cultural Change, 45 (1), pp. 147-174.

Industry policy and innovation:

Yusuf, S. M. A. Altaf, K. Nabeshima, (eds) (2004), Global Production Networking and Technological Change in East Asia, Oxford University Press/World Bank, Washington DC.

Industry policy and technology: electronics as a case study:

Hobday, M. (2001), 'The Electronics Industries of Pacific Asia', APEL, 15 (1), pp. 13-29.

McKendrick, D.G., R.F. Doner, and S. Haggard (2000), From Silicon Valley to Singapore: Location and Competitive Advantage in the Hard Disk Drive Industry, Stanford University Press, Stanford.

Small-scale industry:

Berry, A. et al (2001), 'Small and Medium Enterprise Dynamics in Indonesia', BIES, 37 (3), pp. 363-384.

(c) The Service Economy

This is an important but frequently overlooked sector: important because its output often exceeds that of agriculture and industry; and overlooked in part because there are measurement problems associated with services trade and production.

This was once characterized as a 'dual sector', featuring a heavily regulated and publicly owned modern sector, alongside a large informal sector. Government intervention in the sector is generally on the decline, however (too quickly according to some, especially in the finance industry). Services were traditionally regarded as non-tradables, but they are increasingly traded across borders. Singapore occupies a special place in this topic, as it is an economy rapidly evolving towards a post-industrial structure, and in important respects it is the major centre for some internationally traded services in Southeast Asia.

Special attention will be given to the finance sector in the wake of the recent economic crisis – how, and how much do (and should) governments in the region regulate it?

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Mody, A. (ed) (1997), Infrastructure Strategies in East Asia: The Untold Story, World Bank, Washington DC. As the title suggests, an analysis of this major though somewhat neglected topic.

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