

Initial Trade Policy Focus of the High Performing Asian Economies: A Critical Assessment

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It is generally agreed that national trade policies of Singapore, South Korea, Taiwan and Hong Kong played an important role behind the success of the High Performing Asian Economies (HPAEs). These countries exercised different policies with different implementation strategies at the initial stages of their economic success but resulted almost the same success. Thus, on the one hand, they followed some different ways following their specific needs and, on the other hand, maintained the same underlying principles for their national trade policies. They were although pragmatic in their economic policy focus, they did not adopt any common model or blueprint policy rather their strategies were followed by their specific strength, weakness and goals.

I. INTRODUCTION

There is a remarkable record of high and sustained economic growth from 1965 to 1990 in twenty three East Asian economies. In this area, most of the runaway growth focuses on eight economies, sometimes collectively referred to as the “High Performing Asian Economies” (or HPAEs). Japan, the “Four Tigers”, Hong Kong, South South Korea, Singapore and Taiwan, and the three ‘Newly Industrialising Economies’ (or ‘NIEs’) of Southeast Asia, Malaysia, Thailand and Indonesia amongst twenty three economies of Asia achieved higher growth than any other regions of the world (World Bank 1993).

The nature of HPAEs economic growth put HPAE countries together to formulate a cluster, though their economies are remarkably diverse. Among these countries some are the richest while some are the poorest developing countries in the world; some are the most populous whereas some are the least; some are full of natural resources where others are not (World Bank 1993). These countries are also different in their infrastructural set up, environmental challenges and socio-

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political culture. These differences lead the background of East Asian countries' economic success to a diverged success. Accordingly, different studies conclude different reasons for this economic success. Though these countries at the initial stage of their economic success exercised different policies in different ways, nevertheless these resulted in stories of tremendous success (World Bank 1993).

With these backdrops, this paper argues that "pragmatism" was the basis of their diverse national trade policies. For the thematic construct of this paper, neither any particular policy nor any particular issue in policies has been discussed. Rather, the focus of this paper is on the nature of general trade policies that contributed to the economic success of HPAEs at its initial stages. It attempts to establish the above mentioned central argument by monitoring four parameters of pragmatism the HPAEs adapted: pragmatism in trade policy priority setting; pragmatism in policy orientation; pragmatism in trade policy focus; and pragmatism in policy implementation strategies.

II. TRADE POLICY PRIORITY SETTING

HPAEs countries did not follow the copy book policies for their economic progress. At the same time, they did not stick to any fixed ideology based policies. Rather they frequently moderate/alter policies which seemed to be less productive in its application. During 1965 to 1990 these countries shifted their policy stand frequently. Simultaneously, they were not rigid to any particular policy and focused more on the needs rather than the policy itself.

Geographically some countries of HPAEs are very small in size. Some other countries though bigger in size, but per capita land are no less than some other small countries. Prior to the beginning of their success, China and South Korea depended on food aids. But all these countries had an adaptable plus disciplined labour force (Leipziger 1993). They concentrated on these resources and created intensive policies for its further development and ensuring its maximum use. In the early 1970s, except Thailand and Indonesia, all other HPAEs countries successfully increased their rate of secondary education and expenditure on educational quality and quantity. Using imported technologies for turning educated manpower to skilled labour force and incentives to their expatriates to endeavour rapid productivity were a unique prioritisation of their early policy framing.

In these countries noticeable changes can be seen in the cognitive skills of school-levels that are today comparable to, and sometimes better than those of developed countries. Their policy further tends to set up a sustainable skilled labour market (Leipziger 1993). Therefore, they introduced minimum wage legislation,

public sector pay policy, multinational company labour policies, labour movement policies and laws allowing trade unionism/collective bargaining. Thus they completed the policy cycle in this regard. Their policies for upgrading educational quality and quantity automatically generated rapid demographic transitions that eventually build their base for economic success. The HPAEs rapid transition from high to low birth and death rates in comparison to Europe and North America and the rest of the developing world is a unique example concerning this. Initially, they were also keen in population size. At the beginning of their economic growth, they were able to have a remarkably steep decline in population growth rate compared to some other developing countries.

Rather than following the economic success in Europe and North America, they set their policy objectives along with their weaknesses and necessities in economic terms. They hardly went beyond their reality of that time. South Korea was divided and was at the horn of cold-war environment; Taiwan was compelled to assert its economic independence; Singapore as a small city state was attempting to reach nationhood; and Hong Kong was just a market outpost of China. In full consideration of these gruesome national vulnerabilities these states set their policies for economic success (Riedel 1998). While at the same period some developing states devoted to more military power and political shift towards communism. Differences in prioritising policy focuses result differently: in these days, North Korea, Bolivia and Pakistan are economically far behind of HPAE countries.

During 1980 to 1990 HPAEs started transiting from agro based production to international trade based industrial production. At this stage of economic growth, other than Singapore, all countries of this region were trying to develop their technical strength concerning their agro based production. Socio-political focus therefore changed and shifted towards the want of technical knowhow and capital investment. As they were developing their infrastructure, they were not in a position to finance for their economic shifting from traditional agriculture based economy towards export oriented industrial economy. The impact of these factors on agriculture in these countries was twofold. First, agricultural output increased and second, agricultural share in GDP declined (World Bank 1993). Both of these impacts are pro industrialisation. However, (at the primary stage) till the middle of their economic success agriculture's share in the economies of the six HPAEs with substantial agricultural sectors (Indonesia, Japan, South Korea, Malaysia, Thailand and Taiwan (Chinese Taipei)) rapidly declined than other developing countries as well as increased substantially in both agricultural output and productivity. Different policy implementation for different countries accounted for these two

concurrent but opposite phenomenon, such as: land reform policies especially in South Korea and Taiwan; adoptions of agricultural extension services, building of better infrastructure: roads, bridges and transportation especially in former Japanese colonies (South Korea and Taiwan); heavy investments in rural areas: roads, bridges, transportation, electricity, water and sanitation (e.g. Indonesia); and low levels of direct and indirect taxation in agricultural sector. HPAE countries did not support all their industries at the beginning; rather, their policy was focused to support selected industries or pick “winners”. In the 1980s Malaysia abandoned their selective industrial policies; South Korea went back from their heavy and chemical industrial drive in 1979-1980 and likewise Singapore did not proceed further with their high wage policy from 1985.

Let us concentrate on the situations of Japan, South Korea and Taiwan now. In the early post war period, Japan targeted five basic industries: steel, shipbuilding, coal, power and fertiliser. In the 1950s, after some significant opposition, it marked automobile industry as its target, while computers became the focus of attention during the 1960s (Rapp 1975). While industrial targeting was scaled back in the 1970s and 1980s, the Japanese government continued to promote the development of certain sectors (such as high definition TV and advanced computer technologies) with varying degrees of success. In the late 1960s and early 1970s, the South Korean government aimed for infant industries, typically by supporting the creation of large-scale enterprises that were accorded as temporary monopolies. Notable examples include cement, fertiliser, and petroleum refining in the early 1960s; steel and petrochemicals in the late 1960s and early 1970s; and shipbuilding, other chemicals, capital goods, and durable consumer items in the mid-to-late 1970s. Taiwan and Singapore were frequent in their policy priority setting and new policy inductions. For example, Taiwan started providing preferential loans, technological help, and management support to certain “strategic” industries since the early 1980s, no sooner it had experienced its less competitive advantage in labour-intensive manufacturing (Yang 1993). Like some other HPAEs, Taiwan did not try to rebuild its labor market. Singapore at the beginning of its industrialisation concentrated on “labour-intensive” industries as it needed to provide jobs to all its citizen. At this stage, Singapore successfully served MNCs requirements. But the important issue was that it shifted towards “high wages high skills policies” very quickly to create a strong base for future economic stability. By 1972, Singapore raised the wages and pushed the employees to train their workers and pay them more. When the workers were getting more monies then Singapore channeled these extra monies to Central Provident Fund (CPF) and Housing Development Board (HDB). In this way, the money CPF gathered was invested successfully and HDB

assured homes for every citizen. Furthermore, from 1990 Singapore shifted its policies from “skill intensive” labour force towards “knowledge based” manpower (Simon 2006).

III. TRADE POLICY ORIENTATION

HPAEs did not follow any general criterions for its trade policies, rather it was selective: each country prioritised its own necessity and therefore no resemblance can be found in its choice(s). But the pattern of their policies, that is, the pragmatic selection of industrial sector was common to all these countries. South Korea, during 1961 to 1971, depended on the comprehensive use of public instrument for its industrialisation. The South Korean government mostly patronised labour intensive manufacturing such as heavy and chemical industries. The South Korean government gave protection and incentives to these industries; the government even carefully monitored the total infrastructure of these industries.¹ At that time while India and Brazil were trying to boost their economy through importing, South Korea was subsidising its ship building, petro chemical and metal industries with a view to be the leader in international market(s) for these products. The most remarkable thing of South Korea’s policy was that it measured its selective industrial policy success through export performances and stopped providing subsidies no sooner had those industries crossed the breaking points (Leipziger 1993). In fact, their policies were based on socialised nature of risk bearing and tight governmental control on the financial system, which led to its success in these selected industries. However, South Korea changed its focus from heavy and chemical industries from 1979 and liberalised governmental support to all growing industries. At this period South Korea also loosened its governmental control on the financial sector.

The case of Singapore can be discussed in brief at this juncture. Singapore framed its industrial policies according to its resources and ingredients needed to achieve its goal(s). Singapore, at its early stage, rightly pointed out that it did not have necessary capital and technologies and therefore planned to depend on multinational companies. From the beginning, its policies were to build up a well structured skilled manpower. Singapore’s First Five-Year Plan focused on technical education, schooling infrastructure and birth control. The Employment Act 1967 degrades worker’s rights to facilitate foreign direct investment (FDI) (Leipziger 1993). To support it further, the multinational companies Industrial Relations Act 1968 pioneered three year collective bargaining agreements. In 1972 National Wage

¹ UNCTAD, UNCTAD bolsters analysis of the economic model underpinning threats Asian miracle, Press Release: TAD/INF/PR/9602 16/02/96

Council was set up to keep Singapore's skilled manpower in right track by providing adequate wages. But from the initial period till today, Singapore has been maintaining its standard of measuring wage limit for industrial workers according to its productivity and standard of living (Riedel 1998). At the end of its first phase of economic success, Singapore settled its industrial policies towards higher technology and higher value added industries. In the 1970s, it introduced high wage policy as a shift from traditional labour intensive industries. It is worth mentioning here that Singapore had a remarkable policy during the first recession of 1980: in lieu of devaluating currency it cut wages. By doing so Singapore managed to keep high FDI flow which also ensured a competitive edge in comparison with other developing countries of that period. They changed their industrial development strategies in a process of "finding niches, and seizing opportunities" (Simon 2006). But at the same time Singapore was very practical regarding the opportunities too: before establishing a zoo they built a bird park and the rationale was that the cost of foods for the bird park is lesser than the cost of meat for the animals in the zoo (Simon 2006).

Let's move the focal point to Indonesia following the same line of argument. Akin to South Korea, Indonesia also attempted to foster its industrial policy at the beginning of the 1980s with a view to create its own dynamic comparative advantage. It prepared an Industrial Policy List according to which industrial entry was directly controlled; capacity limits set; local content requirements enforced and foreign investment being greatly discouraged. Its policy was to build its own heavy industries utilising own resources and thereby attempted to move into 'upstream activities' and to produce more market values to its goods, commodities and multifarious services. Although it subsidised credits and provided extra trade protection to construct steel, plastic and petro chemicals industries according to its plans, unfortunately, failed to accomplish its purpose. Indonesia did not liberalise its policy for foreign capital and technology and did not build up efficient institutional support like Singapore. The Indonesian case can be compared to South Korean situation that adopted similar kind of strategy. Nevertheless, Indonesia changed its traditional mind set of policy grafting and took non-pragmatic strategies from 1985 onwards (Raghavan).² By the year 1989 it reduced public shares in industrial sectors from 43 per cent to 23 per cent and managed to get a handsome foreign capital investment.

"Look East Policy" was the underlying principle of Malaysian industrial policy at the initial stage (Leipziger and Vinod 1993). Resembling South Korea, it formed

² Raghavan C, *UNCTAD to formulate East Asia lessons for Africa*, www.twinside.org.sg/index.htm

a public holding company naming Heavy Industries Corporation of Malaysia aiming to upsurge all critical industries. Malaysia welcomed foreign investment and joint ventures from the beginning. In its policies, however, Malaysia was quite selective. Mitsubishi, a giant Japanese automobile company conjoining with Malaysia made an automobile brand called Proton Saga. This automobile brand depended on huge subsidies and in the long run could not succeed (Leipziger and Vinod 1993). One of the root cause(s) of its failure can be assumed that Malaysia failed to incorporate the notion of international competitiveness in its policy. Another strategic loophole of Malaysia is that it did not concentrate on making a host of managerial strength which Singapore did (at the very outset of their economic progress). Malaysia did not carry out the publicly managed industrial policies and turned to privatise most of its stooping industries by 1981.

It can be recalled that HPAEs did not follow the same policy for its economic success at its initial stage; rather, policies were tailored according to its own necessity and strengths.³ But HPAEs had similarities in its policy orientation behaviour. Comparing between the success of policies of South Korea and Singapore on the one hand and the policies of Indonesia and Malaysia on the other hand, firstly, it becomes evident that in South Korea and Singapore industrial policies were in compliance to the international level of efficiency but the policies of Indonesia and Malaysia were centered around the changes of ownership and employment patterns. Secondly, while Singapore and South Korea evaluated their policies through the overall macroeconomic success rate, Malaysia and Indonesia judged the policies based on the performance of selected industries. Thirdly, without much consideration of international market and competitors, Indonesia and Malaysia devoted entirely on their local strengths. Finally, Indonesian and Malaysian policies for industrial development at their initial stages were based on expectations and desires, except for their domestic strengths. But one major point is common for all these four countries: in terms of policy strategies they were not rigid to any particular policy and shifted or adjusted with their policy strand as and when required.

Taiwan historically proclaimed to own the economic infrastructure during Japanese colonialism and entrepreneur talent from the main land China. On top of it, Taiwan was further enhanced by a huge aid from Americans. Apart from these lucrative backdrops, Taiwan's economic success at the preliminary stage owes debt to its domestic policies. One positive aspect of Taiwan cannot but be applauded:

³ UNCTAD, UNCTAD bolsters analysis of the economic model underpinning threats Asian miracle, Press Release: TAD/INF/PR/9602 16/02/96

Taiwan was successful in its land management and comparative social distribution of national wealth before its massive drive for economic success. Its trade policies first focused on its imported items and gradually it put greater effort in export driven economics during 1958 to 1972. To create a favourable environment for the foreign investors, the government of Taiwan started providing more incentives and for doing such Taiwan was able to offset anti-export bias. At the beginning of its export oriented economic success it concentrated in labour oriented industries but gradually shifted towards more self-reliant strategy with large investment(s) in industrial infrastructure and import substitution. With this policy Taiwan controlled its public enterprises and some of these are remarkably successful. While China Steel Corporation enjoyed the benefit of this policy, many of Taiwanese industries failed to compete in international market(s). Taiwan again shifted its industrial policies since it marked that with these policies Taiwan had failed to raise effective competitiveness and a strongly consistent international market (Rao 200). In 1980 it switched to the policies that emphasised liberalisation of trade and export development (Leipziger and Vinod 1993). With these pragmatic changes in Taiwanese national trade policy focus it ensured a remarkable lift on the face of its economic success.

Hong Kong, because of its previous orientation to appropriate trade policies got an advantage among the HPAEs. Hong Kong started far ahead than its neighbouring developing economies. From the beginning it patronised free economic policies for export oriented heavy industries but it supported directly the domestic entrepreneurs to make them able to catch up heavy industries by-products. Hong Kong's policy was liberal, it believed in "positive nonintervention" (Leipziger and Vinod 1993) from the beginning. Therefore, Hong Kong necessarily shifted its policies as and when required though it was much lesser than other HPAEs.

Initially, in Thailand's trade policies there were some attempts for building its domestic industries but these attempts were not as compact as South Korea and Taiwan. Considering its experiences of domestic trade policy practices during 1960 to 1970, Thailand changed its policy focus and turned to free market economic policies. Its main interest was to build capital intensive industrial promotion from the beginning. Eastern Seaboard was the project which can be quoted to exemplify success as well as failure. Like other HPAEs Thailand also did not keep complying with its failures rather shaped its policies according to the need of its economy observing the international competitiveness of market(s). Thailand was wise in not experimenting with its policy decisions. For example, the costlier and inefficient parts of Eastern Seaboard project were sharply cut short (Leipziger and Vinod 1993). During the 1970s, its policies were more focused on import substitution.

With this import centric industrialisation Thailand seemed to dwindle in balancing its payment strength. As it happens to be the cases of most HPAEs, Thailand also turned its policies towards export development and import liberalization. By the 1980s, Thailand reduced protections to its domestic industries and created Board of Investment with a clear mandate of promoting FDI. At the later part of initial stage of economic progress its industrial policies were the least related with public-financed industrialisation; rather it was pro private infrastructure development.

IV. TRADE POLICY FOCUS

In many ways, the East Asian orientation towards international trade was different from other developing countries. Ideologically, these countries complied with the basic concepts of free economy while maintaining considerable barriers; they prioritised the demands arisen from necessities to their context and likewise shifted from the basic principles of liberal economy. They were keen in attracting international investment(s) as well as protecting their domestic production.

While Hong Kong and Singapore achieved openness by ending all restrictions on imports and giving free rein to the export sector, Japan, South Korea and Taiwan, in contrast, maintained significant trade barriers during their early period of rapid growth. But the most remarkable thing is that Singapore and Hong Kong opened their economy after a long experiment on their domestic strength. South Korea and Taiwan pulled off most of their restriction on international trade by the 1970. Japan lowered its tariffs in successive rounds of multilateral trade negotiations under GATT, so that they were in line with those of other OECD countries by the early 1970s. The decline in South Korea's and Taiwan's tariff rates was more gradual than in Japan. South Korea's nominal tariff rate averaged nearly 40 per cent in the middle of 1960, 21 per cent at the beginning of the 1980s, and around 12 per cent at the beginning of the 1990s. The corresponding levels for Taiwan were 35 per cent, 31 per cent and 10 per cent (Chen and Hou 1993). Significant nontariff barriers were maintained as well, although they too were reduced later. For example, in South Korea, 40 per cent of import items were either prohibited or restricted in 1973. By 1981, this ratio had fallen, but to a still high 25 per cent. Further declines in the 1980s lowered the ratio to 3 per cent by 1991 (Nam 1995). In Taiwan, commodities that were subject to varying kinds of import restrictions fell from about half of all importable in the middle of the 1960s to less than 3 per cent by the early 1980s (Nam 1995). Moreover, these measures were generally implemented uniformly across sectors and applied to all potential exporters without any discrimination. Thus policymakers in these countries appear to have been committed to increase exports generally, with less regard for the

specific commodity exported at the initial stage. The net outcome of this mix of policies was that the effective tariff protection rates in a number of manufacturing sectors—reflecting the incentive for firms to target domestic rather than international markets—were “moderate” and at times negative. Thus East Asian policies tended to favour close integration with world markets. This was ultimately reflected in their trade and growth performance. Following this underlying principle of HPAE countries, all East Asian exporters had fairly uniform incentives for exporting across virtually all industries and activities, with varying degrees of import barriers and this was an utmost necessity for them while venturing for their initial international trade. At the initial stages, all HPAE countries considerably tried to subsidise their domestic industries that were against the neoclassical trade policies. These were intended to offset the incentives created by existing tariff and nontariff import barriers to produce for protected industries in the domestic markets.⁴ Malaysia, at the beginning of its domestic industrial development, started growing palm oil with direct assistance of its government: now the largest palm oil producer. Pohang Steel Complex in South Korea was built by the government and still is a public property. These direct incentives did not harm their international trades because the policies of HPAE countries ensured that import protections were not laden with anti export bias. Malaysian government encouraged and supported many multinationals to build electronics producing plant and because of their active and quite non biased policies Malaysia is now one of the biggest exporters of semiconductors. In fact, these countries did not carry out incentive programs for long- rather gradually changed their incentive policies in line with the international trade. For example, the explicit export subsidy related policies in South Korea were important in offsetting trade barriers only up to the middle of 1960 (Nam 1995).

Free entry of imports which provides inputs to the export sector appears to have sufficed to open the import sector significantly in spite of trade barriers. As the export sector diversified, the range of goods imported also increased, accounting for some of the tendency towards trade liberalisation cited above. For example, in South Korea, the number of automatically approved import items increased from 800 in the late 1960s to 5,600 in the early 1980s and nearly 10,000 in the early 1990s (Glick and Moreno 1997). This partially reflected the impact of exemptions for goods directed to the export sector. In addition, as the export sector boomed, so did the volume of imported inputs. This may explain why import/GDP ratios in East Asian economies increased to much higher levels than in Latin America, even in the

⁴ UNCTAD, *UNCTAD bolsters analysis of the economic model underpinning threats Asian miracle*, Press Release: TAD/INF/PR/9602 16/02/96

more protected South Korean and Taiwanese economies. The main effect of trade restrictions may have been to bias the composition of imports towards intermediate goods rather than the final goods. However, almost all HPAE countries' policies regarding subsidies to their domestic industries were nearly the same in pattern and they all shifted from this subsidy based industrialisation since they realised that credit subsidies could not create any overall profits from international market.

V. IMPLEMENTATION STRATEGIES

Theoretically policy framing process should include all stakeholders. Every stage of actors and beneficiaries need to be participating in this process. But in most of the developing countries this process is not followed and, in contrast to the theoretical policy making process, bureaucracies underplay the most significant role in this process. It is a common phenomenon in most of the Asian countries that it can either facilitate policy reform or prevent this process. But from the early stages of HPAEs economic progress bureaucrats and technocrats became involved in the makeup of the part of political mandate for reform. They were not at the driver's seat rather worked hand in hand with the politicians. In Singapore bureaucrats were the part and parcel of any policy implementation. Where the "Second Industrial Restructuring" and "The Next Lap" were political innovation, bureaucrats mostly contributes in creation of policies for creating "Hub" culture in Singapore for this region (Wong 2001). They were focused toward the actual data that speaks the reality. Mr. Ngaim Tong Dow, a retire Permanent Secretary of Singaporean government, in one of his interview mentioned that the founding Finance and Planning Minister Dr. Goh Keng Swee was used to prepare and change his budget policies according to related data and he never went beyond the scope of it, rather changed his desires following the data. Like some other nations Singapore did not planned any policy that are beyond its reach. Singapore was successful in keeping economic policies from the political whim (Simon 2006). In Malaysia and Indonesia technocrats were allowed substantial freedom in economic management programs. In South Korea, President Park built a remarkable group with the technocrats and they were entrusted in all policy level activities for implementing his vision of South Korean development. Though these examples do not mark any finality for economic success but this bureaucratic integration with the public policies helped HPAEs to keep budget deficits within the limits of macroeconomic stability (even though the actual budget deficits varied considerably). Singapore consistently avoided fiscal deficits while Indonesia enacted a balanced budget law that generated budget surpluses in the early 1990s. Malaysia's fiscal deficit peaked at 18 per cent of GDP in 1982 and Thailand's public deficit averaged 5.8 per cent between 1980

and 1988. In this regard it is significant that many developing countries scores of policies ended in dreadfully poor result though they had efficient bureaucracy and visionary leadership(s). To implement their trade policies political leaders of these countries rightly traced out that there should be a peaceful society and for a peaceful society it is necessary to have an equal distribution of income among the citizen.

Industrial policy appeared to be most successful when governments tried to “encourage” rather than “pick” individual winners to compete in world markets; with the marketplace being the ultimate arbiter of whether continued support of an industry was warranted. For example, even when East Asian governments did support infant industries (World Bank 1994), it was always expected that these industries would emerge as competitive exporters (Chang 2001). Indeed, the signal to the South Korean government that the heavy and chemical industry drive was not achieving its intended results signified that the new industries could not, with few exceptions, export profitably. Thus, there were few activities within the domestic economy for which producers could anticipate continued shelter from international competitive pressures. In this sense, the ability to export competitively became the ‘market test’ that was used by the authorities. The expectation that firms should eventually export provided a clear discipline for both the businessmen and government officials.

Again, since the late 1960s the Singaporean government has been investing in state-owned enterprises and providing incentives attracting private investors into certain key sectors, although without an explicit effort to pick individual “winners”. From the middle of the 1970s until the middle of 1980, Singapore also attempted to steer production towards more skill-intensive industries by raising wages through administrative guidance.

Through this policy implementation these countries were gradually successful in maintaining a stable social coherence. This stability played an important role behind the smooth functioning of the key variables of economic success at the initial stages of HPAEs even till today. HPAEs maintained low inflation rates for extended periods of time--a remarkable achievement, given that 1980-93 was a difficult period for other developing economies (Western 2000). In these countries equality of income was more than a change brought about by policy than an inheritance. Most of the low and middle income countries were not able to achieve similar equality of income or assets (World Bank 1993).

To sustain export drives, HPAE countries also focused on implementing a strong culture of entrepreneurship. The traditional culture of trade had to be changed rapidly to cope to counter the western trade partners. Singapore and South

Korea totally changed their trade management culture at the very beginning. This positive and adaptive bent of mind in changing and restructuring policies facilitated them to maximise their trade gains. In Singapore, state owned corporations behaved commercially and trailed the principle of competition (Leipziger and Vinod 1993). Other Singaporean companies tracked back the national companies. In South Korea, these shifting activities were huge. They had to create a new set of culture for domestic entrepreneurship. Local business firms were encouraged to follow Japanese trading companies and local firms were compensated for this new entrepreneurship. In this regard HPAE countries followed each other and pulled alongside with international standard quickly. For the initial stage this shifting was compulsory. However, this policy implementation helped these countries to build up a stable domestic savings. This saving culture ultimately helped domestic entrepreneurs to tie up with foreign capitals for joint ventures at the initial stage of their economic success. In this region, public investment and the share of private investment in public investment are higher than elsewhere in the developing world. Nowadays domestic savings and investments in the HPAEs are significantly higher than in other economies: they averaged about 35 per cent of GDP, compared to 15 per cent in Sub-Saharan Africa, 19 per cent in Latin-America/Caribbean and 20 per cent in developed economies (World Bank 1993).

In the beginning all HPAE countries were more eager to accumulate further foreign capital till their growth engine sparked. They created, rejected and shifted their policies frequently to attract foreign investments and their sustainable use. Other developing countries did in the same way but could not succeed to raise domestic savings in the way HPAE countries did. Therefore, right after the spark in their economic success, HPAE countries became capable of using their savings to continue the progress without incurring any foreign liabilities. These countries were committed all along in their policies and policy implementations to become players of the global scenario. For example, in 1972, to face the sharp increase of oil prices, like most of other countries, Singapore did not flinch. Since it does not have any mineral oil resources, it decided that "Singaporeans would have to swallow the medicine in one gulp since the inflation rate was well over 20 per cent (Simon 2006). Due to the rising demand in Asia and volatile situation in the Middle East, oil prices have increased drastically in 2004-05. This has affected the national budget of many countries. Indonesia oil subsidies amounted to 2.5 per cent of their GDP.⁵ However, Singapore was not affected in this way and never looked back since.

⁵ <http://news.bbc.co.uk/2/hi/Asia-pacific/4307433.stm> (16.01.2008)

VI. CONCLUSION

It is evident that along with the other factors, pragmatic national trade policies contributed a lot to the HPAE countries. The basic as well as common notions into their national economic policies were (Lauridsen 1995):

- Proper navigation of the trade policy focus
- Flexibility into the trade policy dimension
- Coherence in related factors and policies
- Competitiveness in policy attitude.

This paper examines the nature and role of general national trade policies of the HPAEs at their initial stages of economic success with the fundamental argument that the policies adopted by HPAE countries were essentially pragmatic in nature. They did not adopt any greater outward policy implementation strategy by following any common model or blueprint; in other words, no theoretical approach can fully be accounted for the HPAE countries economic success (Lauridsen 1995). But each of the HPAE countries successfully maintained macroeconomic stability through their own mastered economic policies. Pragmatic norms in trade policies during the initial stages of HPAE countries now have an enormous appeal to a number of newly emerging economies.

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Book Review

Bangladesh Development Studies
Vol. XXXIV, March 2011, No. 1

The Bengal Delta: Ecology, State and Social Change, 1840-1943

By Iftekhar Iqbal, Palgrave Macmillan, UK, 2010, pp.268+xx

Agriculture which followed gathering and hunting, and pastoralism in the evolution of human society was possible due to the observation that seeds of grain or fruits falling on to the soil germinate upon natural watering by rainfall and later provide the bounty that sustained much larger population than had been possible before. It was also observed that not all plants grow everywhere or under all natural conditions. That gave rise to screening of crops by season and ecological conditions. That agriculture is determined by ecological factors has thus been known for millennia.

Agriculture, however, had another great role to play in the history of mankind and does so even now. Managed agriculture gave rise, for the first time, to the abundance of food and other agricultural products over the amount necessary to feed all and for processing for other uses. While we do not want to go into the details of how states arose and how the peasants and the State sometime mediated by other groups (landlords, zemindars or aristocrats), some time not were linked with each other for appropriation of the surplus by the kings, emperors, khans and mandarins of all sorts, the fact remains that these were the core functions of the State to maintain its authority whether within its boundaries or trying to extending that without. And naturally as land was the crucible upon which agriculture had been practised, it was around land that these superstructures were built.

Dr. Iftekhar Iqbal in his book, *The Bengal Delta: Ecology State and Social Change, 1840-1943*, argues that the ecology of Bengal delta determined in an intricate manner the relationships among the British colonial State, the intermediary groups of zemindars under permanently settled and not so settled areas in the Bengal delta and the peasants sub-divided into various groups based on their revenue obligations to the State or other such groups. These interactions led to various social and economic changes during the colonial period in this part of the world. One of the first points that the author makes is that despite ecology (he has

used ecology and environment interchangeably) being a core factor in determining the practice of agriculture and consequently the surplus siphoned off by the State through various revenue administrative mechanisms, there had been little analysis of these linkages so far in the historiography of this period. The author has discussed several issues related to his notion of ecology including the roes of railways and water hyacinths. In my review, however, I shall concentrate only on the first few chapters, particularly the author's treatment of the ecology-peasant-linkages.

I have immensely enjoyed reading the book, although it must be said that not all my hopes have been fulfilled. These I will come to shortly. The author has tried to bring in issues of the river system in the then Bengal, as the giver and sustainer of life and livelihood in Bengal delta, how wastelands (fallow or forested) have been settled and revenues determined, how railways and hyacinths interacted adversely with these river and water flows and thus disrupted severely the "normal" agriculture. In course of this, he has brought in a somewhat detailed discussion of the so called the Dufferin report (officially titled, "*Report on the Condition of the Lower Classes of Population in Bengal, 1888*"). This has particularly been enjoyed because it gives a peep into the economic conditions of people in rural Bangladesh exactly 123 years before now, although many would think the narration to be rather much more positive than possibly it had been, in several parts of Bangladesh in Rajshahi and Chittagong and Dhaka Divisions. Let me digress here a little Given that we are now debating again the role of population growth and the acute scarcity of land for cultivation and the unrelenting transfer of land from farming to non-farming purposes as well as how well-being of the people in general still leave much to be desired, the Dufferin report may be examined thoroughly to understand properly the changes that have come about in the society. The particular, when I look at the Report, I find the reporting from various districts to be of varying content and quality, some much more explicit and detailed than others. But there is a way perhaps to get an aggregate picture of several indicators of well-being and see if the claims made by the collectors and settlement officers were really that much positive. After all, do not forget the writing of Bankim Chandra Chatterjee who was a Deputy Magistrate in several districts in Bengal, as to how statistics get "corrected" at several levels from the *Chowkidar* (village police) upwards to the Collector Sahib and thus bears little resemblance to what is on the ground. One can not vouch that this has not happened in case of the Dufferin Report. I exhort my economist friends to get hold of the report (one copy is available at the BIDS library) and see the information from the present day Bangladesh be aggregated somehow and also analysed to see if whatever ecological information are available

can be used to supplement or refute the author's analysis. In this regard two other reports may become important, one is the Statistical Account of Bengal by Hunter (in 1870's) and the other is the Plot to Plot Enumeration Survey by Ishaque in 1940's (both are in BIDS library, the latter is also partly available on-line).

Coming back now to the basic thesis of the author, I have no problem in principle with the notion that ecology had been the determinant of the rhythm of agriculture, its bounties and consequently the surplus generated and distributed during the period of 100 years under consideration. I am, however, dismayed at the manner in which the author has treated ecology. Nowhere has he clearly explained what ecology is to him in the particular context. He has castigated others for equating ecology with forests without giving much thought to other agriculture related aspects of ecology. Yet, he himself has given much effort at narrating how the Sundarbans has been claimed for cultivation to the extent that he has chosen as the cover of the book a drawing of a village home and surroundings in a clearing of the Sundarbans.

The author's discussion indicates clearly that the river system of Bengal is a major element of the ecology. That is true. But is that all? Agro-ecology includes the intricate intermingling of the water system (here from rivers, but what about rainfall?), the soil characteristics again partly defined by the river system but not all (as part is determined geologically as in the *khior* areas of *Barind* tract), the natural vegetation, partly forests, but also others as well as the cropping patterns practised and of course all kinds of animal, insects and microscopic life that interact with them. Regarding health of people, he has referred to their lassitude during summer but not thought about how a hot and humid condition can as well give rise to insects and pest and pestilence as well and create havoc with crops. What did the peasants do then at such times of partial or total crop failure? How did they pay the land revenue, by under-raiyats to raiyats, raiyats to the zemindar and finally by the zemindar to the State? The author is silent on that although he has discussed at length the apparent tilt of the State more in favour of the peasants than the zemindars who were created by the British under the Permanent Settlement (PS) as the popular image goes as a group of ardent supporters of the colonial government.

Given the limitation of his own concept of ecology, the author has from time to time mentioned it as a major factor in the agricultural system but not stated clearly as to how the rhythm of agriculture been influenced by this physical aspect of ecology which then leads to the surplus from output from land on which the peasant, the State and the zemindar all make a claim. But was the surplus itself or the revenue mechanism influenced directly and if so how by this ecology? Although

not so explicitly asked, sometime, it seems that the author has asked this question but apart from the assertion, he has not shown any direct link.

The PS rules applied to the land under cultivation at a specific date and later on as those lands remaining outside the purview of the Settlement at that time were reclaimed for cultivation those still remained outside the Settlement so much so that at points in time the land under PS was smaller in aggregate size than the not-permanently settled land. The author gives the impression that this was the effect of the ecology. Was it so, or was it due to the rules under the PS? Did the PS specifically applied to certain ecological jurisdiction and not others by design? If so what was that? It was purely for the reason that the surplus and consequently revenue from cultivate land was far greater and sustainable than that from the so called wasteland. The link between the provisions of the PS and the ecology was tenuous at best.

The section titled "*The reclamation process and the rise of the occupancy raiyats*" must be read by those who want to acquaint themselves with the process of land grant after reclamation of wasteland and fixation of revenue. This is a highly interesting section. But alas! The narration gives one little understanding of the relationship of the reclamation and settlement process with the particular ecology espoused by the author. For example, much has been made of the rights of the *abadkar* (who actually cleared and made the land cultivable) which was as stated by the author zealously guarded by the colonial State against the wishes of the zemindars wanted their (*abadkars*) rights to be held as they (*zemindars*) pleased. This is as good as claimed. But did it have to do with the ecology? Did it mean that there was actually shortage of labour to do such clearing or reclamation of heavily forested or dynamically unstable *chars and diaras* in the rivers and that unless the rights of the *abadkars* who became occupancy raiyats were safeguarded they would not be interested to do such reclamation. In that case the particular forest or river ecology indirectly had something to do with the post-reclamation rights. But this issue was not pursued although at one point the internal migration of labour from economically backward regions to where wasteland abounded has been mentioned. But this statement seems odd, the author perhaps wanted to say of migration from land scarce to land abundant areas. and thus we have no way of understanding why the ecology will be a major determining factor behind the reclamation process, the rights of the *abadkar* or the State's insistence of written rights.

And these issues had been followed up by the so-called political ecology of the *faraizi* movement started by Haji Shariatullah and spread and strengthened further by his son Dudu Miyan and grandson Noa Miyan. The description here lays bare how the zemindars and indigo planters actually fleeced the peasants against which

the *faraizis* rose up. The story of peasants' economic well-being described rather uncritically earlier thus appears to be a chimera. The oppressive conditions that PS imposed upon the Bengal peasantry has been observed in no uncertain words by others, for example, Badruddin Umar in his *Chirosthayee Bandobasto O Banglar Krishak* (Permanent Settlement and the Bengal Peasantry). But aside from this how did these really relate to the ecology apart from what has been observed before or that Bengal delta had been rather suitable for indigo plantation? That the agro-ecology had been suitable for indigo plantation had nothing to do with the oppression of the peasantry, it was the colonial exploitation, pure and simple, which had. Blaming Nature when the man made rules decide how nature is to be used is an unhelpful analytical method at best.

A full hundred years is under review here and certainly a lot has changed within this period in terms of economic, social, political, technological and ecological. True the author later brings in two aspects of change both possibly influencing the ecology and consequently the sustained surplus generation from agriculture, viz., the spread of railways obstructing in many cases natural flows of water over land and thus causing water-logging in many areas and disrupting the previous normal ecology, and the spread of water hyacinth choking the water bodies and fields of crops. While these two are treated separately (although I do not go into their reviews here), Chapters 2-4 goes back and forth in time (and not even mentioning as to what time period is being referred to leaving the reader to make his/her guess) as if the whole period had been a static one. This I think is doing a disservice to the analysis of social and economic history of the Bengal peasants.

The book apparently has a limited success in linking ecology to socio-legal, economic and administrative organisation of cultivation, surplus generation and the tensions among the various social classes and between them and the colonial State in appropriating that surplus. Yet, this remains a good read for those who wants to know about how the rural society was organised in certain respects during the 100 years or so prior to independence from the British. The other commendable point here is the extensive bibliography that has been provided. Stout hearted readers may read those and make their own conclusions, if they so desire.

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