100 — Economic development, fluctuations, planning

Current economic and financial movements

Current economic and financial movements feature in each issue of the Quarterly Bulletin of the Bank of Korea. Changes in the Korean economy are evaluated with emphasis on GDP, unemployment figures, the current account, consumer prices, the financial market, the Korean stock market, the value of the Korean won and the growth rates of the M3, M2 and the MCT+. The Korean economy slowed down at a rapid pace during the fourth quarter of 2000. The scale of the current account surplus narrowed slightly, while consumer prices dropped.

Bank of Korea

110 — Economic development studies

East Asia: prospects for the new decade

An analysis of contemporary dynamics of change within East Asia, cast in terms of the resources of the classical European tradition of social theorising, suggest that three intermeshing logics of change are shaping the fundamental structural underpinnings of current events: the long-established drive for industrial-capitalist modernity; the now familiar concern for regional interchanges; and the very recent unexpected episode of the Asian financial crisis. Developments within the region will involve, crucially: Japan, where one can expect few novel initiatives; China, where one might expect processes of reform to continue; the newly industrialising economies, where there is likely to be deepening interest in the region; and the ASEAN states, where there would probably be a greater concern for developments within the wider East Asian region. Overall, the regional states are likely to continue to develop in line with specific historically established logics of change.

Preston, Peter W.
University of Birmingham

The ‘flying geese’ model of Asian economic development: origin, theoretical extensions, and regional policy implications

This article presents a comprehensive review of the ‘flying geese’ (FG) model, which recently has become well known as a way of explaining rapid economic growth in East Asia. Kaname Akamatsu’s 1930s work introduced the concept. The regional transmission of FG industrialisation has been noted as an engine of Asian economic growth, due in part to Saburo Okita’s forceful presentation of the theme of the FG model in a 1985 lecture. It is hoped that this paper will help to advance a better understanding of the FG model, its historical origin, its theoretical extensions and its relevancy, as well as its incompleteness as a model of economic development.

Kojima, Kiyoshi
Hitotsubashi University

A method for evaluating a region’s economic and environmental situation: the case of East Asian countries

This paper classifies East Asian countries on an amenity-productivity map based on environmental quality and income differentials. This classification is useful because it provides information about the relative attractiveness to consumers and producers of the total bundle of environmental and other attributes indigenous to each region. It also assists policymakers to formulate the most suitable regional and environmental policies. The findings suggest that the

Giannias, D.; Liargovas, P. and Manolas, G.
University of Crete; Athens University of Economics and Business, and Ministry of National Economy–Greece
The notion of sustainable development is best suited for low-productivity countries such as Indonesia, the Philippines, Thailand and Malaysia.

Survey of recent developments
Deteriorating economic conditions have made it necessary to revise the current budget, building in assumptions of slower growth, higher inflation, a weaker exchange rate and higher interest rates. A number of fiscal reforms, including tax increases and the implementation of energy price rises originally planned for April 2000, result in the revised budget deficit being little different from that originally planned. Whether the new figure is realistic depends on progress with privatisation and with asset sales by the bank restructuring agency. The bank restructuring program has resulted in state dominance of the banking sector. Bank lending is still at a low level, partly because banks are constrained by the requirement to increase their capital adequacy, and partly because they have been inadequately recapitalised. New measures will need to be taken soon to increase their capital. Ideally this will come from the private sector, but even new injections of government equity might be a cheaper option than closing more banks and paying off their depositors. Additional mergers of banks are not likely to be helpful.

Economic recovery and future challenges of Korea
This article examines the side effects of rapid economic recovery as experienced by Korea in 1998 after the Asian financial crisis. This recovery was believed to have been induced by changes in conditions set by the IMF. The requirements to maintain extremely high domestic interest rates and to maintain the government’s fiscal balance, proved to be counter-productive for stability and recovery, and were removed in a new agreement with the IMF. Another contributing factor to the accelerated recovery discussed in the article is the total capitalisation of the market.

Economic shock and structural change: is there a new economy in Korea, too?
This paper explores the possibility of structural change. It investigates empirical evidence for the new economy in association with exogenous economic shock and endogenous adjustment process from the point of macroeconomic performance. Empirical analysis combined with supporting data suggest that it is more likely that the effects of temporary economic shock still dominate those of ongoing long-term structural change spurred by the new economy. It is too early to determine whether the structural factors of change such as economic reform, globalisation, and technological progress are operating at full scale in the Korean economy. By pursuing a comprehensive structural reform consistently, such as restructuring of the corporate sector and labour market, the set-up of an open competitive market, and the establishment of an efficient and healthy financial system, the Korean economy can be expected to attain both technological and institutional efficiency in the future.

Human development in the era of crisis: Northeast Asia in the 1990s
This article introduces the countries of Northeast Asia and their diverse social and economic conditions in the aftermath of the Asian financial crisis. Geographically, the Northeast Asian sub-region includes the People’s Republic of China, Taiwan Province of China, Japan, the Republic of Korea, Russia, Mongolia and the Democratic People’s Republic of Korea. The Northeast Asian economic sub-region is expected to emerge as a new development frontier and an area of growing cross-border trade and economic exchanges, as well as large...
infrastructure projects that support these exchanges. Experts argue that almost all elements needed for such a change are currently available, including large markets and economic complementarity, competitive labour force and intellectual ability, geographic proximity and improved political climate. What is missing are investment resources. However, both investment conditions in the area and the models of interactions—bilateral and multilateral—cannot be detached from complexities of a broader ‘social landscape’ in the sub-region.

The future of the Democratic People’s Republic of Korea

The demise of the current regime in the Democratic People’s Republic of Korea (DPRK) has long been predicted by scholars who have studied the DPRK, based on the view that the socialist economic system is inherently inefficient and is not viable in the long term. This view is also based on the assumption that the DPRK regime has not and will not undertake systematic reform of its economic system. This paper explores some possible explanations for the DPRK’s continued survival despite the current crisis and difficulties by analysing the DPRK’s political and economic development in the institutional perspective. Based on this analysis, the future of the DPRK is briefly discussed.

Lessons for development from Pacific island countries

This paper argues that initial conditions, in terms of the set of institutions put in place at the birth of a nation, matter for future prosperity. Several propositions from the new institutional economics literature are corroborated by evidence from 14 Pacific island countries that lead to recommend policy settings necessary for the economic development. These recommendations include the establishment of clear property rights with the absolute paramountcy of the rule of law, a simple regulatory system that is subject to minimal discretion, an active media and an independent judiciary. On the last two, foreign participation is necessary given the small and enclave nature of these professions.

The meanings of work in contemporary Palau: policy implications of globalization in the Pacific

This paper discusses changes in Palauan society resulting from the introduction of many new occupations and the great increase in foreign workers. The paper has three parts. First, the economic and demographic changes that have occurred in Palau are discussed in more detail. Second, the authors describe ethnographic research on the meanings of work in Palau and how these have been affected by contemporary social processes. Finally, the results of a series of qualitative and structured cognitive interviews that were conducted with Palauans are considered. These results can provide insights into the ways Palauans have incorporated new occupations and values into contemporary conceptualisations of work.

Recent economic developments in the Kingdom of Tonga

The economy of Tonga has been growing rapidly in recent years and future prospects for growth are from exports of agricultural products and the growth of fisheries. Growth in the exporting sectors and the associated rise in incomes will create demand for services. In the new millennium, Tonga is likely to see more rapid change. The challenge it faces is not so much one of production, but of distribution.
Unravelling the ‘Pacific Paradox’—the case of Kiribati

The poor performance of the Kiribati economy during the 1980s and 1990s had little to do with the lack of capital or good policies but had more to do with the lack of incentives to be able to exploit those resources to the maximum. This paper examines the role that institutions play in the growth performance of Kiribati. Unless the Kiribati authorities undertake appropriate institutional reform measures with the conditions necessary for a broad-based, sustained economic growth, the Kiribati economy will continue to live out the ‘Pacific Paradox’.

Toatu, Teuia
The Australian National University

ASEAN’s economic security

The relationship between economic development and security has, since ASEAN’s establishment, played a crucial role in its security deliberations and agreements. It has been acknowledged in ASEAN’s concepts or doctrines of national and regional resilience, that the national economic development of each constituent state is the fundamental platform for the achievement of political stability and security as much as stability and security is to progressive economic development. The author believes that the financial and economic collapse, massive unemployment, poverty, and social and political unrest have made ASEAN incapable of surmounting security threats from a non-conventional security angle. ASEAN’s comprehensive security and resilience doctrines, therefore, will have to be reviewed and restructured to address different target audiences for whom the market place is the sole regulator of their activities.

Luhulima, C. P. F.
Centre for Strategic and International Studies–Jakarta

Dependency, the state and class in the neoliberal transition of Taiwan

The remarkable economic growth in Taiwan has served as a model of the developmental state as well as a source of scepticism about neo-liberal policy for many less developed countries. However, since the mid-1980s, Taiwan has gravitated from its previous statist model to the universally embraced ‘market-oriented’ restructuring. A disaggregated approach is employed to break the restructuring down into three distinct dimensions: market openness, fiscal austerity, and privatisation of public sector enterprises. The analysis results confirm that Taiwan’s trade dependency on the United States constituted a decisive factor in the state opening its domestic market: distributional politics were forged in a new but weak democracy to incorporate more interest groups in the fiscal expansion of the post-authoritarian era; and the steady progress of privatisation plans influenced not by a ‘back-to-the-market’ idea but by the statist legacy with which bureaucrats attempted to manage public sector enterprises even after they became de jure private firms. The theoretical implications of this transition are discussed.

Tsai, Ming-Chang
National Taipei University

Taiwan in the 20th century: model or victim? Development problems in a small Asian economy

Economic performance in the long term is the result of interaction between an economy’s internal characteristics and its external environment. The internal characteristics include economic and social institutions, government and legal frameworks, natural and human resources, and locational factors. The external environment consists of two parts, one made up of foreign resource configurations and potential opportunities for fruitful economic relationships, and the other of power networks and ‘rules of the game’. These broader frameworks determine the extent to which potential economic gains can be realised. Today, Taiwan remains a small economy, yet it has achieved an impressive per capita income with good health and wealth indicators. It is in the top 16 trading nations, has been rated fourth in world competitiveness rankings and has strong technology and improving corporate capabilities. The article examines the roles of internal and external factors in Taiwan and what these patterns reveal about Taiwan’s present and prospective situation.

Howe, Christopher
University of London
**Transforming Taiwan's economic structure in the 20th century**

This article provides an analysis of how the colonial state initiated and shaped the course of economic development from 1895–1941; a discussion of regime transition and its impacts on the state–economy relationship; an examination of the economic take-off and industrial upgrading from the 1960s on; and an assessment of the Taiwanese developmental model in the light of democratisation, globalisation and the fin-de-siecle region-wide financial crisis. Throughout, Korea serves as a benchmark for comparison as it shared the developmental trajectory.

Cheng, Tun-jen
College of William and Mary

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120 — Economic growth

**Globalisation, insecurity and post-war reconstruction: Cambodia's precarious transition**

This article examines the assumption that economic globalisation is a force for peace, security and broad-based economic prosperity in societies emerging from war. Cambodia’s recent experiences illustrate how, in a weak political and legal environment, rapid marketisation can increase socioeconomic insecurity for vulnerable groups. Furthermore, the introduction after 1993 of a model of post-war reconstruction emphasising the rapid restoration of macroeconomic stability exacerbated political tensions. Cambodia’s experiences suggest the need to embed post-war administrative and economic reforms in a broader strategy to strengthen political governance and restore socioeconomic security.

Hendrickson, Dylan
Kings College

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**Applied general equilibrium analysis of East Asian growth**

This paper uses an applied general equilibrium model to examine the effect of changes in East Asia on economies and their industrial structures before and after the currency crisis. First, it looks at whether export-led industrialisation can singly lead to growth, and examines the mechanism by which industrialisation makes way for a service economy. It is increasingly important for newly industrialising economies to embrace the predominance of the service sector. Second, as robust export expansion may be considered as the primary factor behind the recovery, the effect of currency depreciation on the real economy was estimated in the countries and its impact on the recovery process was evaluated. Finally, given the prevailing view that the V-shaped recovery has put an end to the crisis, the effect of investment (which has fallen significantly after the crisis) on potential economic growth is examined.

Ono, Minoru
Japan Bank for International Cooperation

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**Diminished returns? Growth and investment in East Asia**

This paper investigates the investment-led growth hypothesis for the newly industrialised economies of East Asia. Using numerical simulations and a neo-classical model, it is shown that the revolution in investment rates only explains about 30 per cent of the growth in GDP per worker. In contrast, productivity growth and improvements in labour quality explain around half the growth of GDP per worker, reflecting the effects of productivity growth on capital accumulation. Contrary to recent growth-accounting studies, the results suggest that understanding the sources of productivity growth in East Asia will provide the most useful lessons for other developing economies.

Robertson, Peter E.

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**Exports, investment, efficiency and economic growth in LDC: an empirical investigation**

This study analyses the relationship between exports and growth for 19 developing economies. The results indicate that when exports have a causal influence in the development process, in general this is the result of their effect on both efficiency and accumulation. In addition, improvements in output and...
Possible external shocks to Asia in 2001: how vulnerable are the regional economies?

In 2001, threats of a US economic slowdown, a moderation of economic growth in the EU, sharp deceleration of the global electronics cycle, and high oil prices could be some of the potential external shocks clouding Asia’s economic outlook. This article analyses these external shocks and assesses which Asian economies are most (or least) vulnerable to these exogenous shocks.

Winners and losers in a North–South model of growth, innovation and product cycle

The paper examines the welfare gains from North–South trade and their distribution. The authors construct an endogenous growth North–South model with four Southern stages of development as possible equilibria: specialisation in a traditional good; the South, in addition, copies Northern high-tech manufactured goods; the South begins to innovate in its own right; and finally, a stage in which the South only innovates, as in the North. This model shows that dynamic gains from trade and from Southern development through the states can create new winners, unskilled workers in the North, and skilled workers in the South.

Tiny, poor and war-torn: development policy challenges for East Timor

Following its decisive vote for independence on 30 August 1999, East Timor will soon become the world’s newest country. The country has a particularly tragic history: centuries of Portuguese colonialism and neglect, 24 years of troubled occupation by Indonesia, and the horrific violence and massive destruction of infrastructure that occurred in the wake of the 1999 vote for independence. East Timor will start from one of the lowest points conceivable on the scale of socioeconomic development—extremely low income, very limited bureaucratic capacities, barely functioning institutions, and potentially hostile elements in its giant neighbour. This paper looks at the formidable development policy challenges facing this new country.

Technological regimes, catching-up and leapfrogging: findings from the Korean industries

This paper examines the experiences of selected industries in Korea in technological capability building. Special attention is given to ‘leap-frogging’ in industry and the conditions for its incidence. The authors discuss the prospects of Korean industries in market catch-up. Technological capability is determined as a function of both technological effort and the existing knowledge base. The technological regimes of the industries, such as cumulativeness of technical advances, fluidity (predictability) of technological trajectory, and the properties of knowledge base are examined as determinants of technological effort.
An application of the extended Glass and McKillop procedure for computing TFP growth to the Malaysian rice sector

This study employs aggregated data to investigate the total factor productivity (TFP) growth of the Malaysian rice sector; investigates the sources of the TFP growth; and examines and extends the Glass and McKillop procedure for computing TFP growth. The authors establish procedures to link the TFP analysis with the theory of production; disentangle the sources of TFP growth into scale and technological change effects; and apply, compute, examine and extend the Glass and McKillop procedure for computing TFP growth.

Abdullah, Naziruddin
International Islamic University

The Kiribati economy—performance and prospects

The economy of Kiribati has shown very slow growth since the country achieved independence in 1979, with real GDP per capita today being little different from its level 20 years ago. Performance has been affected by the size and inefficiency of the public sector, by the country’s limited export base and by the lack of a dynamic private sector presence. Nevertheless, conservative macroeconomic management and a significant level of external reserves have helped the Kiribati government to maintain fiscal and external balance over the years. There are some immediate problems posed by declining copra prices and uncertainties surrounding future fisheries returns, however, there are some hopeful signs for export growth, especially in tourism. The current National Development Strategy is consistent with a development path that is environmentally, socially and culturally sustainable, but it remains to be seen whether its good intentions can be translated into action.

Throsby, David
Macquarie University

Performance of public and private investment in Fiji

Since the military coups in 1987 and 2000, investment in Fiji has substantially declined. An analysis of the impact of public and private investment on growth in Fiji shows that private investment has played a far more important role than public investment. However, the impact of political instability and government policy on private investment has been negative.

Gounder, Rukmani
Massey University

Is China’s economic growth sustainable? A productivity analysis

Since economic reform initiatives in the late 1970s, the Chinese economy has sustained a continuously high rate of annual growth. This paper uses a stochastic frontier method to estimate productivity growth, which is decomposed into two components: technological progress and efficiency change. The former refers to shifts in the frontier and the latter to movement towards the frontier. Applying regional GDP data, this study examines the contribution of productivity to economic growth in China; investigates the sources of productivity growth in the reforming Chinese economy; and sheds some light on the trend of convergence and catch-up in terms of productivity performance among China’s regional economies in the 1980s and 1990s.

Wu, Yanrui
University of Western Australia

Metropolitan development in a transitional socialist economy: spatial restructuring in the Pearl River Delta, China

The dynamic of globalisation and urban change in Europe and United States has been extensively documented. Relatively little is known about the processes and consequences of spatial restructuring in metropolitan regions within the context of a transitional socialist economy. This study investigates economic restructuring and spatial transformation in one of the most dynamic metropolitan regions in China. Deregulation of the post-reform socialist central state has allowed Chinese peasants to diversify agricultural production and to

Lin, George C. S.
University of Hong Kong
Industrialise the rural economy according to various personal strengths and the changing market demand. Despite rapid commercialisation and industrialisation of the regional economy, there has been no growing concentration of population and production facilities in large cities. The loci of accelerated economic growth, increased population mobility and massive land-use transformation have been in the intermediate zones surrounding and between metropolitan centres.  

**Productivity, growth and economic integration in the Southern China region**

Since the late 1970s, Taiwan, Hong Kong, Guangdong and Fujian together have been one of the fastest growing regions in the world. Rapid growth in trade and investment flows among these economies has led to an increasingly integrated sub-regional economic bloc. How has economic integration affected productivity performance among the economies involved? Has regional integration led to convergence in growth and efficiency? Both time-series and panel-data models are employed to examine productivity, technological progress and efficiency in the four economies.

Wu, Yanrui
University of Western Australia


**Total factor productivity growth and its spatial disparity across China’s township and village enterprises**

What lies behind China’s recent economic prosperity is the unexpected success and development of township and village enterprises (TVEs). The proportion of China’s total industrial output produced by the TVEs increased from 9–42 per cent between 1978 and 1994 and their continuous success will have a tremendous impact on China’s future economic development. But is this rapid development of TVEs at the same time exacerbating China’s spatial disparity by encouraging inequality in productivity and production efficiency of these enterprises across different provinces? This study answers this question by examining the changes in total factor productivity of TVEs located in different provinces between 1988 and 1993 with particular reference to the corresponding spatial disparities of these changes using the Malmquist output-based productivity index.

Tong, Christopher S. P.
Hong Kong Baptist University


**Defence spending, economic growth and temporal causality: evidence from Taiwan and mainland China, 1952–1995**

This paper uses a cointegration analysis and a vector auto-regressive model to examine the causal relationship between defence spending and economic growth for Taiwan and mainland China over the period 1952–95. The results indicate that there exists no arms race between two countries from both sides of Taiwan Strait. Granger-causality tests and impulse responses and variance decompositions are incorporated into the analysis. The results from the impulse responses and variance decompositions tell a similar story.

Chang, Tsangyao; Fang, Wenshwo; Wen, Li-Fang and Liu, Chwenchi


**Thailand: the making of a miracle?**

Over the last half century, Thailand has been one of the fastest-growing developing countries. This article reviews the causes of that growth, dealing with the immediate factors (in a growth accounting framework) and with the underlying social and political factors. It concludes that a dynamic entrepreneurial class together with a supportive state were the key elements in Thailand’s rapid and efficient accumulation of production factors. Although in this respect Thailand is similar to a small number of other East Asian countries, the Thai case also has a number of unique characteristics.

Jansen, Karel
The Hague

130 — Economic fluctuations

Soft budget constraint and inflation cycles: a positive model of the macro-dynamics in China during transition

This paper presents a positive general equilibrium model consistent with China’s institutional and political environment to explain the growth and inflation cycles during transition. Central to the analysis is the government’s use of the monetary and financial system to support the state sector, and the growing tension between a long-running commitment to the sector and economic decentralisation. The cycles emerge as a product of the government’s imperfect control over credit allocation under decentralisation and the high costs of implementing administrative credit control.

Brandt, Loren and Zhu, Xiaodong
University of Toronto

150 — Inflation

Domestic and international transmission of inflation: the Malaysian experience

This paper provides a more complete empirical model in which both the domestic and international transmission of inflation are analysed simultaneously based on one of the developing ASEAN countries—Malaysia. This paper identifies the importance of domestic and international influences in the generation and transmission of inflation in the Malaysian economy and examines whether external factors are important. It is also interesting to compare the relative importance between the domestic and the external factors. Since inter-dependence among the ASEAN economies has increased over the years, it is also crucial to investigate whether inflation in Malaysia is closely linked to inflation in the other ASEAN countries.

Cheng, Ming Yu; Tan, Hui Boon and Shamsudin, Mad Nasir
Multimedia University and Universiti Putra Malaysia

170 — Economic planning

‘Benchmarking’ and participatory development: the case of Fiji’s sugar industry reforms

Since the mid-1970s, opposition has grown within developing economies to the use of ‘top-down’ development approaches by foreign consultants. Disenchantment with these strategies, it is often claimed, has led to the current incorporation of participation in consultants’ development practices. This study evaluates the strategic plan adopted by the Fiji sugar industry in 1997 in response to challenges that are attributed to the pressures of globalisation and international competitiveness. The authors find that the consultant’s use of ‘benchmarking’ methodology is seen to be one of the most problematic features of the ‘participatory’ process.

Snell, Darryn and Prasad, Satendra
Monash University and University of the South Pacific

180 — Markets, prices

How far down the path to free trade? The importance of rice price stabilization in developing Asia

International trade agreements are pushing the world in the direction of free trade. But price stabilisation, which is inconsistent with completely free trade, remains important in developing Asia because of the large share of rice in economic output. A policy of pure price stabilisation for rice, without consistent protection (either subsidisation or taxation), can help to create the macroeconomic stability that is essential for sustained rapid economic growth by increasing the quantity and efficiency of investment throughout the economy. Pure price stabilisation schemes have a chequered history around the world, the experience of Asian countries in stabilising rice prices offers more scope for

Dawe, David
International Rice Research Institute

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optimism. Asian governments have been generally successful in stabilising rice prices, and there are several instances where this has been accomplished without sustained protection of either consumers or farmers. However, there is room for improved stabilisation mechanisms that would lower the costs of intervention.

A positivist analysis of fluctuations in prices on the Chinese stock exchange

The Chinese stock market was developed during the drive for economic reform and the transition from a planned to a market economy. It has a unique structure and operational mechanisms. Investors in the Chinese market hold stocks for a shorter period of time and the market is characterised by short-term speculation. Price fluctuations are a concentrated expression of stock market factors and the economy as a whole. This paper analyses the capital structure and scale of the market, the behaviour of investors and structural price fluctuations.

Hu, Jizhi and Yu, Hua
Stock Exchange–Shenzhen

The rise and development of Yiwu’s small-commodities market

This article documents the establishment of the second and third generation Yiwu markets in the mid-1980s, and describes the major problems of land and finance and how local authorities solved these problems. The ability and willingness of local officials to dictate lending policies to banks is revealed in a frank manner.

Chen, Zhengxing

Ten years at the market

This paper outlines the expansion of the Chinese market to its fourth generation, and the key role that the then governor of Zhejiang, Shen Zulun, played in this expansion. During the reform period, Shen stands out as a notable exception to the general characterisation of the provincial leaders of Zhejiang.

Guanfu, Xhou

185 — Asian financial crisis

Deviations and mean reversion to purchasing power parity in the Asian currency crisis of 1997

This study analyses the process of mean reversion towards purchasing power parity (PPP) for a sample of Asian countries around the 1997 crisis. It is found that appreciation relative to PPP is evident prior to the 1997 crash period. Correction occurs from 1997 onwards, a period marked by extreme movements in exchange rates with both appreciation and depreciation relative to the PPP rate over relatively short periods. Although reversion towards PPP is apparent for mean, although not statistically significant, it is clear that there is a substantial statistically significant change in variance from 1997 onwards. This result has implications both for economic modelling of crash periods and for appropriate choice of statistical tests.

Razzaghipour, Alipasha; Fleming, Grant and Heaney, Richard

The East Asian crisis and the globalization discourse

This paper examines the implications of the 1997 East Asian crisis for the globalisation discourse in the context of 3 issues: the reversibility of globalisation; the role of the state in economic activity; and institutional deficits, domestic and supranational, to manage cross-border economic exchanges. It focuses on Thailand, Malaysia, Indonesia and South Korea—the countries most severely affected by the 1997 crisis. It concludes that globalisation is potentially reversible in some issue areas, provided there is the political will to do so; states continue to matter in economic activity; and the new system of global commerce and finance must ensure accountability at various levels without undermining the democratic bases of the polity.

Prakash, Aseem
George Washington University
The IMF after the Asian crisis: merits and limitations of the long-term development partner role

A number of commentators have espoused the view that the IMF should seek to withdraw from its long-term lending operations in the wake of the recent financial crisis in Asia and elsewhere, and restrict itself to its ‘core competency’ of preventing, and where necessary lending into, financial crisis. This paper argues for the retention of the IMF’s long-term lending function; and for this function not to be transferred to the World Bank, which has less credibility in global financial markets and less comparative advantage in macroeconomic management. Measures are indeed needed to reduce the level of the IMF’s exposure to risk in poorer developing countries, but those should consist of the preventive measures currently going on, and measures to increase the ratio of equity to debt, rather than measures that would jeopardise the progress in long-term poverty-alleviation capacity achieved by the IMF over recent years.

Mosley, Paul
University of Sheffield

Institutional investors, trade linkage, macroeconomic similarities, and contagion of the Thai crisis

This paper investigates the presence of contagion effects and their causes in the 1997 East Asian crisis. The results indicate that the Thai crisis was transmitted to neighbouring Southeast Asian countries through contagion and suggests that the international investors’ institutional practice of securing sufficient liquidity and trade linkage were important in spreading the contagion, but the financial integration channel was not important. Similar macroeconomic conditions of the Southeast Asian countries, such as large capital inflows, large accumulation of current account deficit, and high level of external debt prior to the onset of the Thai crisis, also contributed to the contagion.

Park, Yung Chul and Song, Chi-Young
Korea University and Kookmin University

Liberalization at any cost? Implications of IMF policy for sovereignty and stability in East Asia

Globalisation puts pressures for liberalisation against state claims to political and economic sovereignty. Less powerful states in particular face strong pressure from the international trade regime to liberalise their economies irrespective of the impact on domestic stability and national goals. This paper shows that the bail-out package demanded by the IMF in 1997 during the East Asian financial crisis imposed unprecedented restrictions on state governance without regard for long-term implications. The paper argues that the IMF’s motivation was to harmonise financial governance of the affected economies with Western practices. However, the cost of this initiative to the stability of the region has been overlooked. Already governments have fallen and deep resentments have been sewn over the reversal. More seriously for the future, assumptions that free-market liberalism can be imposed top-down ignore the extent to which economic institutions and preferences are embedded in culture.

Spaulding, Michael
Dalhousie University

Econometric analysis of the effects of Krismon shocks on Indonesia’s industrial subsectors

This article analyses the different trends of production indices of eight manufacturing sub-sectors during the economic crisis period (July 1997–December 1998). All the indices declined until May 1998, but their recovery patterns markedly differed. The index of the agriculture-related sub-groups (food and beverage, fertiliser and petroleum refinery) recovered quickly and reached a historically highest level in December 1998, while those of the other groups continuously declined. Therefore, the production index of the agriculture-related group was 82 per cent higher than the pre-crisis level, while that of the light-industry group (textile, furniture and miscellaneous) was 10 per cent lower.

Fukuchi, Takao
Asahi University
The impact of the Indonesian financial crisis on children: an analysis using the 100 Villages data

This paper examines the impact of the East Asian financial crisis on children in Indonesia. Data from four rounds of the 100 Villages Survey are used to examine changes in school attendance rates, child labour force participation and health status. The paper also examines ways in which households are coping with the crisis. The findings provide little evidence that the crisis has had a dramatic negative impact on children. School attendance dropped slightly after the onset of the crisis but has since rebounded to higher than pre-crisis levels. Fewer children are now working, although the older children who are working and not attending school seem to be working longer hours. Comparisons of child health status indicators over time are complicated by changes in the questionnaire but appear to show a relatively stable pattern of child health.

Cameron, Lisa A.
University of Melbourne


Managing globalisation and human security in Indonesia: in search for cooperation mechanisms between global, regional and national levels

The globalisation crisis in Indonesia has shown that traditional cooperation mechanisms employed in regional frameworks such as ASEAN or APEC failed to find adequate policy responses to soften the impact of the regional financial meltdown. Instead, global/multilateral institutions such as the IMF or the World Bank played the main role in managing the crisis in the region, particularly in Indonesia. This article explores the conceptual links between globalisation and human security within the context of how the main regional and global players—IMF, ASEAN and APEC—have managed the benefits and costs of globalisation in Indonesia.

Roesad, Kurnya
Centre for Strategic and International Studies

The impact of the economic crisis on Indonesia’s manufacturing sector

This paper examines the impact of the East Asian economic crisis on Indonesia’s manufacturing sector. It presents an overview of the rapid industrial transformation prior to the crisis and the impact of the crisis on the non-oil and gas industries. The analysis focuses on the crisis’ impact on the output of these industries, the number of large and medium-sized enterprises in them, capacity utilisation in large and medium-scale industries, small and cottage enterprises, capital investment, manufactured exports and industry performance. A full recovery of Indonesia’s manufacturing sector depends on the successful restructuring of the banking system and present huge corporate debt. Once the manufacturing sector has recovered sufficiently, priority should be given to improving its international competitiveness, particularly by developing its industrial technological capabilities.

Thee, Kian Wie
Indonesian Institute of Science

The nonlinear general equilibrium impact of the financial crisis and the downfall of manufacturing

Based on a detailed mechanism of a constructed model linking the financial sector with the real sector, factor demand and household income, this study analyses the impact of manufacturing downfall on household income in Indonesia. After validating the model by applying sequential shocks (events) during the East Asian financial crisis, the study reveals that urban households were hardest hit. From a set of counter-factual scenarios, some non-monotonic trends were derived, showing that despite resulting in worse macroeconomic indicators, a further decline in selected manufacturing sectors could have brought higher incomes to most households than under the factual scenario. When compared with results from further shocks in all manufacturing sectors, the macroeconomic indicators would have been better. Hence, a selected decline in the manufacturing sector is not always unfavourable when other sectors can step in. From a policy perspective, this would indicate the importance of inter-sectoral substitutions and policy trade-off.

Azis, Iwan J.
University of Indonesia

How much does excess debt contribute to currency crises? The case of Korea

It is widely believed that excess debt problems were a major cause of the 1997 East Asian financial crisis. This paper investigates the role of the debt problems using Korea’s won/US$ rate. The problems are represented by two institutional variables in non-linear equilibrium-correction models. The variables are found to exert positive feedback effects on Korea’s won rate returns in three forms: disequilibrium in levels, short-run shocks, and explosive bubbles. However, the estimated effects are not so conspicuous as to serve as the predictor of a likely collapse in the won rate in late 1997. Excess debt is hence found to only constitute one of the many factors that brought about the 1997 won crisis.

Qin, Duo
University of London

IMF and the crisis of the marginalized urban sector in Korea

The East Asian economic crisis brought with it social consequences in Korea such as mass unemployment, unparalleled rises in poverty, diminished social services, rising school dropouts, increasing suicide rates, divorce and domestic violence. This study identifies policies that would ameliorate these effects on the urban poor in Korea. After providing an overview of macroeconomic events associated with the crisis and the links between these events and economic conditions of the urban poor, the socioeconomic characteristics and changes of household income for the urban poor during the crisis periods are identified. The authors investigate how the IMF program has changed the lives of the low-income households by adopting regression analyses and the decomposition method. The study concludes with key policy issues that would help prevent or offset the deterioration in conditions of the urban poor in Korea.

Ha, Seong-Kyu and Lee, Seong-Woo
Chung Ang University and Seoul National University
Mahathir and the markets: globalisation and the pursuit of economic autonomy in Malaysia

No country has attracted more comment and attention in the wake of the recent East Asian economic crisis than Malaysia. Malaysian policymakers chose to reject the conventional economic wisdom articulated by influential organisations such as the IMF, and endeavoured to control a number of processes subsumed under the rubric of ‘globalisation’. This paper examines this experiment and explores the factors that underpinned this course of action in the face of almost universal condemnation. The response to the financial crisis was in keeping with a broader tradition of intervention economic management, which has been driven by highly contingent considerations that are as much political as they are economic. The Malaysian case suggests that whatever the motivations of policymakers, there are alternative strategies even in an era characterised by highly integrated transnational economic and political processes.

Economic orthodoxy and the East Asian crisis

It is increasingly apparent that the East Asian economic crisis has led to a serious ideological crisis in the West. Before the collapse there was broad agreement among Western orthodox economists that developing countries should pursue a set of economic policies, often referred to as the ‘Washington consensus’, which include financial sector liberalisation, privatisation of state-owned enterprises, fiscal discipline and trade, and exchange rate and foreign investment deregulation. Since the collapse, however, this consensus has broken down. This paper examines the emergence of the ‘post-Washington consensus’, with its emphasis on governance and social capital. The lexicon of the new policy paradigm underlying this new consensus includes civil society, safety nets, and, especially, governance, to be added to the conventional Washington terminology of open markets, deregulation, liberalisation and structural adjustment. The central thesis is that this new post-Washington consensus is an attempt to place more emphasis on the political institutional foundations for programs of structural reform. However, it is also a kind of politics of anti-politics that attempts to insulate economic institutions from the process of political bargaining.

Economic crisis in Asia: the case of Thailand

This paper offers a Marxian explanation of the East Asian economic crisis, focusing on the outbreak of the crisis in Thailand. Using Harvey’s ideas about capitalist crises and capital switching, along with conceptions of crisis dynamics in peripheral societies based in the world of economic geographers and dependent development theorists, it is argued that the crisis in Thailand was a fully economic crisis involving all circuits of the economy, linking domestic and international accumulation processes, and stemming in part from struggles over appropriation of the surplus. The crisis in Thailand is analysed at both the national and international scale, and shows that it was rooted in declining profitability of manufacturing in a context of increased global export competition and over-capacity. This context created the strong likelihood of economic downturn throughout the region, with Thailand falling first because of its specific liabilities, and other countries being pulled into the maelstrom of devaluation through financial contagion effects.

Thailand, financial crisis and monetary policy

This article interprets the financial crisis that started in July 1997 in Thailand as a failure of monetary policy. The traditional policy regime of fixed exchange rate and high interest rates that had served Thailand well in the past, was inconsistent with the international mobility of capital in the 1990s. A better combination of exchange rate and interest policies will have to be established in

Beeson, Mark
Griffith University

Jayasuriya, Kanishka and Rosser, Andrew
City University of Hong Kong and Department of Government and Public Administration

Glassman, Jim
Syracuse University

Jansen, Karel
The Hague
order to contribute to the recovery and renewed growth. The article questions whether the inflation targeting now being considered will serve that purpose.

Stock return process and expected depreciation over the Asian financial crisis

The East Asian financial crisis has been characterised by unstable stock and foreign exchange markets in Asia since July 1997. This paper postulates that expected depreciation helps to predict stock market volatility over the turmoil period. Using Taiwan daily data as an example, the estimated ARCH(3)-M model documents a negative depreciation effect with no heteroscedasticity in the stock return process, suggesting that the expected depreciation is a cause of the changing variance. The evidence shows that stock market volatility increased during the period of crisis, but the corresponding time-varying risk premium has remained unchanged.

Viet Nam and ASEAN lessons resulting from development

Before the financial-monetary crisis broke out in the region, Vietnam was interested in ASEAN experiences resulting from development. At the starting point of implementing industrialisation, the older ASEAN member countries have had the same economic, cultural and historical foundations as Vietnam. And, like other ASEAN countries, Vietnam is a multi-ethnic nation. These similarities between Vietnam and other ASEAN countries have made the ASEAN experiences learned during development the most appropriate for Vietnam. This article addresses Vietnam’s interest in identifying the real reasons for ASEAN’s economic crisis so that they may be avoided in Vietnam’s future development.

190 — Political economy

Credibility and reputation building in the developmental state: a model with East Asian applications

The authors use a game-theory model to analyse the role of credibility, reputation and investment coordination in a developmental state. The model highlights the dilemma that although state and private sector alike may want economic growth, both must simultaneously invest to achieve it. But the equilibrium outcome—analagous to the prisoner’s dilemma—is investment by neither. To avoid this deadlock and foster growth, the successful developmental state must demonstrate commitment by promoting its ‘developmental’ credentials through a process of reputation building. A consequent incentive to act ‘tough’, together with seeming advantages of authoritarianism in implementing the developmental state, may help to explain why it is often associated with an authoritarian political system.

Gearing up for self-rule in East Timor

After the vote for independence on 30 August 1999, East Timor acquired the status of the world’s newest nation. The country is currently administered by the United Nations Transitional Administration for East Timor (UNTAET), the term for which will expire after elections bring in a new government with self-rule in 2002. This article discusses the challenges that remain to be overcome, but perhaps the largest of these for the East Timorese is to draw a curtain on the terrible legacies of history and particularly the dreadful outcomes of the civil conflicts of the recent past. In doing so, lessons from history have to be used to contemplate the enormous development challenges of the immediate future. Much of the physical infrastructure is in need of repair and rebuilding, and
much of the financial, human and entrepreneurial capital fled the country during the period of intense conflict. With a history of neglect and oppression, many of these challenges may appear insuperable.

Korea’s economic governance in transition: governance crisis and the future of Korean capitalism

This paper suggests that the economic crisis in Korea is a crisis of the governing institutional nexus of the developmental state and large-scale business conglomerates. More specifically, the economic crisis is due to the accumulation of the state’s inability to fulfil its institutional capacity as the centre of economic governance as well as to the moral hazard of business conglomerates and financial institutions, which resulted in over-reliance on short-term foreign capital and speculative investments. The governing institutional nexus of the Korean economy needs to be redefined in the structural reform of economic governance. The analysis of Korea’s economic governance in transition illuminates the unique nature of Korean capitalism and assists in understanding the origins of the economic crisis as well as ways of returning to sustainable growth in South Korea.

Political culture and legislative gridlock: politics of economic reform in precrisis Korea

This article argues that political gridlock in Korea was responsible for the defeat of many economic reform efforts before the economic crisis, reforms which would have made the economy less vulnerable to crisis. The persistence of political gridlock can be attributed to the immature or unconsolidated nature of Korean democracy, including weak democratic institutions and traditional political values and practices. With a model of policy gridlock in the context of the Korean decision-making process, this article attempts to link Korean political culture and institutions to the occurrence of policy gridlock.

Ethnic conflict in Malaysia revisited

The ethnic paradigm has dominated political science analysis of societal conflict in west Malaysia. This perspective regards socio-political tensions as a function of the competition between the superordinate and subordinate ethnic groups in the authoritative allocation of values. Such an approach ignores the fact that ethnicity itself is a situational variable, and hence cannot be regarded as a constant in conflict analysis. In adopting such an approach, it is found that ethnic identity and ethnic-based conflict in west Malaysia were intricately linked to the survival and displacement of elites within the ruling regime. However, the intensity as well as the continuing utility of ethnic conflict for political purposes is in the process of steady decline. This has been the result of the continuous transformation in west Malaysia’s domestic political system, which has also been influenced by the intrusive nature of the international environment.

Three years of the Indigenous Peoples Rights Act: its impact on indigenous communities

It has been three years since the signing of the Indigenous People’s Right Act of 1997. A landmark piece of legislation, it guarantees the rights of indigenous peoples to ancestral domain, self-governance, empowerment, social justice, human rights and cultural integrity. Although intended to uplift quality of life and promote unity, the Act has brought disunity and mistrust. But while the law has not made good its promises, the Act has succeeded in making indigenous peoples aware of their rights within Philippine society, certainly a positive step towards self-determination.
China as great power: from red menace to green giant?

China’s standing in the world—whether it is, or is seen to be, a great power—is a question of importance because of what great powers are capable of doing, what effects their actions and words have on others, and what is expected of them. By most conventional measures, China is at least on the verge of being a great power. Yet the country also occupies a pivotal global position in terms of its present and expected future impact on the environment. In the final analysis, because greatness is so much a function of a willingness to shoulder responsibility and demonstrate leadership, China’s standing as a great power may well be determined by the country’s response to the acute environmental stresses it faces.

Foster, Gregory D.
National Defense University

International political economy from a Chinese angle

In the 1990s, international political economy as a set of concepts to interpret the current and future world system caught on quickly among Chinese scholars and policy analysts. Recent events (the Asian financial crisis and the US role, WTO negotiations and US-Japan trade disputes) combined with China’s historical experience (imperialism, war and revolution) and aspirations (to be a regional power) have given international political economy specialists a different perspective on, and language for, the issues and events of today’s global political economy. This paper highlights the divergence between US and Chinese views and interpretations on concepts of hegemony (the role of the United States in a unipolar system), globalisation, development models and economic security, arguing that understanding this theoretical gap helps us to understand the current policy gap, concluding with a reference to the limited role that international relations concepts and ideas play in the formation of foreign policy.

Zhu, Wenli
Peking University

The political economy of Vietnam’s transformation process

Vietnam’s reforms, started in 1986, are far from complete. As a result of a slowdown in economic growth, growing unemployment and social unrest, Vietnam faces renewed challenges for further reform. With doi moi (renovation) there has been greater openness and mounting pressure for more open discussions within the Communist Party of Vietnam (CPV). The country faces two options: to continue with the same pace of change and risk falling economically behind neighbouring countries, or to undertake more radical economic reform and risk losing control. This article explores the economic decision-making process in Vietnam. It argues that gradualism in reform is due to internal strife, to a trial-and-error approach, and to the lack of capable human resources. Evidence suggests that prescription for economic reforms cannot be carried out effectively without modernising the CPV’s political decision-making process.

Dinh, Quan Xuan
Government Committee for Organisation and Personnel–Vietnam

195 — Economic reform

Global standards and the recent economic reform in Korea

This paper reviews and evaluates the Korean government’s recent reforms, aimed at recovering its economy from crisis and bringing its governance system closer to global norms and standards. Here, ‘global standards’ are classified into the following three groups: economic principles or norms such as openness in trade and investment; a related set of rules of conduct, and standards of behaviour governing the conduct and behaviour of the national financial system and corporate sector; and values and norms such as environmental and labour standards. After assessing the Korean government’s reform performance in these three areas, which turned out to be far from satisfactory, the author singles out the government’s practice of discretionary intervention as the most important obstacle that has wreaked havoc with its basically market-oriented policy and institutional reform efforts.

Choi, Byung-Sun
Seoul National University
Contradictory aspects of democratization and neoliberal economic reform: the Philippines and Korea in comparative perspective

This article evaluates the neo-liberal school’s arguments in the light of the Korean and the Philippines experiences of neo-liberal economic reforms and democratic consolidation that have been pursued since the middle of the 1980s. It provides an account of the processes and their effects by examining the Korean and Philippines cases in order to assess the neo-liberal school’s arguments. The paper first examines the constitutional frameworks and state–society relations established during the democratic transitions of Korea and the Philippines to identify the characteristics of the institutional and social structures of each country. Second, it reviews the processes and effects of the neo-liberal economic reforms of both countries to define major factors that determined different trends of economic reforms and democratic consolidation between the two countries. Finally, based on comparative analysis of the two cases, it evaluates the neo-liberal school’s arguments and assesses the problems and prospects of the democratic consolidation of Korea and the Philippines.

Kim, Kwanok
Ajou University

195 K, P

China’s economic reform experience: the end of a Pareto-improving strategy

This article argues that the initial success of China’s reform (1978 to mid-1993) is due largely to a Pareto-improving strategy that aimed to ensure that no one was made worse off while creating an effective constituency for reform within the Party and the state sector. The success of China’s reform is built largely on export markets and attracting overseas direct investment, which tie the country to formal and informal international obligations incompatible with the protection of loss-making state-owned enterprises from international and domestic competition. The Asian financial crisis will temporarily slow, but will not alter, this fundamental trend. A more equitable outcome in economic reform can be achieved through an overlapping-generations ‘redistribution with growth’ strategy.

Liew, Leong H.
Griffith University

195 P

China’s stalled ‘fifth wave’

In spring 1998, Zhu Rongji became China’s new prime minister, bringing with him a remarkable and optimistic reform agenda. Two-and-a-half years later, while Zhu has had some successes, particularly China’s forthcoming entry into the World Trade Organization, much of his program has stalled. Why did this ‘reform wave’ stall and what is its future?

Zweig, David
Hong Kong University of Science and Technology

195 PRC

China’s transition and its implications for international business

This paper focuses on institutional change as the central and most consequential contextual aspect of China’s transition. Identification of key characteristics of China’s emergent institutions leads to propositions on the relevance for international business practice. China’s transition also raises issues for theory development, including the way that transition is modelled, the need to draw on multiple perspectives, and the concomitants of a contextual approach.

Child, John and Tse, David K.

195 PRC

Financial liberalisation and growth in China’s economic reform

This paper summarises China’s financial liberalisation experience and examines the contributions of financial resources on economic growth during the post-reform period. Financial liberalisation has resulted in the reallocation of the four sources of total investment in fixed assets: state budget appropriation, national bank loans, self-raised funds and foreign investment. The growth of GDP and industrial production are positively related to the growth of self-raised funds and foreign investment. It is concluded that the use of foreign investment

Li, Kui-Wai and Liu, Tung
University of Hong Kong and Ball State University

195 PRC
and funds raised by the enterprises themselves are more efficient than the government’s appropriation and provision of bank loans.

**Forerunner at the small-commodities market**

This article highlights some of the difficulties endured by individual traders in the early days of reform. One particular obstacle was the refusal of the state railway system to accept goods for shipment by private traders. The author’s portrayal of the service attitude of railway personnel, as well as Secretary Xie’s depiction of a stationery-shop assistant’s contempt for customers, will strike a chord with anyone who had regular contact with state service personnel in China at this time.

Feng, Aiqian

**My involvement in the opening of the market**

This article outlines the decision-making process that local authorities went through before declaring China’s market ‘open’. Then, once the decision was made, a temporary organisation was established that would relieve the local party and government authorities from direct responsibility for the decision. The author also reveals the empathy that local officials felt towards the peasants’ attempts to escape from abject poverty, and the dilemmas they faced in implementing decisions that they knew were not in the best interests of the people.

Guishan, Fu

**Recalling the rise of the Yiwu small-commodities market**

Secretary Xie gives an account of his role in the launching of the market demonstrating the extent of the power and authority that local officials wielded. While Xie seems to have been converted to the virtues of the market economy by his experience as country party secretary in Yiwu, this account demonstrates that he was not averse to resorting to the threat of dismissal to obtain compliance from his subordinates in the country bureaucracy.

Gaohua, Xie

**Reform and the process of economic restructuring in rural China: a case study of Yuhang, Zhejiang**

Chinese reforms initiated at the end of 1970s have brought a profound change to its rural economy. Using Yuhang in Zhejiang Province as an example, this study reveals dynamic processes and operating mechanisms of rural economic changes at a local level, and the interweaving relationships among the state, local governments and peasants under the reformed institutional framework of rural development. The political economy of decentralisation and liberalisation, local government initiatives and spontaneous coping strategies of peasants have penetrated the entire process of economic growth and restructuring, as evidenced in the displacement of the agricultural sector and in the shift of the role played by township enterprises, villages enterprises and household enterprises in Yuhang. The pattern of change unveiled in the case of Yuhang neither confirms nor denies entirely the experience of the Sunan, Wenzhou or Zhuijiang models studied extensively in the literature. What is involved in this restructuring process at the local level are the changing relations between peasants and the land, individuals and collectives, and peasant workers and rural enterprises.

Xu, Wei and Tan, K. C.
University of Lethbridge and University of Guelph
State-assets depletion and economic reform in China

Without retreat of the state, there is no room for a market-based coordination between independent agents. With its retreat, the state may lose its ability and capacity to make and enforce rules and to create institutions of a new economic order based on the market as the primary allocation and distribution mechanism. These dilemmas are generated in the process of economic reforms, and the way the state deals with these dilemmas affects the process of reallocating and restructuring former state assets in a new institutional configuration. This article discusses one of the major problems that arises from the reform process and as the product of these dilemmas—state-asset stripping. This article also discusses state-asset stripping in the process of transformation from one economic order to another in China. It shows that state-asset stripping was the by-product of political reform and took place during a gradual and partial transfer of property rights.

Xu, Yi-Chong

Measuring the impact of doi moi on Vietnam’s gross domestic product

In 1986 a wide range of policy measures, known as doi moi, was introduced to promote Vietnam’s transition to a market economy. This paper represents the first attempt to measure the effect of doi moi on Vietnam’s GDP. Actual GDP is compared with the level that would have been reached had the policy not been implemented, that is, without improvements in productivity and increases in investment ratio that can be directly attributed to doi moi. Cross-time changes in GDP were depicted by a production function of capital stock, economically active labour force and technical progress. It was found that, after a time lag, doi moi appeared to have a significant positive effect on productivity, which by 1998 accounted for a 42 per cent increase in GDP.

Ngiep, Le Thanh and Quy, Le Huu
Josai International University and Ministry of Planning and Investment

200 — Econometrics and statistics

210 — Econometric models

The relation between savings and growth: cointegration and causality evidence from Asia

The direction of causality between savings and growth remains unclear even though it is of critical importance for development policy. In most cases, the direction of causality runs primarily from growth (or income) to savings, although in some countries, there is also evidence of a feedback effect from savings to income and growth. Thus, development policy should focus less on promoting high savings rates and more on promoting high growth rates. Estimation of the savings functions are presented using Engle and Granger’s Static OLS and Stock and Watson’s dynamic OLS (DOLS) procedures where appropriate. High savings rates in Asia are found to be due to the high rate of growth of income per capita, declining shares of dependent population, and some special institutional features, such as the high central provident fund rates in Singapore. Interest rates are found to have little impact on savings.

Agrawal, Pradeep
Indira Gandhi Institute of Development Research

220 — Economic and social statistics

Counting for democracy: development of national statistical systems in a decentralised Indonesia

Underlying the hopes and plans for democratic decentralisation in Indonesia are a series of assumptions about the availability, adequacy and use of statistical data, both locally and nationally. While the government does not question the need for data to define welfare needs, it has yet to clarify the mechanisms by which information can be generated and transmitted to relevant decision-makers in a democratic and decentralised Indonesia. This paper argues the need

Hull, Terence H.
The Australian National University
to restructure and strengthen national statistical collections. At the outset of
decentralisation the major statistical organisations were seriously under-funded,
and most line departments were burdened with contradictory and inefficient
approaches to the collection of operational and financial information for
planning and monitoring. Without significant and immediate reform, the
information Indonesia needs to develop the economy and the new democratic
polity will deteriorate in quantity and quality.

**300 — Domestic monetary and fiscal policy and institutions**

**East Timor: macroeconomic management on the road to independence**

East Timor’s economy was seriously disrupted by widespread violence following
the 1999 referendum in which its people voted for independence from Indonesia.
With strong support from the international community, East Timor is
reconstructing its economy and making the transition to managing it
independently. This article discusses what has been done so far to achieve these
goals, and what additional changes lie ahead.

**Valdivieso, Luis M. and Lopez- Mejia, Alejandro**


**320 — Capital markets, financial institutions**

**Modelling evolving long-run relationships: the linkages between stock
markets in Asia**

This paper examines the linkages between the stock markets in Asia during the
1977–99 period using recently developed cointegration techniques that allow for
structural shifts in the long-run relationship. The results suggest that if
conventional cointegration tests are applied, no evidence is found of a long-run
relationship among the Asian stock markets. In contrast, if the possibility of
structural breaks is introduced, there is evidence in favour of such a relationship
between the Taiwanese and Japanese indices from October 1987, while some
marginal cointegration is detected between Singapore and Japan until February
1992 and between Korea and Japan from April 1987.

**Fernández-Serrano,**

**José L. and**

**Sosvilla-Rivero, Simón**

*Universidad Europea–Madrid and Fundación de Estudios de Economía Aplicada (FEDEA)*


**CAPM anomalies and the pricing of equity: evidence from the Hong
Kong market**

Using a sample of equity stocks traded on the Hong Kong stock market, this
study examines the independent and joint roles of the more commonly
hypothesised variables in explaining cross-sectional variation in average returns
over the period January 1980 to December 1994. Evidence indicates that beta,
book leverage, earnings–price ratio and dividend yield are not priced, whereas
significant book-to-market equity, market leverage (absorbed by book-to-market
equity), size and share price effects are observed. The findings should prove
valuable in portfolio management and corporate financial decisions.

**Ho, Yiu-Wah; Strange, Roger and**

**Piesse, Jennifer**


**Globalisation and guanxi: the ethos of Hong Kong finance**

This article examines the political economy of an important node in the drive to
integrate the vast ‘emerging markets’ with the global financial system: Hong
Kong. As a Western-oriented financial centre and access point to mainland
China, the territory plays a pivotal position in the advance of economic
globalisation. Yet, this interplay of forces has forged a distinct financial culture in
Hong Kong. The article lays a framework for understanding the interaction of
financial globalisation and regional business culture before moving on to the
main task of unearthing Hong Kong’s ethos.

**Crawford, Darryl**

*United Nations*

**Microfinance and poverty alleviation: lessons from Indonesia’s village banking system**

Indonesia needs an aggressive poverty-reduction strategy to counter the 1997 East Asian financial crisis, which has propelled millions of its citizens into poverty. Microfinance is a proven method of reducing poverty and has been successfully used within Indonesia in government-supported programs. In addition to continuing its state-run microfinance programs, Indonesia should support increased non-governmental organisations’ participation in microfinance programs by permitting non-governmental organisations to conduct the full range of activities of a state-run microfinance program. Such a move would help to ensure that microfinance services reach people with the least access to the formal financial sector.

*Miyashita, Yoko*


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**Financial restraints in the South Korean miracle**

This article provides empirical evidence of the effects of financial restraints on South Korean financial development. The evidence is linked to a simple model of the Korean banking system that encapsulates its cartelised nature, which predicts a positive association between financial development and the degree of state control over the banking system and mild repression of lending rates. The model also predicts that in the presence of lending rate controls, increases in the level of the administered deposit rate are unlikely to influence financial deepening. The authors test the model empirically by constructing individual and summary measures of financial restraints. Empirical findings are consistent with the theoretical predictions but contrast sharply with the predictions of earlier literature that postulates that interest rate ceilings and other financial restraints constitute sources of ‘financial repression’.

*Demetriades, Panicos O. and Luintel, Kul B.*

*University of Leicester*


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**China’s monetary reform: the counter revolution from the countryside**

Until the late 1990s, the rapid development of rural cooperative funds as semi-formal financial institutions in the countryside attracted little attention. In many provinces, these funds took over large swathes of rural finance before the State Council in March 1999 issued a secret decree that they be immediately dissolved. This paper explores the reasons for the rapid development of rural cooperative funds in many localities, examines why this has been an issue of contention, and explains why it has taken the central government such a long time to develop a coherent response. Although rural cooperative funds are now being dissolved across the country, they may already have achieved their purpose of revolutionising financial intermediation in the countryside.

*Holz, Carsten A.*

*Hong Kong University of Science and Technology*


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**Impact of liberalization of financial resources in China’s economic growth: evidence from provinces**

By using the sources of investment, and based on provincial data, this paper examines the efficiency performance of the four sources of total investment in fixed assets in China for the period 1985–98: state budget appropriation, national bank loans, self-raised funds and foreign investment. The result of the panel data study shows that the growth of provincial output is positively related to the growth of national bank loans and self-raised funds. State appropriation is still a significant source of investment in the interior provinces, although this suggests a lack of alternative non-state sources. It concludes that non-state sources of funding are generally more efficient in promoting output growth.

*Liu, Tung and Li, Kui-Wai*

*Ball State University and City University of Hong Kong*

The interrelationship between macroeconomic variables and stock prices—the case of China

Prior studies of industrialised countries have found that a definite relationship exists between the stock market returns and macroeconomic variables, such as inflation and real output. This paper investigates the effects of changes in the consumer price index on industrial production and stock market returns for China. Six different types of Chinese shares are examined for the period 1994–98. The results show a significant positive relationship between inflation and real output. A positive and significant association is found between stock returns and real output in current periods. Inflation seems to have no impact on Chinese real stock returns. These results hold for B-shares, H-shares and red chips. China's A-share returns seem not to be impacted by either changes in domestic inflation or real industrial production.

Soenen, Luc and Johnson, Robert
California Polytechnic University and University of San Diego

Multinational banking and economic development: a case study

Evidence of inward foreign direct investment by commercial banks into two regions of China is used to examine the effect or relaxation of controls over inward investment on investment by non-financial firms. The existence of sophisticated intermediaries with experience in the international financial system creates conditions for a verifiable, sharp increase in the rate of inward investment by multinational corporations. Two explanations are advanced: the newly available expertise in the international financial system allows multinational firms to invest with the assurance that they will have sophisticated capability to hedge risks and, because the financial sector is a sensitive sector, permission for multinational banks to enter is a sign of a commitment to a policy of open industrialisation.

Hea, Qiang and Gray, H. Peter
Rutgers University

Interest rates, exchange rates and financial deepening in selected Asian economies

This article presents an empirical investigation of the impact of real interest rates and real exchange rates on financial deepening in four Asian countries: South Korea, Malaysia, Thailand and Indonesia. The financial deepening ratio (proxied by the ratio of broad money to GDP) generally increases with higher real interest rates and with real currency depreciation. Foreign assets have become important in the East Asian countries (except Malaysia), suggesting that at least some of the assets coming to the banking system in response to higher interest rates could be at the expense of foreign assets held by domestic residents. This implies that higher real interest rates are likely to increase investment ratios in these economies. These results support a policy of interest rate liberalisation, although this ought to be done in a controlled and gradual fashion to minimise the potential for financial distress.

Agrawal, Pradeep
Institute of Economic Growth

The underlying constraints on corporate bond market development in Southeast Asia

There has been little analysis of the underlying institutional constraints to corporate bond-market development in Thailand, Malaysia and Indonesia. Research so far has concentrated on weaknesses in market infrastructure. This paper illustrates the interlocking relationships among corporations, banks and governments that have dissuaded bond issuance by companies and also contributed to the under-development of the demand side of the market. The implication of this research is that in addition to the often recommended measures to strengthen the market infrastructure, corporate bond-market development in these countries is also contingent on deep-set institutional change.

Sharma, Krishnan
United Nations
### Rural enterprises finance: a case study of the Bank of Agriculture and Agricultural Cooperatives (BAAC) in Thailand

The promotion of the rural non-farm economy, especially rural enterprises, in the rural areas of Asia has been emphasised in recent years against the backdrop of rising unemployment caused by changes in the rural economic structure (conversion to non-agricultural employment) and the economic crisis. As a result, microfinance and various other policy measures have been studied and implemented. The objective of this study is, within the rural enterprise promotion policy, to examine the financial support provided to those enterprises that have moved beyond the microfinance level. The case studied is that of a prominent rural financial institution, the Thai Bank of Agriculture and Agricultural Cooperatives (BAAC) in Thailand, which has been financially supported by Japan Bank for International Cooperation (JBIC) since the 1970s. BAAC has been authorised to provide loans to the non-farm sector, including rural non-farm enterprises since 1999.

**Kitano, Naohiro**
Research Institute for Development and Finance

### Asset price fluctuations in Taiwan: evidence from stock and real estate prices 1973 to 1992

This paper analyses price fluctuations of two major assets in Taiwan from 1973 to 1992: real estate and stocks. Equity prices are found to Granger-cause real estate prices. But which transmission channel plays a more important role? Bank loans are found to be much more significant than interest rates in predicting the movements of both asset prices, suggesting that Taiwan's asset price fluctuations support the theory that emphasises the importance of balance sheet position and collateral value to credit-constrained firms. Finally, an experimental simulation suggests that even the rational bubble theory cannot fully explain the acceleration of asset prices during mid-1988 and early 1990.

**Chen, Nan-Kuang**
National Taiwan University

### Estimating scale and scope economies with Fourier flexible functional form—evidence from Taiwan's banking industry

In this study the scale and scope economies for Taiwan’s banking sector, using panel data from 22 domestic banks for the period 1981–97, is investigated quantitatively using both a Fourier flexible functional form, first proposed by Gallant, and a translog function. The results favour the use of the former, based on tests of regression coefficients and on estimates of various economy measures. The Fourier evidence shows that only smaller banks exhibit increasing returns to scale, while larger banks exhibit decreasing returns to scale. Conversely, the translog indicates that all the sample groups continue to enjoy economies of scale. Banks in Taiwan exhibit scope diseconomies, which suggest that sample banks should continue efforts to diversify their financial products, which in turn could substantially reduce their average costs.

**Huang, Tai-Hsin and Wang, Mei-Hui**
Tamkang University

### The role of personal relationships in the lending decisions of Vietnamese bankers: an approach to systematic change

This paper describes the lending practices of ten Vietnamese banks, discussing the role of relationships as a lending criteria. From these data the authors argue that a gradual program of change would be more likely to succeed than rapid change. Nor should training be used extensively until banking systems have been adjusted, as a problem-based micro-approach is likely to fit into the culture more readily.

**Wright, Philip C. and Tran, Thi Van Hoa**
Hong Kong Baptist University and National Economics University
330 — Fiscal policy, budget expenditure and revenue

The 1981–83 Indonesian income tax reform process: who pulled the strings?

This article analyses the drafting and adoption of the 1983 Indonesian Income Tax Law and the ways this process was shaped by the political circumstances of the time. It seeks to provide an insight into the constraints faced by the makers of the law, and into the influences various actors brought to bear on the final outcome. The impact on the process of the wider milieu—interest groups, the media, the government, political parties and foreign advisers—receives particular attention, as does the role of the Harvard Institute for International Development and its interaction with Indonesian policymakers.

Heij, Gitte
Murdoch University


Export duty rebates and export performance: theory and China’s experience

Using a general equilibrium model, this paper finds that for an economy suffering from sector-specific unemployment, export tax rebates on imported foreign intermediates can expand its related down and up-stream industries, thereby boosting exports. This result is verified by using China’s data; the export tax rebate, foreign income and exchange rate volatility contribute significantly to China’s exports in the long run, but only the export-tax rebate promotes exports in the short run.

Chao, Chi-Chur; Chou, W. L. and Yu, Eden S. H.
Chinese University of Hong Kong and City University of Hong Kong


Government revenue, government expenditure, and temporal causality: evidence from China

Dissatisfied with the lack of evidence concerning the revenue–expenditure relationship in China, this paper endeavours to fill the gap through a series of econometric tests for causality based on vector error-correction and vector auto-regression models. A more comprehensive testing strategy for unit roots and cointegration has been suggested, and a bi-directional causality pattern has been found in China’s government finance. The paper concludes that attempts simply to change revenue or expenditure or both without taking into account the inter-dependence between the two may be counter-productive, and the effects on aggregate demand of government debt financing in the presence of inflation may not be as detrimental as some economists would expect.

Li, Xiaoming
Massey University


400 — External economic relations

Singapore’s foreign economic policy: the pursuit of economic security

Singapore has maintained one of the most effective foreign economic policies of any small state, with the city-state’s proactivity in the domain of economic diplomacy demonstrated at multiple levels. This article contends that Singapore’s fundamental foreign economic policy objectives are oriented by its pursuit of economic security. Various key determinants of Singapore’s foreign economic policy are presented in setting the general context to the main discursive analysis. In addition to various geo-economic and state-centred factors, Singapore’s deep security complex forms a crucial determinant in this respect. A framework for economic security analysis within the foreign economic policy context is developed and then applied to Singapore.

Dent, Christopher M.
University of Hull

410 — Foreign trade and commercial policy

Judicial reform in the 21st century in the Asia Pacific region

The rapid nature of information exchange and the increasingly porous nature of international boundaries through electronic communications and the movement of capital and labour have presented a range of new issues in the administration of justice. These have major implications for the courts and the role of the courts, particularly in newly liberalised economies. International trade has raised issues concerning both substantive law and procedure. Foreign investment in the region and the increasing affluence of particular socioeconomic groups in countries throughout Asia and the Pacific has seen increasing demands for the reform of the law and the methods of its enforcement in order to provide consistency and coherency in commercial relationships. This paper surveys some developments in the Asia Pacific region towards judicial reform.

Malcolm, David K.
Chief Justice of Western Australia


The geography of international trade in services: Australia and the APEC region

This paper develops a new perspective to describe and account for the geography of trade in advanced services. The authors acknowledge the national and global significance of trade in advanced services within national economic change as well as global trade policy, and find that current approaches to this issue are narrow, and seek out a broader perspective. The foundation of that perspective incorporates established research on the pre-conditions necessary for the growth of advanced services in a modern economy. The presence or absence of these pre-conditions in trading nations shapes the likelihood of service firms creating imports or exports of services. Hence the framework focuses on home-country and host-country conditions as explanatory factors of service trade. The framework is illustrated by an analysis of the trade in advanced services from Australia, especially with its northern Asia Pacific neighbours which now figure as the main destinations for Australia’s goods trade.

O’Connor, Kevin and Daniels, Peter
Monash University and University of Birmingham


Estimating oil product demand in Indonesia using a cointegrating error correction model

Indonesia’s long oil production history and large population mean that Indonesian per capita oil reserves are the lowest in OPEC and that, eventually, Indonesia will become a net oil importer. Policymakers want to forestall this day, since oil revenue comprised around one-quarter of both the government budget and foreign exchange revenues for the fiscal years 1997–98. This paper aims to help policymakers determine how economic growth and oil-pricing policy affect the consumption of oil products by estimating the demand for six oil products and total petroleum consumption, using an error correction-cointegration approach, and comparing it with estimates on a lagged endogenous model using data for 1970–95.

Dahl, Carol and Kurtubi
Colorado School of Mines and Corporate Planning and Management Services Division–Indonesia


Indonesia’s recovery: exports and regaining competitiveness

This paper looks at Indonesia’s export competitiveness and the role of exports in economic recovery and sustaining growth. As with the other East Asian economies, Indonesia experienced an unprecedented decline in export growth prior to the financial crisis of 1997. Cyclical factors, especially a decline in prices and contraction of demand, are found to be the main factors underlying this trend. However, structural factors, such as increased competition from lower-cost producers, low productivity and low value added, also contributed to the problems. In order to increase exports and maintain competitiveness, in the short run it will be important to ensure macroeconomic stability, maintain real wage increases in line with productivity, overcome bottlenecks with trade

Aswicahyono, Haryo and Pangestu, Mari
Centre for Strategic and International Studies

financing, and utilise foreign direct investment and international networks. In the medium run it will be necessary to deepen the industrial structure by improving technological capability and deepen and broaden the human capital base.

Assessing a Japan–Korea free trade agreement

Pursuit of bilateral free trade initiatives is a new element in Japan’s trade policy. Reports on Japan–Mexico and Japan–Korea free trade agreements were published last year and negotiations on a Japan–Singapore free trade agreement have started recently. The Institute of Developing Economies, JETRO, conducted a study on the Japan–Korea foreign trade agreement in collaboration with the Korea Institute for International Economic Policy. They published joint reports in May 2000, and held joint symposia in Seoul and Tokyo directed at business, academia and the mass media. Public discussions of the issue has just begun, and the free trade agreement needs to be expanded and intensified to become like the EEC and NAFTA. This paper provides economists and researchers with a foundation for future discussion on this issue. It is based on the Executive Summary of the IDE–JETRO study and augmented with arguments for and against the free trade agreement proposal.

Yamazawa, Ippei
*Japan External Trade Organization*


Intra-industry trade of Korea: its trends and determinants

This paper investigates the evolution and the determinants of Korea’s intra-industry trade with its major trading partners during 1991–99. The share of intra-industry trade of Korea across major trading partners increased steadily in the 1990s. Cross-section comparisons indicate that intra-industry trade indices tend to be great with countries that have a large share of Korea’s trade or that are located close to Korea. Also, the results of disentangling horizontal intra-industry trade (HIIT) and vertical intra-industry trade (VIIT) according to the types of product differentiation reveal that VIIT predominates over HIIT. An econometric test on the determinants of Korea’s intra-industry trade yielded the expected results, which correspond to the general hypotheses concerning IIT. From the HIIT regression model, it is found that per capita income level, the share of manufactured products in exports, and product differentiation are key factors in determining Korea’s HIIT level across countries, while in the VIIT regression model, differences in per capita income and foreign direct investment are revealed as the important determinants of Korea’s VIIT.

Kim, Chiho and Choi, Yo Chul
*Bank of Korea*


Malaysian export competitiveness compared to the dynamic Asian economies 1983–1995: a shift-share analysis

This paper uses dynamic shift-share analysis to compare changes in the competitive position of Malaysia relative to a group of five dynamic Asian economies (Hong Kong, Malaysia, Republic of Korea, Taiwan Province of China and Thailand) that were exporting to the European Union, Japan and the United States between 1983 and 1995. Two-digit data are selected for five categories of manufactured exports to the United States and the European Union, and four in the case of Japan. One empirical finding suggest that while Malaysia’s performance between 1983 and 1995 was impressive compared to the other dynamic Asian economies across both the product groups and the markets considered here, there is some scope for policy actions to improve the industrial mix in office/data-processing machines and both competitiveness and the industrial mix in organic chemicals.

Wilson, Peter
*National University of Singapore*

**Quasi-legal commerce in Southeast Asia: evidence from Myanmar**

This article reports on research conducted in Myanmar during 1997 and 1998. The study included a wide-ranging program of qualitative research with in-depth interviews of leading overseas executives, intermediaries and government officials. This research in Myanmar is unique, and it was conducted under considerable difficulties and extreme need for security and provision of confidentiality. In describing the role of multinational companies and others in pursuing quasi-legal border trade, this article makes a significant contribution to the understanding of the business environment in Myanmar and, more generally, in Southeast Asia. The wider implications of this for international marketing are also described.

McHardy Reid, David; Walsh, John and Ma, Yamona
Curtin University of Technology

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**The rule of law and commercial litigation in Myanmar**

After nearly 30 years of self-imposed isolation, Myanmar has re-emerged as a significant potential destination for foreign investment due to its legal system and historical commitment to the rule of law. With ASEAN membership and increasing levels of foreign investment in Myanmar, use of its legal system by foreign investors and their counsel has grown. The aim of this article is to outline, for both investors and legal professionals in other countries throughout the region, Myanmar’s legal system and its practical operation in the area of commercial litigation, including the enforcement of foreign judgements and arbitral awards.

Christie, Alec

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**The characteristics of the liberalization of international service trade**

The author argues that the liberalisation of the service trade has become one of the major changes in the international trading regime in recent years and, accordingly, has been incorporated into the WTO. While Lu views this growth of the service trade in favourable terms, he is also anxious to reassure his readers that signing onto the WTO does not mean that entry into the service sector will be thrown wide open all at once. It will be, he says, a much more gradual process, and China will be permitted to undertake fewer commitments than industrial nations such as the United States.

Yan, Lu
Ministry of Foreign Economic Relations and Trade

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**China’s accession into the World Trade Organization**

This paper outlines the process of China’s accession into the World Trade Organization (WTO) with special focus given to the negotiations between the United States and China, and the European Union (EU) and China. Various economic and political issues behind the scene explain why the United States refused to accept China into the WTO for the last 14 years. The economic and political changes in the United States, coupled with the economic and political changes in China, placed the two countries in a position where a US–China bilateral agreement could be made. The EU acted as a free-rider in these negotiations and achieved most of its objectives from the conclusion of the Sino–US negotiation.

Choi, Gyoung-Gyu
Ewha Women’s University

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**China’s entry to the WTO**

The paper predicts two possible outcomes of China’s accession to the WTO. If this stimulates the initiation of a real constitutional negotiation among different interest groups in China, then China’s WTO membership will benefit China as a whole in a profound way. If the ruling party can successfully block the initiation of the constitutional negotiation and carry out a new dual track approach in implementing WTO game rules, then China as a whole may suffer from its WTO membership. The dual-track approach may exacerbate inefficient inequality of income distribution, further institutionalise state opportunism and corruption, lower moral standards, and increase the social tension that destabilises China’s political system.

Yang, Xiaokai
Monash University
Economic benefits to China and impact on Hong Kong firms

China’s 14-year effort to enter the WTO is a testimony to the importance of membership to its economy. If Deng Xiaoping’s economic reform and open-door policy marked the opening of specific Chinese regions and sectors to foreign participation, then China’s accession to the WTO will mark the beginning of its full integration with the world economy.

The impact of China’s entrance to the WTO on neighbouring East Asian economies

China’s accession to WTO membership will complete China’s return to the international arena, as it once made its political return through its UN membership in 1972. This essay addresses the prospective effects of the intra-regional division of labour and policy coordination, formulation of a Chinese development model, and evolution of regional economic integration arrangements in the Northeast Asia Region (NEAR), a region that includes China, the Korean peninsula and Japan.

The impact of WTO entry on the changing structure of Chinese industry: a summary assessment

This article examines the impact of WTO entry on China’s agricultural, industrial and service sectors. Accession to the WTO will not only forcefully change China’s market structure in terms of its concentration and resource allocation among products of different comparative advantages, but also profoundly weaken the dominance of state enterprises in the economy.

Openness and trade policy in China: an industrial analysis

This paper analyses the tariff structure and its determinants in China. Tariff rates are studied for 95 industries in China in 1996 and potential determinants of tariff rates collected from an array of variables characterising industries in 1995. A principal component method is used to reduce these variables into four major dimensions: information on the composition of employees broken down by age, education and job classification; profitability of the industry; those variables not picked up with high salience in the first two components; and high loadings from two variables—the number of firms in the industry and the number of firms that incur net losses in their operation. Using variables identified by the principal component analysis and postulated by the variants of the endogenous trade theory, regression analysis finds that the trade policy in China is mainly defined by an industrial policy favouring high-tech industries and a social policy minimising social instability. The implications for China’s entry into the WTO are also provided in the paper.

WTO accession and China’s agriculture

This article examines the potential impact of WTO accession on Chinese agriculture. The agreements on removal of trade barriers, elimination of export subsidies, reduction of tariffs and imports of grain seem to have given the Chinese general public the impression that China has given in too much to US pressure on a weak sector in Chinese economy. However, this analysis shows that accession to the WTO will actually do more good than harm to Chinese agriculture. The agricultural agreement actually is, using a Chinese proverb, shu le mian zi, ying le li zi (losing the face but winning the substance).
The WTO and agriculture in China

China and the United States reached agreement with respect to China’s entry into the WTO in November 1999. This article examines the short-run trade effects of the agreement as well as longer-run issues. One of the important areas of negotiation relates to trade in agricultural products. Concern has been expressed in China that the negotiated changes in protection for farm products will result in a significant increase in imports with a negative impact on farm incomes and production.

Johnson, D. Gale
University of Chicago

When East meets South: economic gains from India–APEC trade

As India, potentially one of the largest economies in the world, seeks membership to APEC, a case for its inclusion in an expanded APEC is examined. The growth of economic cohesiveness within APEC between 1965 and 1995 is assessed by patterns of trade linkages. Since 1991, when massive economic reforms were implemented, India has experienced strong growth in exports and imports, a departure from its previous performance. Furthermore, its external orientation has shifted positively and significantly since the reforms. Despite this, during the last five years, India’s integration with APEC had not changed significantly. The case for an expanded APEC, including India, is still somewhat prospective but the evidence is growing that it could prove beneficial to all the member countries.

Doss, Noelle and Cabalu, Helen

Taiwan’s exports and trade imbalance against US and Japan: an empirical analysis

The persistence of the bilateral trade surplus between Taiwan and the United States and the bilateral trade deficit between Taiwan and Japan, despite the significant appreciation or depreciation of the NT dollar during the early 1980s to the mid-1990s, renewed interest in explaining these phenomena. A polynomial distributed lag method was imposed on the impact of changes in the real exchange rate on the bilateral trade structure, particularly export demand and trade imbalance between Taiwan, the United States and Japan from 1981 to 1998. The findings show that real income factors have important effects on the real exports in both cases; real exchange rates and real imports are not major determinants of the export demand from Taiwan to the United States but they do play an important role on the real exports from Taiwan to Japan; and the real exchange rate has a significant effect on the real trade surplus with the United States and on the trade deficit with Japan but real income has not.

Chen, Hui-Chuan

Exchange-rate policy in East Asia after the fall: how much have things changed?

This paper evaluates the changes in the exchange-rate policies of East Asian economies in the aftermath of the currency crisis and the process in which the exchange-market stability was re-established. The analysis shows that after the abandonment of the quasi-dollar peg, the yen had gained a greater weight in the currency baskets and the greater flexibility in which the exchange rates are being managed serve to accommodate the greater volatility in the macroeconomic fundamentals. Improvements in macroeconomic conditions and the greater credibility that has been acquired by the regional monetary authorities had allowed the exchange market to stabilise and enabled the exchange rates to revert back to their fundamental values.

Beng, Gan Wee
Monetary Authority of Singapore
Pegging and macroeconomic performance in East Asia

This article assesses the case for pegging in East Asia by briefly surveying the recent literature on the choice of exchange rate regime. East Asia’s experience with pegged exchange rates is examined using a new method for classifying exchange rate regimes based on exchange rate volatility. In contrast to other regions in the world, inflation under pegging is similar to that under floating, as are monetary and fiscal conditions. Growth tends to be higher under pegging, but the channels are unclear since pegging was not associated with greater competitiveness or lower real exchange rate volatility, and openness was not higher under pegging. Before 1997, pegging was associated with higher cumulative inflation, and similar cumulative growth around currency crisis episodes. Thus, differences in economic performance across pegged and floating regimes in East Asia are relatively modest, suggesting that traditional justifications for pegging—such as greater inflation credibility—may be less important in East Asia than elsewhere. However, the 1997 crises—which were preceded by pegged regimes—were followed by unprecedented contractions in output that suggest that the costs of pegging may have risen.

Moreno, Ramon
Federal Reserve Bank of San Francisco

Monetary shocks and the fundamental determinants of the real exchange rate under the Hong Kong currency board

This article assesses the claim that flexible markets render monetary policy unimportant under the currency board by testing the impact of monetary shocks on Hong Kong’s real exchange rate. Using vector auto-regressions, the authors find persistent effects of monetary shocks on the real exchange rate, implying money is not neutral in Hong Kong. The equilibrium real exchange rate was estimated employing the definition developed by Rogoff-Obstfield-Stein. The divergence between the observed and equilibrium rates is clearly stationary throughout the 1980s, but after a key policy shift in 1991 that divergence becomes non-stationary. It is concluded that Hong Kong’s real exchange rate moved away from the real fundamentals in the latter period.

Siregar, Reza Yamora and Walker, W. Christopher
National University of Singapore and Asian Development Bank

Fear of floating: Korea’s exchange rate policy after the crisis

The purpose of this paper is to explore the question of whether a free floating exchange rate regime is a viable option for Korea. This paper divides the sample period into three sub-periods: pre-crisis, crisis and post-crisis. The causal relationships among both levels and volatility of three financial variables—exchange rates, interest rates and stock prices—are then analysed. By using Granger-causality tests and variance decomposition, the results show that causal relations among the three variables are weak during the post-crisis period, and furthermore, shocks in other financial markets do not significantly explain the variations of each variable’s forecast errors. It can be inferred that the Korean government, having adopted the de jure freely floating exchange rate regime, is still fearful of floating for various reasons.

Park, Yung Chul; Chung, Chae-Shick and Wang, Yunjong
Korea University and Korea Institute for International Economic Policy

Deviation from purchasing power parity: evidence from Malaysia, 1973–1997

This paper presents an empirical test of purchasing power parity (PPP) applied to the Malaysia ringgit for the period from 1973 (CPI) and 1984 (WPI) to 1997. Consistent with other research findings, it is found that the real exchange rate follows a random walk. Using multi-variate cointegration methodology for the long-run relationship between the real exchange rate and certain macro-economic variables, the study provides evidence supporting a long-run relationship between the real exchange rate and the current account balance and

Khoon, Goh Soo and Mithani, Dawood M.
Universiti Utara Malaysia
government spending, the last two variables have not been included in previous studies of this economy. The causality test between the real exchange rate with the current account balance and government spending, however, does not receive support from the error-correction model. This suggests that both government spending and current account balance are not adequate to explain the changes in the ringgit real exchange rate.

China’s entry into the WTO and the impact on Western firms

While Western firms’ involvement in China has gone through several stages over the last years, some have now become rather experienced and entrenched in the business landscape. Economic growth has resulted, in part, from foreign investment and China continues as the developing world’s biggest magnet for foreign investment. However, China’s entry into the WTO will change the ways these firms deal with Chinese authorities, cooperation partners, competitors, suppliers, customers and employees. Membership in the WTO will further reshape many of China’s inefficient state-owned enterprises, eventually creating a new type of firm, which should lead China into the new decade. Three aspects of China’s WTO entry are discussed: how Chinese management structures may be altered, how management practices will develop, and what opportunities (or threats) for Western firms may arise.

Foreign currency deposits of firms and individuals with banks in China

In principle, an economy with capital controls can maintain a stable exchange rate and set domestic interest rates independently. In practice, enforcement of capital controls is never easy and some leakage can be expected. Thus, a certain amount of capital flight can be the unwanted side effect of low domestic interest rates in the presence of imperfect capital controls. In this paper, foreign currency deposits in the Chinese banking system are analysed. Their growth appears to reflect the disappearance of the yield premium on renminbi deposits relative to foreign currency deposit rates in China during the course of 1998 and the subsequent rise in the yield premium on US dollar deposits. The scale of foreign currency deposits suggests that the Chinese banking system is, in this respect at least, more open than has generally been recognised.

Trade balance effects of devaluation in China: empirical evidence

Although foreign exchange stability has been broadly studied in the past, most studies have been focused on industrial countries, and based on the Marshall–Lerner Condition. Few have dealt with developing socialist countries where a centrally planned system is used instead of a market system, and whose export price elasticity can not be considered as infinite. This means a Marshall–Lerner Condition in its present form can not be applied meaningfully. Through an analysis of Chinese economic reality, the authors established econometric models of import price, import volume, export price and export volume to deduce and calculate the stability condition of foreign exchange demand and supply, and finally generated a new ‘condition’ theory that is applicable to developing socialist countries.

An empirical assessment of monetary policy responses to capital inflows in Asia before the financial crisis

This paper highlights monetary policy implemented by monetary authorities in response to a surge of capital inflows in Asia during the period 1985–96 and assesses the effectiveness of monetary policy responses. Regression results show that Asian countries as a group took the operation of a high rate of sterilisation and the foreign exchange market intervention, which yielded a small change in
the exchange rate. Consequently, they succeeded in keeping nominal exchange rates at desired levels and in limiting increases in monetary growth, despite a surge in capital inflows. The adoption of floating exchange rates, it is concluded, could have avoided the occurrence of a financial crisis in Asia.

**To intervene or not to intervene: exchange rate responses to capital flows in selected Asian economies**

This article stresses the role of the central bank in a discussion of the response of the exchange rate to net capital flows in selected East Asian countries. It is argued that the priority of central banks is the inflation rate, but this priority sometimes becomes obscured by other factors, such as the sources of inflation and economic competitiveness. Low inflation may result from strong productivity in a boom or from weak demand in a recession. Similarly, high inflation may result from strong demand or from a fiscally irresponsible government. Capital inflows would be expected in the former case and outflows would be anticipated in the latter case. The extent of the intervention of central banks and the resulting responses of the exchange rate will therefore vary based on the circumstances. The analysis broadly confirms these hypotheses.

Shen, Chung-Hua and Wang, Lee-Rong
National Chengchi University and Chung-Hua Institute for Economic Research

**Turnaround success of large and midsize Chinese owned firms: evidence from Hong Kong and Thailand**

During the early 1990s, massive amounts of investment from around the world in the form of both debt and equity poured into East Asia. However, around the mid-1990s, a decline in the macroeconomies of this region placed many firms into decline. The macroeconomies of the region have recovered to various degrees. International investors and lenders increasingly see the potential to reverse the decline of the firms in which they have invested. But to date, discussion of how firms in East Asia can turn themselves around has been limited. This investigation demonstrates that many of the ways in which large, publicly traded firms are able to successfully turn around in the West do not apply to similar firms in East Asia. The differing role of a CEO and the impact of culture on managerial actions change how a successful turnaround must be pursued. Turnaround in firms in East Asia is possible, but the evidence is that those efforts must be tailored to the setting and environment in which firms find themselves.

Bruton, Garry D.; Ahlstrom, David and Wan, Johnny C. C.
Texas Christian University; Chinese University of Hong Kong and Hong Kong SAR Police Department

**Important measures against private capital out flows: the case of Indonesia**

In the light of the 1997 capital withdrawal shock and currency crisis, it is important to conduct a study on capital flight in order to understand the roots of the problems so that appropriate policy measures can be derived. To this end, the author conducted an econometric analysis on the determinants of capital flight from Indonesia and suggests some policy implications on how to avoid the problem in the future.

Yusop, Zulkornain
Universiti Putra Malaysia

**Aid–growth nexus: empirical evidence from Fiji**

Foreign aid to the island economies is a major source of foreign exchange and resource needs. This paper presents an empirical analysis of the relationship between foreign aid and economic growth in Fiji. A neo-classical production function is applied to estimate the aid–growth nexus. Since the data employed are time series for the period 1968–96, the autoregressive distributed lag approach to cointegration is utilised to estimate the models. Components of total aid, such as grant aid, loan aid, technical cooperation, and bilateral and multilateral aid flows are also utilised to estimate a disaggregated short and
long-run relationship between foreign aid and economic growth. The results show that total aid flows and their various forms, that is bilateral aid, grant aid and technical cooperation grant aid, has a significant impact on economic growth in Fiji. As for domestic resources, only exports and private investments in two equations show positive contribution to growth.

A model of aid impact in some South Pacific microstates

This paper investigates the impact of foreign aid on the economic structure of the recipient economy using a two-sector general equilibrium model. Underlying assumptions are designed to mirror a number of stylised facts about a group of South Pacific microstates known as MIRAB countries. Two variants of the model are constructed to reflect these countries’ unequal access to overseas labour markets. Qualitative results reveal the likelihood of a structural transformation of the economy akin to that known as Dutch Disease, namely the relative contraction of the tradables sector. Quantitative results confirm the plausibility of this outcome.

Costs and benefits of export-oriented foreign investment: the case of China

This paper examines the costs and benefits of export-oriented foreign investment for China. China has been highly successful in exporting and in attracting FDI, especially export-oriented FDI from Hong Kong. Since 1993, China has become the second largest recipient of FDI in the world after the US, and Hong Kong has become the world’s fourth largest source of FDI after the United States, the United Kingdom and Germany. China’s processed exports are largely re-exported via Hong Kong. As a result, good data on the total value-added of processed exports for mainland China and Hong Kong are available. It is found that the rate of value-added for Mainland China is relatively low compared with that for Hong Kong, indicating transfer pricing and absence of linkages in the mainland. This appears to be due to the rigidity of China’s economic system that hampers backward and forward linkages. The mainland is thus dependent on Hong Kong for many services in the value-added chain. However, the rate of value-added for China has increased substantially since 1996, indicating an increase in both backward and forward linkages.

Globalising Singapore: debating transnational flows in the city

Transnational practices and networks of capital, labour, business and commodity markets, political movements and cultural flows are both the products of, and catalyst for, contemporary globalisation processes. This paper examines the way in which the material processes and discourses of globalisation and transnationalism intersect in dominant cities of the world urban hierarchy. As key nodes in the economic, social and technological networks spanning the world space economy, these ‘global cities’ are also places in themselves, where the social, cultural and economic fabric is not only woven out of local elements, but also clearly involve a high density of transnational flows: the transnational business class comprising highly mobile, highly skilled professional, managerial and entrepreneurial elites; a large group of low-waged immigrants filling unskilled and semi-skilled niches in the urban service economy; expressive specialists who enliven the cultural and artistic scene; and world tourists attracted by the cosmopolitan ambience. Specifically, the authors give attention to the inter-dependence among these categories and assess the challenges that have to be addressed in Singapore’s bid to develop best practices for a cosmopolitan and creative global city epitomising the essence of transnationalism while at the same time remaining a home distinguished by a strong sense of local identity and community.
Is there any value-added in the ASEAN surveillance process?

One of the earliest collective responses of the regional economies to the East Asian financial crisis was to call for the establishment of a regional surveillance and monitoring mechanism. This article examines the role and limitations of the ASEAN surveillance process in the context of crisis prevention. A review of the gaps in existing global and national surveillance systems in Asia highlights some of the challenges for the successful development of the ASEAN surveillance process.

Manzano, George
University of Asia and the Pacific

Developing assistance policies to improve the competitive advantages of enterprises: a Taiwan survey

Economic development in East Asia, especially Taiwan, has become a focus of attention. Industrial improvement policies are the most effective method to strengthen enterprises’ competition and to improve Taiwan’s economy. This article suggests industrial improvement policies for the government to institute alongside the assistance policies associated with industrial improvement.

Lin, Chin-Feng; Liu, Day-Yang and Chiu, Chao-Min
National Taiwan University of Science and Technology and National Kaohsiung First University of Science and Technology

Multinational companies

Cross-border mergers and acquisitions in East Asia: trends and implications

Mergers and acquisitions across national borders have increased in East Asia since the onset of the financial crisis. This article discusses the causes of this new wave of mergers and acquisitions, the effects they have had, and the advantages they might offer to the region’s financially distressed economies. Such mergers and acquisitions can bring long-term benefits when they are accompanied by policies to facilitate competition and improve corporate governance.

Mody, Ashoka and Negishi, Shoko

Marketing home and away: perceptions of managers in headquarters and subsidiaries

Accompanying the irreversible trend of globalisation, management of the tensions between multinational corporations and their subsidiaries has become a major issue. This article attempts to reveal differences in the perceptions of the marketing process between home office marketing departments and multinational corporations, and the marketing departments of their subsidiaries in Hong Kong. The quantitative and qualitative findings suggest that important divergence between home and away in various aspects of the marketing process exists. This divergence may lead to poor relationships, conflict and ineffectiveness.

Chan, Chi-fai and Holbert, Neil Bruce
Chinese University of Hong Kong and American Inter-Continental University

Incorporating trade into the investment development path: a case study of Korea and Taiwan

The authors suggest that there is some interface between the investment development path (IDP) and the trade development path (TDP)—with both trade and FDI of created asset-intensive products increasing their significance relative to GNP of countries. The proportion of intra-industry trade and FDI to total trade and FDI also increases as an economy develops, particularly so for created asset-intensive products. The FDI intensity of manufacturing sectors is used as a proxy for a created asset intensity, and classified into three categories:

Dunning, John H.; Kim, Chang-Su and Lin, Jyh-Der
above, average and below. Trade and FDI data from the Korean and Taiwan economies between 1968 and 1997 generally support the idea of an integrated TDP and IDP. The growth of trade and FDI tends to be positively correlated with GNP per capita and with the created asset intensity of products.

Development of North Korea’s legal regime governing foreign business cooperation: a revisit under the new socialist constitution of 1998

This article examines the formation of North Korea’s legal regime governing foreign business cooperation and its evolution in the post-Kim Il Sung era. The focus is on the foreign investment law and its relevant legislation, including the equity joint venture law, the contractual joint venture law and the foreign enterprises law. The Law of the Democratic People’s Republic of Korea on Joint Venture of 1984, which is the original model of law-making in external economic cooperation, is also examined. The future of North Korean foreign business laws and their implications in inter-Korean economic cooperation is discussed.

Corporate environments and international transfer pricing: an empirical study of China in a developing economy framework

This paper investigates the international transfer pricing methods adopted by multinational corporations in China and how their choices are affected by their specific corporate attributes in the context of business environment in China. Empirical test results based on structured interviews indicate that multinational corporations with local (Chinese) partners, in management tend to adopt market-based transfer pricing methods. The influence of local partners on the choice of transfer pricing methods is modified by the impact of the source of foreign investment—the analysis reveals that US-sourced multinational corporations are more likely to use cost-based pricing methods for international transfers. The influences of these two variables on the choice of transfer pricing methods are significant both directly and interactively. There is also some evidence that export-oriented enterprises are more likely to adopt cost-based transfer pricing than those aiming at China’s domestic market.

Foreign direct investment and investment environment in Dongguan municipality of Southern China

Based on 26 case studies, this paper investigates the socioeconomic causes of the inflow of FDI and its policy implications in Dongguan. The favourable factors for foreign investors in Dongguan can be categorised under the Dunning’s ownership, locational and internalisation advantages framework. This paper argues that factors other than policy incentives, such as sub-contractual and pseudo integration, are playing more important roles in attracting the inflow of FDI and maintaining the high level of economic growth in Dongguan. This finding questions the effectiveness of policy incentives, such as tax-breaks, implemented by the government as a means to attract FDI in Dongguan. The existence of ‘Chinese crony capitalism’ calls for further improvement in the implementation of laws and regulations in Dongguan and the reduction of bureaucratic red-tape by the central and local governments.

Foreign investment companies limited by shares: the latest Chinese organization for major international ventures

Foreign investment companies limited by shares (FICLBS) are one of the most important recent innovations in China’s foreign-invested enterprises law. Since 10 January 1995, China has authorised use of the FICLBS and, for the first time, they more closely resemble major corporate organisations used by international foreign investors. So far, over 18 FICLBS have been approved for operation through 1999, with combined actual foreign investment of US$1.2 billion.
FICLBS have the potential to be ideal organisations for major international investment in China after it joins the World Trade Organization. The FICLBS can issue freely transferred or traded public stock both inside and outside of China. FICLBS regulations encourage establishment of technologically advanced production-type companies. Although the statutes that regulate the FICLBS are entirely new to China’s body of civil law, they have similar characteristics to company laws of industrialised countries that regulate their respective public stock companies. This analysis of the FICLBS reveals significant varying interpretations of particular regulations by different Chinese agencies, due to their legal characterisation as a special kind of foreign-invested enterprise with various novel categories of stock shares. FICLBS have genuine progressive features but they need to be improved and refined to attract more foreign investors to use this relatively new legal enterprise form.

Managerial learning in foreign-invested enterprises of China

This paper develops a model of host-country managerial learning in the foreign-invested enterprises of China. The discussion is based on an empirical study of 18 such enterprises. It is found that the factors affecting managerial learning originate from either organisational or individual sources. The former includes the foreign partner, the Chinese partner and the structure of a foreign-invested enterprise, while the latter includes the expatriate manager and the local manager.

National and transnational effects in international business: indications from Sino-foreign joint ventures

Nationality and transnationality effects on strategy and management practice are examined for a sample of joint ventures in China. The impact of foreign parent transnationality was wide ranging, whereas there were few across-the-board national effects. The implication is that China’s stated goal of importing foreign management practice is more likely to be attained through joint ventures with transnational corporations than other types of foreign firms. Transnational companies adopt distinctive strategies and practices for their joint ventures in China. Among several nationalities, only Hong Kong firms were distinctive.

Promoting exports: the role of inward FDI in China

Since the late 1970s, export and inward FDI in China have risen dramatically under the open-door policy. The critical role of FDI in China’s exports may be indicated by the fact that exports by foreign affiliates in China in 1998 were US$81 billion, comprising 44 per cent of China’s total exports in that year. While there is considerable evidence on the FDI export linkage in China, systematic empirical analyses have been limited. This paper investigates the issue using panel data at the provincial level for the period 1986–97. The findings support the widely held belief that increased levels of FDI positively affect provincial manufacturing export performance.

The relationship between inward direct foreign investment and China’s provincial export trade

This study evaluates the causal links between inward FDI and exports from China as a whole and also from its provinces. The national study is based on a monthly time series for the years 1986–99 and cointegration/error correction modelling (ECM) techniques are used to conclude that for China as a whole, the relationship between FDI and exports is bi-directional. The relationship between inward FDI/exports for China’s provinces, cities and autonomous regions is
analysed in three panel data sets: the high FDI recipients concentrated along the Chinese coast, medium FDI recipients in central China and the low FDI group in Western China. It concludes with an explanation of the policy implications.

Technological capabilities and international production strategy of firms: the case of foreign direct investment in China

This paper highlights the differing motives behind FDI made by large transnational corporations (TNCs) from industrial countries, and small manufacturing firms from newly industrialising economies (NIEs). The basic premise is that TNCs that command sophisticated technologies wish to produce in China to exploit their technological advantages by gaining access to potentially substantial Chinese domestic markets. However, small firms from NIEs, such as Hong Kong, use more mundane technologies. They are more interested in using low cost inputs, such as labour and land in China, so that they can continue to export manufactured goods to other countries, thus avoiding rising input costs in their own domestic economies. The discussion is supported by the results of a survey and interviews with executives from both large TNCs and small NIE firms active in China.

Combining complementary strengths: the competitive advantages of Singapore hybrid MNCs in China

This article elaborates on the concept of hybrid multinational corporations. A hybrid multinational corporation is an international joint venture established by companies from different countries. The discussion is based on case studies of two joint ventures formed in China by two hybrid corporations from Singapore. The two hybrid corporations were joint ventures between Singapore and European companies. Physical technologies were mainly supplied by the European parents of the hybrid corporations to China, and European expatriates were involved in the transfer process. The hybrid multinational corporations transferred organisational technologies through expatriates who were ethnic Chinese. These managers also played an intermediary role in bridging the culture gap between local Chinese managers and European expatriates who were ethnic Chinese. These managers also played an intermediary role in bridging the culture gap between local Chinese managers and European expatriates of the joint ventures. The case studies illustrate that by tapping resources from two or more parents, hybrid multinational corporations possess competitive advantages over traditional multinational corporations.

The economics and politics of monetary regionalism in Asia

This article discusses the political economy context surrounding the Japanese proposal for an Asian Monetary Fund and highlights of the recent initiatives towards enhanced monetary regionalism. The discussion reveals the enthusiasm that the region has shown towards intensified cooperation in these areas. Nevertheless, the economic/political economy rationale for such cooperation does not appear to have been fully articulated. ‘Regional contagion’ is seen as providing the analytical basis for monetary regionalism, and a large part of the discussion is devoted to defining and highlighting the various transmission channels through which currency and financial crises may spread by contagion, and drawing out policy implications.
The emerging ASEAN plus three (APT) process: another building block for community building in the Asia Pacific?

New regionalism is emerging very rapidly in many parts of the world, and the region of the Asia Pacific in particular has witnessed a series of consultations on regional and international affairs. The process of consultation has so far been anchored most importantly in the so-called Ten-plus-Three summits, that is the ten ASEAN countries plus Korea, Japan and China. This article discusses whether the APT process can contribute to the various layers of regional and global grouping that are already in place, such as the ARF, APEC forum and financial institutions such as the IMF and World Bank. The author argues that ‘an all-Asian show’ should not be seen as an attempt at creating any bloc. It is about creating a self-help support mechanism to reduce dependence on capital flow from traditional international institutions, should another financial crisis hit them in the future. The author believes that this ASEAN-plus-three process will provide stimulus for reforms needed at various regional and global mechanism and process and serve as building blocs for a wider Asia Pacific community.

Layador, Maria Anna Rowena Luz G.
University of the Philippines

Reintegration of formerly centrally planned economies into the global trading system

This article analyses the progress of the reintegration of the former centrally planned economies into the global trading system, focusing on the relationship between multilateral processes and regional integration schemes. Almost all the countries in transition from central planning have accepted the WTO rule-based system in principle. Although most of the European economies in transition are likely to join the European Union, they will then be in a trading unit that generally respects WTO principles. The regional blocs to which the transition economies of Southeast Asia and the former Soviet Union are attaching themselves do not have a strong record of implementing preferential trade policies. In sum, the potential danger of regionalism proving more attractive than multilateralism has not eventuated. Some implications for ASEAN members are drawn.

Pomfret, Richard
Adelaide University

Prospects for inter-Korean economic cooperation in the ‘sunshine’ era

For the first time in a decade—some might say in half a century—the question of devising a workable approach to economic cooperation between the two Koreas looks to be a genuine policy issue. The factor that has suddenly invested the question of inter-Korean economic cooperation with topicality and practical interest is the government of the Democratic People’s Republic of Korea (DPRK, or North Korea). Over the past few months, the DPRK has evidenced a greater willingness to pursue concrete measures for promoting and sustaining economic interactions with the Republic of Korea (ROK, or South Korea) than at any previous juncture in the history of the divided peninsula.

Eberstadt, Nicholas
Harvard University

Theory and practice: kaesong and inter-Korean economic cooperation

Due to the current economic climate, it is believed that North Korea will adopt reform and open-door policies, and create a form of economic cooperation with South Korea. This article discusses the issues involved with economic cooperation, and how together, North and South Korea can draw up and implement a successful development model.

Nam, Sung-wook
Korea University
The experience of growth zones in South-East Asia: Indonesia-Malaysia-Singapore

The Indonesia-Malaysia-Singapore growth triangle is one of the oldest, and possibly the most successful, example of such schemes. In this paper its establishment and subsequent evolution and growth are described and analysed. The paper suggests that while the growth triangle idea embodies the relatively simple economic precept of an integration process exploiting the complementarities of geographically contiguous areas straddling different national boundaries, many conditions need to be satisfied before success can be achieved, the most important of which is political will. Moreover, in the long term, growth triangles do not offer an unqualified recipe for success in the face of stronger global forces.

Than, Mya
Institute of Southeast Asian Studies

Is a free trade zone emerging in Northeast Asia in the wake of the Asian financial crisis?

This article provides a preliminary assessment of the prospect for a free trade zone in Northeast Asia and speculates on the possible implications of this development for the political economy of Northeast Asia and beyond. While the regional political conditions remain basically unchanged, regional leaders seem to be adopting a more pragmatic approach to the issue of forming a formal regional economic group in the context of the Asian crisis.

Cai, Kevin G.

Our country’s strategy and tactics in joining the APEC and the WTO

This article reflects the views of those opposed to China’s entry into the WTO, arguing that the speed at which foreign enterprises and capital have entered China since 1992 has already had a very significant impact on China, and that China should slow the pace at which it opens itself to the outside world. The author advocates adopting a delayed strategy in negotiations, saying that a 25-year framework would be preferable. Similarly, the author argues against China joining in the unification of the global economy. This, he claims, can only benefit foreign countries and not China.

Chen, Bingcai
State Council

Experiences in the establishment and operation of the Brunei Darussalam-Indonesia-Malaysia-Philippines-East ASEAN growth area (BIMP-EAGA) initiative

The East ASEAN growth area (EAGA), consisting of Brunei Darussalam, Indonesia, Malaysia and the Philippines (BIMP) was launched in 1994. This paper outlines the initiatives taken since its inception, specifically the 19 areas and sectors of economic activity identified for this purpose and achievements to date. The paper concedes that on account of the short period that EAGA has been in existence and the intervention of the Asian crisis in 1997, there are as yet few concrete results. However, the institutional arrangements created, which include strong private sector involvement, suggest that in the long term, the area has significant potential.

Evangelista, Rafael G.
National Economic and Development Authority–Philippines

Is SAARC a viable economic block? Evidence from gravity model

The intra-South Asian Association for Regional Cooperation (SAARC) trade appears to be very small compared to other existing regional blocs. This might be because of normal outcome or because of unexplored trade opportunities. If the latter is the case, then increased trade within this region might be welfare improving. This study attempts to make a formal analysis of these issues, and estimates a gravity model of international trade to examine whether intra-SAARC trade is lower or higher than what is predicted by an economic

Hassan, M. Kabir
University of New Orleans
model. The gravity model results suggest that SAARC member countries are yet to achieve trade-creating benefits. Appropriate policies need to be formulated for more regional integration. Liberalisation of trade in SAARC countries offers significant gains for all the economies in the region. Efforts should be made to liberalise border trade and strengthen bilateral trade relations through the removal of tariff and non-tariff barriers in the general framework of South Asian preferential trading arrangements.

Managing the process of integration: ASEAN and GMS—problems, challenges and prospects

The decision to offer ASEAN membership to Vietnam, Laos, Cambodia and Myanmar (Greater Mekong Subregion or GMS) has added strength and advantage to ASEAN as an organisation. However, inclusion in ASEAN is not without consequences. ASEAN has succeeded in creating one Southeast Asia, but ASEAN must also attend to problems emanating from enlargement of membership. This article examines ways to promote integration of the new members into ASEAN regional group. The author argues that ASEAN’s recognition of the potential of GMS member countries will provide incentives for these countries to become active participants in, and supporters of, ASEAN economic integration. The strong spirit of cooperation between ASEAN and GMS countries will ensure that development in GMS will be kept on track.

Bangkok agreement and BIMSTEC: crawling regional economic groupings in Asia

Both the Bangkok Agreement (BA) and Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation (BIMSTEC) have offered opportunities for economic cooperation in the Asia region. The BA (formed in 1975) is a preferential trading arrangement (PTA) whereas BIMSTEC (formed in 1997) is a sectoral cooperation arrangement, but has announced its intention of moving to a PTA in the future. However, the results of both regional economic groupings have so far not been impressive. The BA did not produce the desired results due to inherent shortcomings in the Agreement and the ineffectiveness of the preferential system: exclusion of non-tariff barriers from the preferences; low product coverage by the preferential tariffs; and low preferential margins. Moreover, the PTA was not combined with direct measures for sectoral cooperation. Although the BIMSTEC emphasises the latter, for these to be effective in the absence of a PTA, there has to be a high degree of commitment to the regional group by member countries, harmonisation of standards, and an institutional framework. All these requirements are lacking in the BIMSTEC at present. Surprisingly, BIMSTEC is considering a new PTA when a mechanism already exists under the BA.

Taiwan’s foreign economic relations with developing nations: a case study of its ties with Palau

This article begins with a brief look at Taiwan’s relations with other Pacific island states, and touches on the ways it has fostered bonds with these nations. It then turns to the recent history of Taiwan’s move into Palau, and the effects its strategy has had there. Both beneficial and detrimental effects of Taiwan’s investment in Palau are considered. The paper concludes with an assessment of current Taiwan–Palau economic cooperation, and includes lessons for Taiwan, Palau and other potential clients of Taiwan’s recent foreign economic policy drive among the smaller developing nations of the world.
460 — Globalisation

**Economic globalization and Asia: trade, finance, and taxation**

This special issue of the *ASEAN Economic Bulletin* has attempted to contribute to the stock of knowledge on the economics of globalisation, with particular reference to Southeast Asia and the larger Asian region. As the title suggests, no attempt has been made to provide a comprehensive discussion of every aspect of economic globalisation, let alone globalisation as a whole. Some omissions (which have been extensively discussed elsewhere) include globalisation, labour mobility and inequality; globalisation and environmental sustainability; globalisation and foreign direct investment; and the social and political economic dimensions of globalisation and its governance requirements.

Rajan, Ramkishen S.  
Adelaide University  

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**Globalisation and the workplace in Pacific Asia**

This article introduces a special issue of *Asia Pacific Business Review* focusing on the diverse impacts of globalisation on work and employment in the Asia Pacific region. Some of the contributions explore new dimensions of familiar debates in the literature, but others deal with what can be considered as overlooked or unconventional influences, impacts and implications of economic globalisation. The essays in this volume contribute to the debates on both the impacts of globalisation on human-resource management, work, the workplace and employment, and the responses of individual employees, trade unions and employers. The contributions explore globalisation and workplace human-resource issues in unionised as well as non-unionised organisations and in multinational corporations as well as non-multinational corporations.

Debrah, Yaw A. and Smith, Ian G.  
Cardiff Business School  

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**The Korean chaebols’ dash for globalization: has it really been driven by government policy?**

The primary purpose of this paper is to examine whether the chaebols’ globalisation rush has really been driven by government policy. In that respect, this study can be seen as a critique of existing studies on Korean FDI and provides a brief account of the major characteristics of the chaebols; a summary of the basic characteristics of Korean FDI based on statistics published by the Export–Import (EXIM) Bank of Korea, and identifies the chaebols’ position in it; Korean government policy towards outward direct investment; and concludes with some of the principal findings and conclusions of the present study.

Park, Yong Soo  
Ministry of Foreign Affairs and Trade–Korea  

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**Globalization and tax systems: implications for developing countries with particular reference to Southeast Asia**

The unfolding globalisation process, centring on production and distribution networks and on financial institutions, products and transactions, is having a profound impact on a wide range of policies and practices in both the private and public sectors. This article analyses the implications of globalisation and the resulting greater integration of the world economy on tax systems in developing countries in general, and Southeast Asian countries in particular. Issues discussed include international factor mobility and the resulting consequence for efficiency and burden of taxation; tax competition among various jurisdictions to attract FDI and professional and technical labour; the impact of globalisation on indirect taxation, including international trade taxation; tax implications of the Internet and e-commerce; taxation of global portfolio flows (that is, non-FDI flows); and the impact of globalisation on fiscal sustainability in Southeast Asia.

Asher, Mukul G. and Rajan, Ramkishen S.  
National University of Singapore and Adelaide University  
**Globalization, WTO and ASEAN**

This article examines the extent and causes of globalisation and its consequences for the policy strategies of Southeast Asian countries. Added to the digital revolution’s contribution to globalisation are substantial policy reforms by national governments in the past two decades. The reforms have been partly unilateral and/or regional (as with the ASEAN Free Trade Agreement). But the GATT/WTO has been crucial during the past half century in encouraging economies to open up more and to commit to staying open to international trade and investment. Greater openness of, and interdependence between, national economies provides bountiful opportunities for ASEAN economies, but it is not without its challenges. Globalisation is raising the rewards for economies choosing good economic governance, but is also raising the costs for economies with poor economic governance. Good economic governance requires a permanent commitment to a liberal international trade and payments regime, and to secure property rights.

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**500 — Administration and management**

**510 — Public administration**

**An agency theory of transactions without contract enforcement: the case of China**

This paper offers a theory to explain, in the Chinese context, how inter-firm transactions can be effectively carried out in the absence of a sound contract enforcement system. Noting that the development of China’s non-state sector (the primary contributor to its rapid economic growth) has relied heavily on its transactional relationships with the state sector, the authors develop an agency theory of inter-firm transactions based on the following idea: a state enterprise manager, being an agent, may acquire private benefits in exchange for not holding up a non-state trading partner; and this, in turn, improves the latter’s incentive for transaction-specific investments.

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**520 — Business management and finance**

**Corporate restructuring in East Asia: promoting best practices**

A number of East Asian corporations, saddled with debt, nearly collapsed during the financial crisis of 1997. Many have managed to avoid both repayment and restructuring however, and remain overly indebted and invested in unprofitable businesses. Although the link between corporate restructuring techniques is reasonably straightforward, too little operational restructuring has occurred, and East Asia’s corporate and financial sectors have yet to recover from the crisis. The international development institutions should encourage countries to put in place adequate legal protection for creditors.

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**Cross-cultural value sets of Asian managers: the comparative cases of Hong Kong, Malaysia and Singapore**

An important debate in the field of cross-cultural management research has been the universality of managerial values. One view is that exposure to a capitalist system, technology and industrialisation will shape a common set of managerial values, while another is that underlying values and beliefs, which are moulded by socio-cultural factors, will ensure the development of diverse expectations and work attitudes. This paper reports values particular to Chinese culture by examining 444 managers employed by Hong Kong, Malaysian and Singaporean organisations. The findings demonstrate that within a business ideology, which is influenced by political intervention, unique sets of managerial values are espoused. Implications for human-resource management practices in the aftermath of the Asian financial meltdown are also discussed.
Melanesian entrepreneurship: insights from Papua Barat

This article compares the business, cultural and work ethics of the Papuans (Melanesians) with their West-Indonesian Malayan and Chinese counterparts. Like every other business-minded community, hardships are encountered in terms of financial needs and family ties. This research shows that in spite of these hardships, the Papuans are capable of surviving and making a good living.

Kusch, Andreas
Ottow and Geissler Business College

Aggregate debt efficiency and debt inertia: lessons from the Korean economy

This paper investigates the link between aggregate debt efficiency and debt inertia in a highly leveraged business sector such as Korea’s. The model designs the liquidity multiplier and debt inertia to argue that they are two major indicators of aggregate debt efficiency. The empirical assessment of the Korean business sector indicates that the aggregate debt efficiency depends mainly on externalities of the debt inertia rather than liquidity creation due to the liquidity multiplier. The economic crisis in Korea in 1997 proves that such a debt efficiency structure must be vulnerable to attack.

Choi, Yong-Yil
Hansung University

Globalization, coordination, and subsidiary performance—evidence from companies in an advancing country

The relationship between the production capacity of a global company’s subsidiary and its performance, where the subsidiary’s relative size of its production capacity is regarded as its globalisation level, is investigated. The paper analyses field data from 42 Korean companies engaged in global operations. It concludes that the optimal level of subsidiary globalisation represented by its relative production capacity does not exist. This lack of significance subsides when associations are made with the globalisation level and with global coordination between the headquarters and its subsidiary. Global coordination turns out to be a significant factor in determining the subsidiary’s performance. It was also found that the type of coordination supporting the subsidiary’s innovation is different from that enhancing its operational efficiency. In addition, effects of other factors such as global experience, host country and target market characteristics on the subsidiary performance are examined.

Kim, Bowon and Lee, Yoon Seok
Korea Advanced Institute of Science and Technology

Trust and economic development: comparison of subcontracting relations among Korea, Japan and Taiwan

This paper examines the link between trust and economic development by focusing on sub-contracting relations and comparing institutional sources of trust among Korea, Japan and Taiwan. Korea and Japan show similarities in that trust is based on institution, whereas trust may be a product of culture as well as of institution in Taiwan. In contrast to Taiwan and Japan, the Korean sub-contracting relations between the large enterprises (LEs) and small and medium-sized enterprises (SMEs) have been exploitative and non-cooperative ones without trust, and the Korean economy has the dual structure of strong LEs and weak SMEs. The persistent weakness of the SMEs in Korea could be attributed to institutional defects, resulting from the political coalition between the government and the LEs, excluding the SMEs. To increase the level of trust in sub-contracting relations, institutional settings, such as monitoring and sanctioning systems, need to be established. Building effective institutions requires genuine understanding of the importance of the SMEs in the economy.

Lim, Haeran
Ewha Women’s University
Globalization, economic crisis and employment practices: lessons from a large Malaysian Islamic institution

This paper discusses the ever-increasing globalisation of business and its impact on nations that embrace globalisation without adequate preparation. It also highlights the need to understand and acknowledge the different ways of managing human resources in different parts of the world. Considering the ever-increasing popularity of Islam world-wide and the globalisation of business, an attempt has been made to highlight the key Islamic work principles and their usefulness in creating a unique internal labour market that can significantly contribute to the successful operating of organisations and enable them to achieve a sustained competitive advantage. The findings of the paper have key messages both for academics and practitioners in the field of international business, human-resource management and organisation studies.

Budhwar, Pawan and Fadzil, Khairul
Cardiff Business School and consultant–Malaysia

Issues and agenda for researching SMEs: the Malaysian case

Small and medium-sized enterprises (SMEs) constitute an important part of today’s business system for both industrial and developing economies. Despite their economic importance in Malaysia, research involving SMEs appears to have been neglected—the literature indicates that SMEs have received relatively limited theoretical as well as empirical attention from researchers. Based on several years of research experience and findings on SMEs, this paper attempts to provide a new research agenda for SMEs in Malaysia—highlighting the shortcomings of previous studies as well as the major issues and research areas that have yet to be rigorously examined—that could be used by future researchers. It is proposed that SMEs need to be appropriately redefined; SME research needs to be theory-driven in nature; and SMEs need to be investigated from multi-level and longitudinal perspectives.

Hashim, Mohd Khaireuddin and Abdullah, Mat Saad
MARA University of Technology

Doing business in Myanmar

Myanmar is one of the few remaining Southeast Asian nations that is seeking to re-establish itself as an economic force in the region. To achieve this, many of its economic reforms in the 1990s were directed towards the opening up of its economy and allowing the market forces to work. The authors look at some of the present conditions facing foreign businesses and the unique market of Myanmar. The nation’s background, economic conditions and the market conditions facing both consumers and businesses are discussed.

Lwin, May and Lan, Luh Luh
National University of Singapore

Big business with Chinese characteristics: two paths to growth of the firm in China under reform

This paper presents a case study of two large firms that emerged from among the ranks of traditional state-owned enterprises and new entrants: Shougang (steel) and Sanjiu (pharmaceuticals). Rather than being irreconcilable with the market economy, the experience of these two firms suggests that the Chinese Communist Party and the People’s Liberation Army possessed a rich legacy of organisational and motivational skills. Moreover, Shougang and Sanjiu both grew rapidly through mergers and acquisitions in the absence of privatisation and a developed stock market. The main reason for Shougang and Sanjiu’s success is not special help from the government or the army, but rather the fact that its leadership used their autonomy to construct a highly effective business organisation.

Nolan, Peter and Yeung, Godfrey
University of Cambridge
Determinants of the performance of foreign invested enterprises in China

This paper attempts to uncover the key determinants of the performance of foreign-invested enterprises (FIEs) in China. The results reveal that cash contributed by foreign parent companies had a significantly positive impact on current profitability, but not on subjective performance. There was some evidence that foreign management improved subjective performance. The duration of operation was a consistently positive factor in the success of the FIEs in both profitability and subjective performance. FIEs that sold more output to the domestic market performed better, as did FIEs in industries consistent with China’s comparative advantages. Unexpectedly, FIEs owned by Hong Kong investors did not perform any better than FIEs owned by other foreign investors and FIEs located in special economic zones (SEZs) performed worse than those located outside of SEZs.

Cheng, Leonard K. and Wu, Changqi
Hong Kong University of Science and Technology

Impact of ownership and competition on the productivity of Chinese enterprises

Exploring a new, firm-level data set, this paper quantifies the effect of ownership and market competition on the productive efficiency and efficiency growth of Chinese industrial firms. Empirical results reveal a strong ownership impact on efficiency, with foreign-owned enterprises exhibiting the highest efficiency scores and state-owned enterprises exhibiting the lowest. While the degree of competition in export markets is positively associated with enterprise efficiency, however, no such association is found between domestic competition and productive efficiency. The ownership effect is robust to market competition and industry factors. Finally, state-owned enterprises showed on average a higher growth in technical efficiency than collective-owned enterprises during the period 1996–98.

Zhang, Anming; Zhang, Yimin and Zhao, Ronald
City University of Hong Kong

The social capital of a company and its significance

This article examines the social capital of a company and its significance in economic performance. With the Chinese economy in mind, the authors first define and measure the social capital of a company, then offer two theoretical explanations for the differences in social capital among different companies. The impact of social capital on the capacity of the company to develop business opportunities is then analysed based on a 1998 survey of 188 firms in Guangzhou.

Yanjie, Bian and Haixiong, Qiu
University of Minnesota and Zhongshan University

A cross-cultural study of managerial work values in Singapore

This paper presents the findings of research conducted on work values of expatriate and local managers in Singapore. The sample included about 600 expatriate and local managers of 30 US, Canadian, British, Swedish and Korean companies operating in Singapore. The selected companies represented 13 industries. The managers were identified on the basis of their ethnic and cultural backgrounds. Hofstede’s Value Survey Module was used as the major data-collection instrument. The findings revealed some significant differences between the managers of Western and Eastern (Oriental) cultures regarding their work values, preferred management styles and their perception of existing managerial practices. The findings also largely substantiate the ‘cross-vergence’ argument of managerial work values.

Dicle, I. Atilla and Dicle, Ulku
Yeditepe University
Corruption and anti-corruption

Anti-corruption strategies in Indonesia

During 1999–2000, Indonesia pursued many anti-corruption reforms but appeared to achieve little success in reducing the level of corruption, which remained a high-profile problem in all branches of government. This article summarises the reform initiatives carried out since 1998 and offers an explanation for their very limited success. Obstacles to reducing corruption in Indonesia include the economic and political constraints facing the current government, and the entrenched nature of corruption. The content of the reform program itself may also contribute to the persistence of the problem. The program consists primarily of moves to introduce monitoring and sanctioning mechanisms that are external to particular government organisations. Internal reforms that aim to improve organisations have received much less attention. The reform program may thus be inherently incomplete.

Bureaucratic corruption and the rate of temptation: do wages in the civil service affect corruption, and by how much?

This paper presents an empirical estimate of the effect of pay in the civil service on corruption in Singapore. First, it is shown that theory is ambiguous on the relationship between civil-service pay and corruption. Then the issue is examined using a new data set on wages for low-income countries. There is evidence of a statistically and economically significant relationship between relative civil-service pay and corruption in regressions based on cross-country averages, where a wide array of variables is controlled for. The relationship implies that a rather large increase in wages is required to eradicate corruption solely by raising wages.

Marketing

Globalization, work and employment—Asia Pacific experiences in retrospect

This paper argues that globalisation has become a powerful force in the business environment and has a major influence on the labour process, labour markets, management practices and the management of employees in organisations. It also asserts that both local and global companies are in various ways adjusting to the changes brought about by globalisation. This essay evaluates the significant number of management issues and the variety of outcomes arising from economic globalisation in the Asia Pacific region. The implications of these issues for managers, other practitioners, trade unions, employees and governments are critically explored.

State enterprises, privatisation

State–society relations in land reform implementation in the Philippines

Contrary to earlier pessimistic predictions, the Comprehensive Agrarian Reform Programme (CARP) in the Philippines has achieved significant success in land redistribution, although not quite matching the original claims of the state. The dominant public policy and land reform literature, broadly divided between state-centred and society-centred approaches, has difficulty in fully explaining the unexpected outcomes of the CARP process. Going beyond these dichotomous views, and using Fox’s interactive framework for analysing state–society relations, this article argues that redistributive land reform can be implemented in a politically hostile situation when initiatives by state reformists from above positively interact with social mobilisations from below.
Agency cost and the crisis of China’s SOE

Agency cost can be defined as the difference between the profit of a firm run by an owner-manager and the same firm run by an agent. State-owned enterprises (SOEs) control two-thirds of China’s industrial capital and 70 per cent of its industrial bank loans, but only provide half of its total industrial output. This paper argues that the root of China’s SOEs crisis is its high agency cost resulting from an obsolete state assets-management system. By modelling the agency cost mechanism, the authors explain the failure of SOEs and make policy propositions for a transition period.

Zhou, Mi and Wang, Xiaoming
Hongta Tobacco Group and University of Western Ontario

Empirical effects of performance contracts: evidence from China

Performance contracts (PCs)—contracts signed between the government and state-enterprise managers—have been used widely in developing economies. China’s experience with such contracts was one of the largest experiments with contracting in the public sector, affecting hundreds of thousands of state firms, and offering a rare opportunity to explore how PCs work. On average, PCs did not improve performance and may have made it worse. However, China’s PCs were not uniformly bad; in fact, PCs improved productivity in slightly more than half of the participants. PC effects were on average negative because of the large losses associated with poorly designed PCs. Successful PCs were those that featured sensible targets, stronger incentives, longer terms, managerial bonds and were in more competitive industries. Good PC features were more often observed in state-owned enterprises (SOEs) under the oversight of local governments that faced more competition, were smaller in size and had better previous performance.

Shirley, Mary M. and Xu, Lixin Colin
World Bank

From dependency to defiance? Work–unit relationships in China’s state enterprise reforms

This paper outlines the economic-reform process being undertaken in China and the subsequent partial closure and radical down-sizing of the state-owned enterprise sector. Redundancies arising out the restructuring process have eroded the state–worker contract of the iron rice bowl. This has resulted in growing and sometimes violent labour unrest. Planned workforce projections until the end of 2000 suggest that the number of redundancies has increased, adding to China’s surplus labour problem. A critical issue is thus whether the Chinese government, together with state-enterprise management, can contain potential future labour and civil unrest using its present methods.

Morris, Jonathan; Sheehan, Jackie and Hassard, John
Cardiff Business School; Nottingham University and University of Manchester Institute of Science and Technology

550 — Property rights

The house that poison built: customary marine property rights and the live food fish trade in the Kei Islands, Southeast Maluku

The use of cyanide to stun and capture live food fish for export first appeared in the Philippines in the mid-1970s. Today, this technology has spread through Southeast Asia and the Indo-Pacific region, causing widespread damage to coral reef ecosystems. This study examines the local political and economic changes that have resulted since this destructive practice arrived in the Kei Archipelago of the Southeast Maluku District in Indonesia. Many local fishers attempt to resist, motivated more by vestigial concepts of communal village rights and the rules governing access to coral reef territories and resources than by some intrinsic sense of environmental conservation. This article challenges indigenous knowledge-systems scholarship that characterises local knowledge and practices as inherently eco-friendly and socially just, and argues for closer examination of the dynamics involved when local practices and institutions are integrated into larger circuits of production and trade.

Thorburn, Craig C.
University of California
**Population growth and customary land law: the case of Cordillera villages in the Philippines**

Customary land law consists of traditions and customs that determine the use and ownership of land. This article deals with small villages where land markets have emerged only recently and are still of minor importance as a means to acquire land. Consequently, the evolution of the distribution of land will be determined by another aspect of customary law: the set of rules that define inheritance practices. In this article, Cowell’s framework is adopted to deal with traditional inheritance practices in the Cordillera villages.

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**Beyond the property rights approach: welfare policy and the reform of state-owned enterprises in China**

During the pre-reform era, Chinese state-owned enterprises (SOEs) operated not only as firms, but also as mini-welfare states, providing employees with lifetime employment, inexpensive housing, free health care and pensions. Since China’s market transition began in the late 1970s, however, SOEs have had to bear increasingly heavy burdens for welfare provisions to their employees. The steep increase in welfare spending has not only eroded the base of state revenue, but has also impeded further SOE reforms. To lighten welfare burdens on SOEs and to remove institutional obstacles to marketisation and privatisation embedded in the existing welfare system, the Chinese state has imposed many welfare reforms aimed at shifting responsibilities for welfare provision from SOEs to a combination of government, enterprises, communities and individuals. This article examines the belated welfare reforms in China’s state sector and their impact on the reform of SOEs. It finds that reform implementation has been sluggish.

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**Foreign direct investment, intellectual property rights, and wage inequality in China**

This article incorporates foreign direct investment (FDI) and product differentiation in a general equilibrium trade model. The analysis shows that freer trade and FDI will upgrade China’s technology, improve its labour skills and increase the competitiveness of local firms in the international market. At the same time, the relative wages of skilled labour to unskilled labour will rise. The size of this rise will be affected by the degree of protection of intellectual property rights. These theoretical results are consistent with empirical evidence. This analysis provides insights into coordinating policies on FDI, labour market reform and intellectual property rights protection.

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**Taming the tiger: towards a new intellectual property regime in Thailand**

Thailand joined the World Intellectual Property Organisation (WIPO) in December 1989 and the World Trade Organization in January 1995. The Thai Department of Intellectual Property has since taken various steps to amend laws and draft new laws to ensure Thailand meets its international obligations under the Trade-related Aspects of Intellectual Property Rights (TRIPS) Agreement. The year 1999 was eventful as existing legislation was amended and new legislation enacted to meet the 2000 deadline for TRIPS compliance. Further, education and media attention generated increasing public awareness of the importance of intellectual property rights. These issues are the main focus of this article. The enforcement of legal rights in Thailand, whether related to intellectual property protection or other commercial matters, differs from the Anglo-Australian model.
600 — Industrial structure and development

610 — Industrial structure

The learning curve and the yield factor: the case of Korea’s semiconductor industry

This article investigates how the Korean economy has grown so rapidly in a short time span of less than 30 years. It focuses on the development of the Korean semiconductor industry—more specifically, the memory-chip segment of the industry. To test the hypothesis that the learning curve effects have been significant in the memory-chip industry, yield factor (the ratio of sellable chips to total chips in a wafer) in semiconductor production is used as a measure of the learning progression. That is, by tracing how the yield factor for each generation of memory chips has increased, one is able to see how well the Korean chip-makers have exploited the learning effects. This article improves the learning-by-doing model by introducing a richer set of yield data. The unit of analysis employed throughout the article is at the firm level, which is not common in other literature dealing with East Asian development or the economics of technology, thus enhancing the understanding of the industry dynamics.

Chung, Sangho
Korea Economic Weekly

620 — Industrial development and policy

Patterns of East Asian trade and intra-industry trade in manufactures

This article examines trade patterns for seven East Asian economies—Malaysia, Singapore, Thailand, Indonesia, the Philippines, South Korea and Hong Kong—with partners in other Asian countries and the West. East Asia is a dynamic growing region and has gained manufacturing competitiveness as it converges towards income levels in the West. This article largely focuses on intra-industry trade (IIT). Measures of IIT provide clues as to the nature of trade-induced adjustments on the economy. East Asian economies do appear to have gained in manufacturing competitiveness, a trend that is not just confined to unskilled labour-intensive goods.

Murshed, S. Mansoob
World Institute for Development Economics Research

Scale externalities in Korea

This paper estimates the nature and magnitude of scale externalities in a developing economy—Korea—in the period 1983–93. This was a period of rapid industry deconcentration from Seoul to other metro areas, providing a context where externalities were measured when local-scale magnitudes were changing dramatically. This article examines the emerging degree of national industrial concentration in different industries as related to their scale externality magnitudes. It also examines whether individual industries agglomerate in cities that have a comparative advantage for that industry.

Henderson, Vernon; Lee, Todd and Lee, Yung Joon
Brown University; Standard and Poor’s DRI and Pusan National University

Industrial policy and resource allocation: implications on China’s participation in globalisation

China’s industrial policy regime has played an important role in the country’s economic development and participation in the world economy. This paper examines the effect of this regime on cross-industry resource allocation in three aspects: incentives, openness of trade and investment, and allocative efficiency. The results indicate the effectiveness of industrial policy in offering incentives and controlling market openness in line with the planned priority. Evidence in cross-industry resource allocation, however, suggests significant efficiency gains are yet to be obtained from further participation in globalisation.

Lu, Ding
National University of Singapore
Embracing the global in Thailand: activism and pragmatism in an era of deagrarianization

Today, few ‘farmers’ in Thailand rely solely on agriculture to meet their needs. Rural households are dividing their time between farm and non-farm activities, constructing livelihoods that are increasingly hybrid, both spatially and sectorally. Many of the new opportunities also have an important global element. This paper contends that embracing the global is essential for many households who are land-short, farming-shy and consumption-inclined. This offers the prospect of a profound shift in the trajectory of rural change in Thailand as these processes intersect.

Rigg, Jonathan and Nattapoolwat, Sakunee
University of Durham and University of Chiang Mai

Policies to encourage the development of rural industries and craft villages

According to Vietnam’s strategies on modernisation and industrialisation, craft villages will become a bridge between agriculture and industry, between countryside and city, and between tradition and modernity, and will also become an important development step of the national process of rural industrialisation. The development of rural industries in general, and of craft villages in particular, is of great importance to the development of small and medium-sized enterprises that will help create employment and improve people’s living conditions. It is necessary to carry out policies that can help restore and develop rural industries and craft villages.

Phuong, Duong Ba
National Center for Social Sciences and Humanities of Vietnam

Structural transformation and economic growth in Hong Kong: another look at Young’s Hong Kong thesis

Hong Kong registered high total factor productivity (TFP) growth until the 1980s. Its output growth since the mid-1980s has been driven by the cross-regional division of labour when Hong Kong relocated manufacturing to mainland China and provided support and entrepôt trade services mainly in the form of service exports. TFP growth rate has been low in the booming services sector and high in the declining manufacturing sector, however, leading to a significant slowdown in overall TFP growth during the 1990s. Because of the deceleration in the growth rate of service exports since the mid-1990s and the greatly reduced size of the manufacturing sector, Hong Kong’s potential output growth rate appears to have dropped significantly.

Imai, Hiroyuki
Lingnan University

How did Indonesia’s crisis affect small and medium-sized enterprises?

From a field study of the metal-working industry in Java

This paper focuses on the impact of Indonesia’s economic crisis on small and medium-sized enterprises (SMEs). It shows how the performance of SMEs during the crisis varied widely even in the same industrial sub-sector, and finds that the factors most affecting performance have been market orientation and the linkages that the SMEs have formed with the buyers of their products. Well-performing SMEs were found to have utilised putting-out linkages with wholesalers that enabled them to switch to products with better markets. On the other hand, the SMEs that had sub-contracting linkages with assemblers or contracting linkages with user-factories (with the exception of SMEs with export-oriented linkages) suffered badly in the crisis because of the specificity of products with little room for switching. The paper also finds that exposure to debt due to borrowing for investment has been another factor affecting performance, but that enterprise size has had no linear correlation with performance.

Sato, Yuri
Japan External Trade Organization
Upgrading traditional technologies in small-scale industry clusters: collaboration and innovation adoption in Indonesia

There is by now sufficient evidence that small-scale industry clusters matter in developing economies. This article discusses cluster transformation by focusing on innovation adoption in a roof-tile cluster in Indonesia. Clustering allows small-scale enterprises to grow in 'riskable steps' by sharing the costs and risks through collaboration. Using data from longitudinal field surveys, it was found that technological change is not only a matter of comparing costs and benefits of technologies, but also a matter of access. Collaboration among leaders is crucial in innovation adoption when technological indivisibilities play a role. In this case study, it appears that joint action should only be viewed as a means to an end; it was given up in favour of traditional hierarchies in the cluster as soon as possible.

Sandee, Henry and Rietveld, Piet

The new international division of labour in Asian electronics: work organization and human resources in Japan and Malaysia

This article documents and analyses the organisation of work and human-resource management in ten manufacturing plants in Malaysia and three plants in Japan. Each of the plants carries out specific tasks within an emergent international division of labour surrounding two Japanese multinational producers of consumer electronics goods. Plant roles reflect their position in commodity chains driven by the multinationals, varying in relation to product-to-product and component-to-component divisions of labour, and in relation to the location of product and process innovations. How work is organised and how workers are managed are explained by the location of each plant within this division of labour, and by the characteristics and situation of labour, the one commodity that talks back, within the local environment.

Wilkinson, Barry; Gamble, Jos; Humphrey, John; Morris, Jonathan and Anthony, Doug
University of Bath; Royal Holloway; University of London; University of Sussex and University of Wales

Foreign development of China’s motor vehicle industry

Foreign technology from Western Europe, the United States and Japan has been instrumental in the development of China’s motor vehicle industry but progress has been slowed by bureaucratic inertia and attempts by the state to micro-manage the industry and foreign investments and trade. Moves to rationalise and privatise state enterprises have failed to promote competition and innovation, and the serious lack of profits is discouraging some corporate investors. The country’s success in agriculture and light manufactures has so far not been transferred to heavy industry, with China requiring foreign inputs for the development of its passenger car and light truck industries. Enterprise development of first and second automotive works are given as well as the joint ventures between state or municipal firms and foreign multinational corporations to illustrate the contrasting motives, dynamic interaction and frequent disappointments of the public–private sector efforts.

Hiraoka, Leslie S.
Kean University

Implications of interjurisdictional competition in transition: the case of the Chinese tobacco industry

Using theoretical models and evidence from the Chinese tobacco industry, this paper maintains that, while inter-jurisdictional competition plays an important role in breaking up state monopolisation and promoting market competition in a transition economy, it may also induce governments to impose trade restrictions to protect local firms, especially when market competition threatens governments' revenue from these firms. It also shows that governments tend to provide more subsidies or protection to less-efficient firms, regardless of whether the government actions are pro or anti-market competition. As a result, there are striking differences in efficiency and performance across jurisdictions.

Zhou, Huizhong
Western Michigan University
in the tobacco industry. Finally, the paper discusses conditions under which
governments may or may not phase out their involvement in business when the
market becomes more competitive.

Ownership, government R&D, private R&D and productivity in Chinese industry

This paper examines the relationship between research and development (R&D)
 expenditure and productivity in China’s enterprises. An empirical model that
contains a system of three equations, that is, the production function, a private
R&D equation and a government R&D equation, is estimated using a
cross-sectional data set for Chinese enterprises of various ownership types. The
paper finds a strong link between private R&D and firm productivity. Although
its direct contribution to firm productivity is insignificant, government R&D
contributes indirectly to productivity by promoting private R&D. Hence,
providing incentives for enterprises to invest in R&D may be a better alternative
to providing R&D grants directly.

Firm heterogeneity and export–domestic price differentials: a study of
Taiwanese electronics products

This paper examines systematic differences in the export and domestic prices
charged by Taiwanese electronics producers. There was a substantial difference
in the average domestic and export price of most products but the authors traced
much of the difference to heterogeneity in prices across firms in the same
product market. Once this firm-level heterogeneity was accounted for,
statistically significant price differences between the export and domestic
market were found for seven products in 1986, with the domestic market price
always being higher. The largest price differences were found for consumer
electronics products where there were significant import restrictions. By 1991,
when all import restrictions had been relaxed, the export–domestic price
differential narrowed for 18 of the 24 products where comparisons were
possible. Statistically significant price differences were found for only one
product in 1991. The pricing patterns were consistent with price discrimination
in some product markets, with the discrimination supported by trade
restrictions that raised domestic prices. The magnitude of price variability across
firms in the same product market also provided further evidence of the danger
of using market-level aggregates to infer competitiveness.

Vertical technology transfer via international outsourcing

To analyse the effect of vertical technology transfer on industrial development in
less developed countries (LDCs), a model in which the technology transferred to
an LDC supplier by an industrial country importer can diffuse to other LDC
firms was developed. Surprisingly, even if such diffusion in the LDC market
leads to entry into the industrial country market, it can benefit both the initial
industrial country importer and its initial LDC supplier by reducing the double
marginalisation problem. This effect does not depend on whether firms compete
in prices or quantities, and exists even when the number of entrants into each
market is endogenously determined.
**Transfer of technology: a critical element in China’s privatization process**

Chinese economic reform has developed to a critical state. To maintain and enlarge the achievement of economic development, China needs to privatise state-owned enterprises. This paper discusses the general economic situation in China. Then the necessity and benefits of technology transfer are addressed. Finally, several aspects of technology transfer are discussed and a model of technology transfer for achieving successful privatisation is suggested.

**US ‘dual track’ policy: arms sales and technology transfer to China mainland and Taiwan**

This article analyses the US ‘dual track’ policy on arms sales and technology transfer to mainland China and Taiwan. Despite its ‘one China’ policy, the United States has continued to sell arms to Taiwan and provide Taiwan with military technology. At the same time, Washington is unwilling to transfer certain technology to mainland China. The US dual track policy of arms sales and technology transfer to both sides of the Taiwan Strait has maintained a strategic balance by developing closer relations with Beijing while ensuring the security of the Republic of China on Taiwan. Washington’s objectives are to enhance Sino-US relations and to maintain Taiwan’s security. While this policy has caused tensions in Sino-US relations, this ‘unbalanced balance’ has served US interests in maintaining Taiwan’s security and has not greatly strained Washington–Beijing relations.

**Science and technology to serve the process of industrialization and modernization in agriculture and rural development**

For the past 15 years, great achievements have been gained in agricultural production and the rural economy, which have significantly contributed to socioeconomic stabilisation and development, and brought Vietnam into a new state of development—industrialisation and modernisation. As the country has just taken its initial steps from a centrally planned, bureaucratic and subsidy-based economy to a socialist-oriented market economy, the productivity, quality and competitiveness of Vietnam’s agricultural products remain very poor compared with other countries in the region and the world. This has led to a low income and low rate of savings for the majority of the rural population, with low purchasing power and solvency, both in terms of capital goods and consumption. As a result, the development of the industry and services sectors in rural areas has been hindered. By examining the development of other Asian economies, this article determines how improvements in science and technology will improve agriculture and rural development.

**Towards regionally embedded innovation support systems in South Korea? Case studies from Kyongbuk–Taegu and Kyonggi**

Since the beginning of the 1990s, systems of innovation have been used as a framework to explain differences in innovativeness among firms, industries and economies at local, regional, national and supranational levels. The main argument behind the discussions around systems of innovation is that firms are increasingly dependent on institutions in their direct environment for their innovativeness and thus competitiveness. Based on empirical research on innovation support agencies in Kyongbuk–Taegu and Kyonggi, this paper shows that South Korea is characterised by dirigiste regional innovation support systems with a relatively low level of regional embeddedness. This dirigiste kind
of system generates both excessively homogeneous innovation support agencies, which are not sufficiently focused on specific regional economic demand, and horizontal policy coordination problems due to the strong vertical dependencies of agencies in the region to their sponsors in the central government.

700 — Primary and service industries

720 — Agricultural development and policy

**Impact of agriculture trade and subsidy policy on the macroeconomy, distribution, and environment in Indonesia: a strategy for future industrial development**

The Indonesian economy has survived a period of crisis owing to the performance of its agricultural sector. This study employs the computable general equilibrium (CGE) INDORANI model (single country) to simulate the impact of reducing trade distortions and government subsidies to the agricultural sector on the economy and environmental pollution. The results indicate that both trade liberalisation and government subsidies enhance GDP and real consumption, but have a negative impact on the environment. To minimise environmental damage, trade policy directed towards agricultural inputs is more desirable than government subsidies for fertiliser, but this does not help poor farmers. Coupled with direct and targeted subsidies to poor farmers, trade openness seems to be a suitable policy for achieving both socioeconomic and environmental objectives. Further trade liberalisation will be the key for future successful industrial development.

Abimanyu, Anggito
Gadjah Mada University

720 I

**Small and medium enterprises in Indonesia: old policy challenges for a new administration**

This article begins with a review of the Indonesian government’s policy framework, together with some conceptual and analytical issues as they relate to SMEs. Next, the empirical evidence on SMEs is examined, referring to aggregate and macro-level evidence, and case studies, and including the impact of the recent crisis. The article then asks whether there is any special case for intervention in favour of SMEs and points to areas where government policy has and has not worked. Finally, it closes by highlighting gaps in the database and research material. Following much of the literature, the discussion focuses primarily on the industrial sector, although where relevant the net is cast more widely.

Hill, Hal
The Australian National University

720 I

**The sugar industry of colonial Java and its global trajectory**

The last 30 years have seen the creation of rich scholarly literature on the sugar industry of colonial Java. Most of that literature has focused on the impact of the industry on the Javanese peasantry and on the economy and society of rural Java. In so doing, it has paid insufficient attention to two of its crucial characteristics—the fact that from about 1870 through to the inter-war depression, Java was consistently the world’s second largest producer–exporter of sugar-cane after Cuba; and, more importantly, that during the course of the nineteenth century, Java was far ahead of other Asian producers in the industrialisation of sugar manufacture. This paper is concerned mainly with explaining Java’s singular trajectory—its precocious industrialisation—and in doing this, it pays particular attention to such issues as the mechanisms by which access to land and labour was secured, the shifting location of the markets for Java’s sugar, the changing pattern of ownership in the sugar-processing sector, and the emergence towards the end of the nineteenth century of a culture of management that rested, in part, on the notion of Western technological and scientific superiority.

Knight, Roger G.
University of Adelaide
**Dynamic supply response and welfare effects of technological change on perennial crops: the case of cocoa in Malaysia**

Modern biotechnology will generate crops with higher yields and enhanced resistance to pests and diseases. In the case of perennial crops, the age composition of the present strand, the farmers’ willingness to invest and the yield profiles of old and new trees determine the speed of adoption of the new technology and the timing of the effects on supply and demand conditions. This paper adapts conventional welfare measures to account for these factors in the assessment of research-induced supply shifts. The application to cocoa in Malaysia shows that consumers and adopting producers gain and non-adopters lose. Overall, 72 per cent of the welfare gains go to the consumer.

Gotsch, Nikolaus and Burger, Kees
Swiss Federal Institute of Technology (ETH)–Zurich and Free University

**Agricultural change, rural labor markets, and forest clearing: an illustrative case from the Philippines**

Economic conventional wisdom suggests that providing land users with more secure property rights will result in more sustainable land use and less deforestation. Spatial econometric techniques to evaluate quantitatively the effect on land use of designated property rights in three parts of Darien province—a national park where no human activity is supposed to occur—and two reserves for indigenous peoples are used. Results suggest that legal property rights for an indigenous population can influence land use. Geography appears to be more important than legal protection for the national park.

Shively, Gerald E.

**How do national markets and price policies affect land use at the forest margin? Evidence from the Philippines**

A major strategy to combat deforestation caused by household fuel collection has been the establishment of plantations, especially in India. A household model is specified with a number of collection possibilities and analysed empirically using household, vegetation and GIS data, and the potential decrease in collection from the natural forest is estimated. The results show reduced pressure on the natural forest due to the establishment of plantations. It also questions buffer-zone plantations very close to natural forests.

Coxhead, Ian; Rola, Agnes and Kim, Kwansoo

**The second wave of globalisation and agrarian change in the Pacific islands**

The global agro-food complex is penetrating the most ‘isolated’ and ‘peripheral’ localities of the world. In the Pacific islands, a second wave of globalisation is pulling a number of small island nations into the increasingly globalised neo-liberal agricultural sector. Conscious of the under-analysis of globalisation in southern agriculture in general, this article has three broad aims. First, it contextualises and traces the evolution of the second wave of globalisation, compares it to the first and discusses its impacts on the agricultural sector of the Pacific islands. Second, it explores the local socioeconomic and environmental impacts of the second wave through two primary research-based case studies in Tonga and Niue. Finally, it calls for a concerted critical research effort designed to uncover the workings of neo-liberal agricultural globalisation in the region and suggests means of resisting its worst implications.

Murray, Warwick E.
Brunel University
Estimating crop-specific production technologies in Chinese agriculture: a generalized maximum entropy approach

A generalised maximum entropy approach is adapted to empirically estimate crop-specific production technologies in Chinese agriculture. Despite a modest behavioural assumption about equal marginal returns of non-land inputs among crops, this method does not require price information, which is usually distorted in a centrally planned economy such as China. A multi-output technology for Chinese agriculture is estimated and input allocations for each province are recovered simultaneously. The estimated multi-output production technology and input allocations imply that China may have greater grain potentials than previously thought.

Zhang, Xiaobo and Fan, Shenggen
International Food Policy Research Institute

Impact of Bt cotton in China

A sample of 283 cotton farmers in northern China was surveyed in December 1999. Farmers who used cotton engineered to produce the *Bacillus thuringiensis* (Bt) toxin substantially reduced their use of pesticide without reducing the output per hectare or quality of cotton, resulting in substantial economic benefits for small farmers. Consumers did not benefit directly. Farmers obtained the major share of benefits and because of weak intellectual property rights, very little went back to government research institutes or foreign firms that developed these varieties. Farmers using Bt cotton reported fewer pesticide poisonings than those using conventional cotton.

Pray, Carl; Ma, Danmeng; Huang, Jikun and Qiao, Fangbin
Rutgers University and Chinese Academy of Sciences

WTO and agriculture: radical reforms or the continuation of gradual transition

In response to the uncertainty over what the WTO holds for agriculture, this essay clarifies the nature of the agreement as it applies to agriculture and assesses its effect on China’s farm sector. The authors first provide an interpretation of how much the current settlement represents a break with the past. They then explain why they do not believe the predictions that China’s agricultural sector will be greatly harmed. In addition to the obvious direct benefits to the rural population from rising employment in sectors that use rural migrants, market imperfections, domestic policy responses and newly arising export opportunities will buffer the adverse effects.

Huang, Jikun; Rozelle, Scott and Zhang, Linxiu
Chinese Academy of Sciences; University of California and Chinese Academy of Sciences

Agricultural development in an industrialization–modernization direction: achievement and measures

The Vietnamese economy in the past years has recorded numerous significant achievements, particularly the steady and stable development of the agricultural and rural economy. This article examines the agricultural achievements and the role they have played in changing the rural economy. It also outlines the measures that need to be taken in order to attain the socioeconomic targets, particularly in a largely agricultural economy such as Vietnam.

Nguyen, Viet De

Agriculture-based development: a SAM perspective on central Vietnam

The central region of Vietnam is the least developed of the three major regions—the country’s rapid economic expansion during the 1990s having been concentrated in the southern and northern areas. The poor in central Vietnam are mostly found in the rural economy where agriculture provides the primary means of livelihood. In this paper, a social accounting matrix (SAM) multiplier analysis is used to investigate quantitatively the economy-wide repercussions of exogenous income increases in agriculture (such as that arising from productivity growth) in central Vietnam, paying particular attention to the

Bautista, Romeo M.
Consultant–Virginia
effects on overall income growth and equity. The equity impact is evaluated in terms of the induced relative changes on the incomes of four household groups examined in the study. Some policy implications of the results are discussed, emphasising the role of macroeconomic policies in helping promote equitable growth in central Vietnam.

Sedentarisation and the consequences of fixed farming in a Dao hamlet: case study of Dao Tien group, Mit Hamlet, Tu Ly Commune, Da Bac district, Ho Ninh Province

After more than 30 years of fixed farming and sedentarisation, the Dao Tien community in the Mit Hamlet, to some extent, has improved its members’ lives. There are some significant changes such as development of wet-rice cultivation and a diverse cash crop, integration into a market economy, forest activities, improved infrastructure and welfare institutions and changes in the perception of life. Their economic, social and cultural life has improved. On the other hand, the Dao also face some challenges such as the emergence of a water shortage for wet-rice cultivation, high population growth rates, shortages of capital, the undermining of the soil’s fertility under some new cash crops and a change in traditional culture (especially material culture). In this case study, the orientations of the state on fixed farming and sedentarisation are correct but it is necessary to work out more specific measures in keeping with the real situation. More research is needed to compare the results of fixed farming and sedentarisation of other ethnic groups in other regions with the Dao in the Mit Hamlet.

Korean energy demand in the new millennium: outlook and policy implications, 2000–2005

This paper examines dynamic conditions surrounding South Korean energy demand on entering the new millennium. Korean energy consumption grew very rapidly during the 1990s, but was hit severely by the financial crisis of 1997 and is again rapidly recovering. This paper reviews the recent trends and makes projections for the near future. After reviewing the 1990s, forecasts on energy demand for 2000–05 are presented and a scenario analysis is outlined where the best and worst case scenarios are discussed.

Multilateral approaches to the Korean problems: a comparative analysis of the KEDO and Four Party Talks

This paper compares the performances of the Korean Peninsula Energy Development Organisation (KEDO) and Four Party Talks (FPT), which represent the recent multilateral approach to the Korean problems. Evaluation of the outcomes of these two multilateral efforts shows the KEDO project has been moderately successful, while the FPT has so far produced nothing but talk. One of the major factors for this difference includes the different degree of US commitment to these two approaches. The Clinton administration showed a much stronger commitment to the KEDO than to the FPT since the United States has more immediate concerns with the former. Another important factor is the nature of organisational goals assumed by the multilateral approaches. A final factor is North Korea’s strategy of dealing with these two approaches. North Korea has shown very cooperative attitudes towards the KEDO, but has ignored the agenda of the FPT.
Conference report: mining and sustainability in the north and the south

Mining, as an important revenue earner in the South Pacific, can also be an environmental danger. This report looks at the wise use and sustainability of the mining industry in Papua New Guinea. The article is helpful in explaining the perspective and sustainability of mines in Papua New Guinea.

Seib, Roland
Melanesian Institute–Germany

730 PNG

Competition and complementarity: township and village mines and the state sector in China’s coal industry

This article uses the example of one of China’s key industries—coal mining—to argue that both complementarity and competition have characterised the relationship between the township and village enterprises (TVEs) and the state sectors. After outlining the growth and structure of the TVE mine sector, complementarities between the TVEs and state mine sectors are examined. Competition is, however, dominant, although the weapons used are as much political and administrative as purely economic. The third section deals with competition between TVEs and state mines for inputs. The fourth section looks at market competition between the two sectors made possible partly by the success of the TVE mines in avoiding to pay for the real social costs of their operations. Finally, the article examines the response of the state mines and their collaboration with the government to mount campaigns to control or close the TVEs.

Wright, Tim
Sheffield University

730 PRC

Energy consumption, employment, output, and temporal causality: evidence from Taiwan based on cointegration and error-correction modelling techniques

In this study, a cointegration analysis and a vector auto-regressive model (VAR) are used to examine the causal relationships among energy consumption, employment and output for Taiwan over the period January 1982 to November 1997. Johansen (1988) and Johansen and Juselius (1990) cointegration test results indicate that these three variables are cointegrated with one cointegrating vector. The results from Granger-causality tests based on vector error correction models (VECM) suggest bi-directional Granger-causality for employment-output and employment-energy consumption, but only unidirectional causality running from energy consumption to output. Furthermore, the impulse responses and variance decompositions are also incorporated into the analysis. The results from impulse-response and variance-decomposition analysis tell similar stories. Energy consumption appears to have led to output growth in Taiwan over this period. The policy implication of this finding is that energy conservation will restrain the output growth in Taiwan.

Chang, Tsangyao; Fang, Wenshwo and Wen, Li-Fang

730 TW

A transition toward a sustainable energy future: feasibility assessment and development strategies of wind power in Taiwan

While the international community has yet to achieve a consensus on the operational details of implementing the Kyoto Protocol, the rapidly increasing consumption of fossil fuels and the CO$_2$ emissions produced in industrial countries further obscure the prospects for combating global warming. This study analyses the problems of energy utilisation in Taiwan, and explores the strategies for increasing the market penetration of wind power in an energy structure dominated by fossil fuels and nuclear energy. Decentrally produced wind power would contribute to establishing an autonomous and disaster-resilient power-supply system. Replacing partial coal-based power generation with the full exploitation of wind energy would result in annual reductions of 9.8 million tons of CO$_2$ in Taiwan. Priority tasks to allow wind power to penetrate the energy market include establishing legislation for

Yue, Cheng-Dar; Liu, Chung-Ming and Liou, Eric M. L
National Taiwan University and Environmental Quality Protection Foundation
renewable energy, setting premium prices for power from wind turbines, providing a direct support of investment costs and raising awareness.

740 — Industry studies (agriculture, forestry, fisheries)

Conditions affecting the success of fisheries co-management: lessons from Asia

This paper presents results from the first five-year phase of a large fisheries co-management research project implemented by the International Center for Living Aquatic Resources Management (ICLARM) and the Institute of Fisheries Management (IFM), with national partners in Asia and Africa. More specifically, the paper presents results of conditions that affect the success of co-management as identified through the project’s research activities in Asia. The 18 conditions identified as being of high importance for success are grouped into three categories: supracommunity level, community level, and individual and household level.

Pomeroy, Robert S.; Katon, Brenda M. and Harkes, Ingvild
World Resources Institute; Asian Development Bank and Institute of Fisheries Management

Institutions and the Environmental Kuznets Curve for deforestation: a cross country analysis for Latin America, Africa and Asia

The relationship between deforestation and income across 66 countries of Latin America, Africa and Asia is examined. Institutional characteristics as well as macroeconomic policies of each country are hypothesised to impact on deforestation. Results show strong evidence of an Environmental Kuznets Curve (EKC) relationship between income and deforestation for all three continents. Institutional structure and macroeconomic policy significantly affect the tropical deforestation process. Improvements in political institutions and governance significantly reduce deforestation. The factors leading to deforestation differ across regions, however, and there is no one-size-fits-all global policy recommendation for restraining the tropical deforestation process.

Bhattarai, Madhusudan and Hammig, Michael
Clemson University

CITES and the conservation of tree species: the case of Aquilaria in Indonesia

This paper evaluates the application of CITES to tree species, using Aquilaria spp. in Indonesia as a case study. The authors first consider whether Aquilaria species in Indonesia qualify for CITES listing, and if so, on what grounds. The available evidence is then evaluated to assess the impact of the gaharu trade on populations of Aquilaria in Indonesia with reference to trade data. The impact CITES listings have had on the gaharu trade are assessed. The implications for listing tropical trees on CITES are then discussed, with particular reference to timber species.

Newton, Adrian C. and Soehartono, Tonny
University of Edinburgh and DG Forest Protection and Nature Conservation

Fisheries management in central Maluku, Indonesia, 1997–98

Interviews with government staff responsible for fisheries management in Maluku, Indonesia, in 1997–98 revealed problems in capacity and an emphasis on economic development rather than management. The traditional institutions that persisted in some villages to regulate the access and withdrawal rights over key inshore species were also disjunct from government departments. The period following December 1998 was marked by political upheaval, legislative change that (in theory) decentralised governance over inshore waters, and violent unrest in Maluku. All these made the data collected in 1997–98 of historical interest. The state of fisheries management in Maluku remains undefined, pending further legislative reform and peace that will allow governments and communities to negotiate and implement new institutional arrangements.

Novaczek, Irene; Sopacua, Juliati and Harkes, Ingvild
Holland College; State University of New York and Institute for Fisheries Management and Coastal Community Development
The Indonesian marine resources: an overview of their problems and challenges

This paper provides an overview of the Indonesian marine resources status, particularly the conditions of mangroves, coral reefs, seagrasses, seaweeds and fisheries. Several major problems related to these resources are described. This paper also presents some relevant regulations to managing the Indonesian marine resources and some discussion regarding expected future conditions of Indonesian marine resources.

Resosudarmo, Budy P.; Subiman, Nina Indriati Lestari and Rahayu, Budi
University of Indonesia


An analysis of the utilization of regional fishing ports in the Philippines

Under-utilisation of regional fishing ports in the Philippines is investigated using secondary data from institutional sources and interviews with key informants. It finds that most of the existing regional ports were under-utilised, having low actual usage to projected usage ratios. The paper argues that low commercial and aquaculture fish production contributed to the under-utilisation of the ports. It also suggests some measures to address the problem.

Israel, Danilo C.
Philippine Institute for Development Studies


Competitiveness of the Philippine IT industry: what lies ahead

This paper examines the competitiveness of the Philippine information technology (IT) industry and its emerging competitors and neighbouring countries in the region. While the industry boasts of being the largest foreign exchange earner for the country, it suffers from structural weaknesses that, unless addressed, render its long-term competitiveness at risk, especially as the country’s competitors are increasing their stake in the world IT market at a much faster rate. Infrastructural and institutional bottlenecks, and the inadequacy of the education system to meet the human-resource requirements of the industry, have remained severe constraints to its long-term growth. In light of the accelerating global technology race, opportunities for the country to upgrade its competitive position have become much more difficult. This paper identifies some strategies to lessen or overcome such difficulties and keep the industry’s present edge.

Austria, Myrna S.
Philippine Institute for Development Studies


Ecosystem functions, services and their values: a case study in Xingshan County of China

Forest ecosystem services can provide both direct and indirect economic benefits. In this case study, the annual economic value of some ecosystem services by forest ecosystems in the Xingshan County of Hubei Province of China are estimated at county level. Xingshan County is rich in forest resources, covering 50.64 per cent of total land area in the county. The ecosystem services assessed relate to three aspects: water conservation, soil conservation and gas regulation. It is estimated that these services provide an indirect economic value of 528.73 million RMB per year. The total economic value of forest ecosystem services in Xingshan County is estimated to be 582.96 million RMB per year, being a part of actual ecosystem services. In addition, the spatial distribution of forest capital stock in the county based on the economic values of forest ecosystem service are analysed. This work can contribute to the conservation of the forest ecosystems and effective use of the ecosystem services.

Guo, Zhongwei; Xiao, Xiangming; Gan, Yaling and Zheng, Yuejun
Chinese Academy of Sciences; University of New Hampshire; Chinese Academy of Sciences and Institute of Statistical Mathematics

750 — Service industries (transport, communications, tourism)

**Impacts of the National Trunk Highway System on accessibility in China**

Recently, China has launched a major program of motorway construction—the National Trunk Highway System (NTHS). This study analyses the impacts of this highway development program on the pattern of accessibility gradients and draws implications for regional growth. Obviously, this program will bring about substantial improvements in accessibility across the nation. There is evidence, however, that highway investment exhibits diminishing returns over time. Greater improvements in the nodal accessibility of the major coastal cities, as compared with cities in interior and periphery provinces, in the initial stage of the highway development program are found. But as time progresses, the NTHS will bring about more balanced development in the spatial sense.

Li, Si-ming and Shum, Yi-man
Hong Kong Baptist University

800 — Population, labour, labour force

820 — Labour markets

**Are older workers disadvantaged in the Hong Kong labour market?**

Using data collected from two surveys on the labour market in Hong Kong, this paper shows that older workers on average are more likely to be unemployed than younger ones. Unemployed workers aged over 45 tend to face a longer period of unemployment, receive fewer job offers and expect lower future wages than unemployed younger workers. Older employed workers may also be disadvantaged. This paper compares the promotion and training opportunities available to older and younger employed workers. It finds that older workers are less likely to be promoted or selected for training.

Ho, Lok Sang; Wei, Xiang Dong and Voon, Jan P.
Lingnan University

Suryahadi, Asep
Social Monitoring and Early Response Unit

820 I

The consequences of doubling the minimum wage: the case of Indonesia

Indonesian minimum wages were tripled in nominal terms, and doubled in real terms, in the first half of the 1990s. Data are analysed from the 1993 labour force survey to evaluate the effects of this hike in wage earnings and wage employment. The results suggest that the minimum wage hike had a modest impact on Indonesian labour market outcomes, increasing average wages by 5–15 per cent and decreasing urban wage employment by 0–5 per cent. The employment effects, however, varied substantially by firm size: small firms apparently experienced substantial decreases in employment, whereas some large firms actually saw their employment increase. Workers in those large firms are the evident winners from the minimum wage hike.

Rama, Martín

Does Indonesia have a 'low pay' civil service?

Government officials and policy analysts maintain that Indonesia’s civil servants are poorly paid, and have been for decades, a conclusion that is supported by anecdotal evidence and casual empiricism. In this paper, the relationship between government and private compensation levels is systematically

Filmer, Deon and Lindauer, David L.
World Bank and Wellesley College
analysed using evidence from two large household data sets: the 1998 Sakernas and the 1999 Susenas. The results suggest that government workers with a high-school education or less—representing three-quarters of the civil service—earn a pay premium over their private-sector counterparts. Civil servants with more than a high-school education earn less than they would in the private sector but, on average, the premium is far smaller than is commonly alleged, and is in keeping with public/private differentials in other countries. The results prove robust to varying econometric specifications and cast doubt on the proposition that low pay is an explanation for government corruption.

**A framework and model for studying the repatriation experiences of expatriates from developing nations**

Why is the issue of repatriation relevant for Malaysian expatriates and Malaysian multinational enterprises as well as for expatriates from other developing nations? Malaysian expatriates are in increasing demand by Malaysian enterprises that are growing into regional and global competitors. This paper presents a framework and model for future research into the study of repatriation’s relevance to developing nations. Extensive interview and questionnaire data were gathered on six Malaysian expatriates: three academics who studied abroad and three businesspeople who were assigned overseas. These data were consolidated to present a framework and model of repatriation that is flexible enough to systematise research and be adapted for practical use in developing nations as well as for comparative research purposes.

**Child labour in the Philippines: determinants and effects**

This paper analyses the supply-side socioeconomic determinants of child labour using data from the National Household Survey and the Labour Force Survey of the Philippines. The research methodology is a sequential probit model that assumes that household decisions are made in a hierarchical manner. Using this model, the impact of various household and economic characteristics on the probability of child labour was estimated. The findings highlight specific populations that should be targeted, for example, single working mothers in urban areas and poor households in rural areas. Working towards elimination of child labour will involve a multi-angled policy approach with policies complementing each other.

**Exporting people: the Philippines and contract labor in Palau**

Long before reified notions of Southeast Asia and the Pacific islands gained acceptance, seafaring peoples travelled and traded across areas that are today seen as bounded regional configurations. To better understand these distinctive characteristics of contemporary Palauan society, this paper examines in broad terms the origins of Filipino migration to Palau, as well as how Palau is situated in the Philippines’ labour-export industry and the global economy more generally.

**The political economy of local labor control in the Philippines**

This paper focuses on the institutions and actors involved in creating a local labour-control regime during rapid industrialisation in the Philippines. In exploring the relationship among these various players two arguments are developed. First, the relationship embodied in the labour process of newly industrialising spaces cannot be conceived simply as an antagonism between ‘global’ capital and ‘local’ labour. Instead, a wide range of local players act to mediate that relationship and to embed specific global capitals in a local political economy of power relations. Second, these localised relationships often exist...
outside of formal regulatory institutions, and indeed may directly contravene them. In this way, the mechanisms employed in the local labour-control regime are frequently more informal, more fluid and more geographically variable than an analysis of formal regulatory institutions would reveal.

The cost of contract employment, consultancy engagement and office/accommodation rentals in the public service

The cost of the public service in Papua New Guinea against the backdrop of high wages, low productivity and lack of financial accountability means that the public service is living beyond its means. Economic wisdom calls for streamlining with a view to higher productivity and transparency so that the public service becomes a catalyst for national development.

Kavanamur, David and Kinkin, Elly
University of Western Sydney and University of Papua New Guinea


The determinants of job choice by rural labor migrants in Shanghai

Based on data collected in 1993 on 54,372 individuals in the Fifth Sampling Survey of the Floating Population of Shanghai, this paper examines the characteristics and occupations of 32,967 rural labour migrants, defined as those migrants whose previous occupation was in agriculture and who held an agricultural household registration. These migrants comprised approximately three-fifths of Shanghai’s floating population in 1993. The data support the conventional wisdom that labour migrants are most often young males who work in the ‘hard and dirty’ jobs of construction and manual labour—jobs left vacant by Shanghai’s educated and ageing registered population. But there also exists significant distribution of rural labour migrants among occupations and sectors (state, collective, township and village enterprises, and private enterprises) by gender, age, marital status, education and especially region of origin. Thus, it appears that these characteristics and village-based networks are important in channelling migrants into particular occupations and destinations, undermining the notion of ‘blind’ migration from rural areas to coastal cities during China’s rapid economic transition.

Roberts, Kenneth D.
Southwestern University


Equity, efficiency, and labor-market reforms in urban China: the impact of bonus wages on the distribution of earnings

Economic reforms in China have led to a shift in emphasis away from equity towards greater efficiency with a consequent increase in income inequality. This paper focuses on the causes of the rising inequality of individual earnings and the link with the reform program by analysing the components of individual earnings (that is, standard and bonus wages) separately. Increasing, inequality is seen to reflect a rising share of bonus wages. This, in turn, predominantly reflects the unequal distribution of enterprise profitability combined with labour immobility across enterprises, rather than increasing returns of personal characteristics, such as human capital or gender. Based on these results, this paper argues that the future evolution of earnings, inequality will be determined by the sequence of reforms in, for example, capital and labour markets.

Coady, David P. and Wang, Limin
International Food Policy Research Centre and World Bank


Foreign direct investment and relative wages: the case of China

According to conventional wisdom, foreign direct investment (FDI) can raise relative wages of skilled labour in a host country by bringing in skill-biased technology. This paper proposes an alternative hypothesis that in an economy characterised by labour market segmentation and high labour mobility costs, FDI could increase relative wages of skilled labour even without bringing in skill-biased technology. Chinese urban household survey data are used to test

Zhao, Yaohui
Beijing University

the hypothesis. The author estimates relative wages in Chinese state-owned enterprises (SOEs) and foreign-invested enterprises (FIEs) by correcting for possible sample selectivity caused by employment choice between SOEs and FIEs. Employment choice is then examined to provide evidence of the costs of labour mobility. The research implies that skill premium in a host country with labour market distortions may increase faster than when skill-biased technology is the only means of skill upgrading.

820 PRC

Globalization, economic development and the reliance on guanxi as a job search strategy for Chinese students

The concept of networking for business has been documented extensively in the international business literature. In particular, relationship networking, or guanxi, has become a much-studied phenomenon since the wealth-creation success of overseas Chinese and their mainland China counterparts became noticeable in the early 1990s. Relatively less well known is the use of guanxi as a job-search strategy. In the wake of domestic economic reforms and increasing international economic pressures, young graduates are having to rely less on job placements arranged by their universities, and more on their own initiative. This is a report of the extent to which guanxi is a significant job-search strategy among final year business students at Shantou University in Guangdong Province, China. With its exceptionally strong links with overseas Chinese, Shantou is well placed to give its young people an advantage in tapping into the job opportunities created by international trade and incoming investments.

Cheng, Soo May
University of South Australia

820 PRC

The re-employment project in Shanghai: institutional workings and consequences for workers

This article describes the institutional workings of the re-employment project (REP) in Shanghai and its effects on laid-off workers, and seeks to characterise its nature. It views the REP as a transitional arrangement between paternalism and the market, taking the form of state corporatism but also containing interesting new elements of societal collaboration. In view of its strategic position in China’s domestic economy, Shanghai’s ability to prevent massive labour dislocation has important national implications.

Chen, Feng
Hong Kong Baptist University

840 — Human capital, training and education

Schooling in Indonesia: crisis-related and longer-term issues

Although Indonesia had been making considerable progress in expanding its education system before the economic crisis broke in 1997, 30 per cent of children were still failing to complete primary school, and the quality of education was far from satisfactory. The economic crisis threatened to lead to massive dropout, and social safety-net programs were therefore introduced. This paper outlines issues facing primary and secondary education before and during the crisis, assesses the extent to which the social safety-net programs have helped to limit dropout, and discusses longer-term issues in achieving the goals of nine years’ universal basic education, raising educational quality and achieving increased equity of access.

Jones, Gavin W. and Hagul, Peter
The Australian National University and Central Independant Monitoring Unit–Jakarta

Social aspect of higher education: the case of Indonesia

Indonesia, just like many of the developing countries, faces problems in allocating government budgets to various development programs. Indonesians have long debated, for example, whether priority should be given to the goal of social equity or the need for economic growth, and whether these objectives can be pursued simultaneously. This paper looks at the current system of higher

Bayhaqi, Akhmad
University of Indonesia
education in Indonesia in view of the subsidy allocated by the central government. There are 850,000 students who are currently studying in 52 public universities, in which tuition fees only cover about 11 per cent of its total expenditure.

840

Impact of the Cultural Revolution on rural education and economic development: the case of Jimo County

This article joins the debate about the impact of the Cultural Revolution on education reform and rural development by examining the experience of one rural area: Jimo County in Shandong Province. It finds both rapid educational expansion and considerable economic development in this period and, moreover, reveals that the two phenomena are linked significantly. Earlier studies have overlooked this link. This article examines both factors, demonstrating that school expansion and curriculum reform in rural areas during the Cultural Revolution served these areas well, for the reforms not only expanded educational opportunities for local children, they also promoted rural economic development. The introduction into the countryside of large numbers of educated local and urban youth, which was a prominent component of the education reforms, proved critical to the success of the rural mechanisation, agricultural experimentation and rural industrialisation processes that were unfolding during the period.

Han, Dongping
Warren Wilson College

840

Knowledge-based economy: opportunities and challenges for Viet Nam

This article outlines the general shift in the world economy from agriculture to industry, and to a knowledge-based economy. For developing economies, such as Vietnam, the road to a knowledge-based economy remains very long, for it is difficult to fill the knowledge gap, which is very large and tends to widen composed of that of industrial economies. Without a successful strategy of human-resource development, developing economies will not be able to build a knowledge-based economy even by the late twenty-first century. This article suggests ways in which Vietnam may close the gap and proceed to become an industrialised knowledge-based economy in the near future.

Dang, Huu
Board of Science-Education of VCP

850 — Migration

Do remittances decay? Evidence from Tuvaluan migrants in New Zealand

Many Pacific island states are concerned that remittances may decline in the future as links between migrants and home countries weaken. This paper uses specially collected survey data to analyse the remittance behaviour of Tuvaluan migrants in New Zealand. The results do not support the hypothesis that remittances decrease with the length of time that migrants spend in the host country.

Simati, Aunese Makoi and Gibson, John
Department of Economic Planning and University of Waikato

850

Migration and labor-market returns in urban China: results from a recent survey in Guangzhou

Migrant labour and the occupational and sectoral changes in the urban economy have shaped the evolution of the labour market in Chinese cities. This paper argues that labour-market returns are not only functions of human capital but are heavily influenced by state-controlled institutional status. The empirical analysis employs data from a recent survey conducted in Guangzhou, one of the most popular destinations of migrant workers in China. The findings show that

Fan, Cindy C.
University of California
permanent migrants’ income returns are especially high and that temporary migrants’ benefits returns are especially inferior. Furthermore, they suggest that permanent migrants’ advantaged positions are conducive to their continued success in the labour market when they shift to more profitable occupations and sectors. The findings support the notion that in China resident status functions such as ascribed attributes that have effects on labour-market returns independent of achieved attributes, and that migration and labour-market segmentation are intricately related to the reward structure in the urban labour market.

Urban labour-force experience as a determinant of rural occupation change: evidence from recent urban–rural return migration in China

An integrated approach to temporary migration in developing countries is proposed by linking the past urban labour-force experience to post-return entrepreneurial activities. The central argument is that labour migration is a family strategy to acquire both physical and human capital for a future technological transformation. On the basis of an in-depth survey of returned migrants conducted in rural China, the author focuses on the explanation of return rural occupation change in a multi-variate framework. This paper finds that the improvement of the migrant’s skills and entrepreneurial ability, rather than their savings and remittances, strongly facilitate a return rural occupational change. The policy implication of this finding is to shift efforts from narrowing inter-sectoral wage differentials to improving rural learning and training opportunities.

Socioeconomic and security implications of Chinese migration in the Russian Far East

Several dimensions of migration from China into the bordering areas of the Russian Far East (primarily Primorskiy Kray) are subjected to critical assessment: scale of migration, economic impacts (for migrants and host regions), attitudes of the host-region population and regional security implications. The analysis suggests that the Russian Far East generally has limited economic attraction for Chinese migrants, despite the importance of migration for cross-border relations and trade. The study is based on data from Russian statistical, border and migration services; extensive interviews and on-site observations; review of regional newspapers; and a large opinion survey of the local population.

Pathways abroad: gender and international migration recruitment choices in northern Thailand

This article discusses conceptual models developed to explain three main modes of overseas labour recruitment used by northern Thai works in three sub-districts. These are authorised recruitment and two types of unauthorised recruitment that differ according to whether the migrant pays for the recruitment at the time of migration or works off the recruitment costs with the overseas employer after arrival in the destination country. A gender perspective is used to examine why women and men choose a particular type of recruitment.
900 — Income distribution and social welfare

*Education expenditure responses to crop loss in Indonesia: a gender bias*

The recent financial crisis in Asia, coupled with the drought in Southeast Asia brought on by the El Niño weather pattern, have focused international attention on the impact of income shocks on households in developing economies. The welfare costs of highly variable income depend on the ability of households to smooth consumption by saving in good years and dis-saving in bad years. If households are unable to smooth consumption and therefore are forced to reduce consumption levels when faced with a negative transitory income shock, there may be a role for government assistance. By examining the impact of transitory income on educational expenditure, this article investigates whether households are able to smooth consumption. The authors have chosen to focus on educational expenditure because of its obvious social benefits.

Cameron, Lisa A. and Worswick, Christopher
University of Melbourne and Carleton University

910 — Income distribution

*Measuring chronic poverty without a panel*

A new method of decomposing cross-sectional poverty estimates into chronic and transient components is demonstrated using data from a recent household survey in Papau New Guinea. This method is simpler than the previously used panel methods because it does not require data on every household in every period. The only requirement is that a sub-set of the surveyed households have a repeat observation made on their welfare indicator some time after the initial observation. In the setting considered, the chronic and transient components of headcount poverty are roughly equal, while three-quarters of the mean poverty gap is transient.

Gibson, John
University of Waikato

910 PNG

**The analysis of rural regional disparity in China**

Rural regional disparity has now become one of the most alarming problems in China. This paper shows that the inequality is mainly caused by uneven development of rural collectively owned enterprises (COEs). In the early 1990s, COEs accounted for more than 70 per cent of rural regional inequality. In order to evaluate the effectiveness of current government policies for lessening regional disparity, the authors use a data envelopment analysis to measure the efficiency of COEs in the rural areas. The analysis shows that COEs in the eastern region are relatively more efficient than those in the central and western regions. To explain this, the potential sources of the COEs’ production efficiency in different provinces are examined in detail. The production efficiency of Chinese COEs is found to be closely related to the employment of a shareholding cooperative system, foreign investment, skilled workers and a bonus incentive scheme.

Chan, Hing Lin and Chan, Kai Ting
Hong Kong Baptist University

910 PRC

**The anatomy of rising earnings inequality in urban China**

A labour market is beginning to emerge in urban China during a period of rapid growth and changed labour supply. In this paper, the authors investigate how earnings inequality and relative earnings have changed between 1988 and 1995 using two large samples covering ten provinces. The results verify that, as expected, earning inequality has increased rapidly. The expansion can be traced to two components: the basic wage and subsidies. The analysis shows that the growth in earning inequality is not limited to certain segments of the labour force but affects all categories as defined by ownership sector, region and education.

Gustafsson, Björn and Li, Shi
University of Göteborg and Chinese Academy of Social Sciences

910 PRC
Is globalization all it is cracked up to be?
Many of the world’s population have gained from the globalisation of product markets. At the same time, the numbers living in absolute poverty have remained stubbornly large and inter and intra-country income distribution has worsened as globalisation has proceeded. Two outcomes of globalisation are analysed: a positive-sum ‘blue scenario’ of full employment and effective redistributive mechanisms, and a ‘red scenario’ of a growing global reserve army of skilled workers and the weakness of political processes favouring redistributive mechanisms. The paper concludes that the negative-sum red scenario is the most likely outcome of the unequalising tendencies of globalisation. The role that China plays in the creation of this global reserve army of labour—especially of skilled labour—is given particular attention.

Kaplinsky, Raphael
University of Sussex

Poverty incidence and economic growth in Southeast Asia
The countries of Southeast Asia have achieved very large reductions in absolute poverty incidence over recent decades. This paper examines the relationship between this accomplishment and the rate of economic growth. It develops a time series of available data on the headcount measure of poverty incidence for Thailand, Indonesia, Malaysia and the Philippines from the 1960s to 1999, in aggregate and both rural and urban areas. It then uses this pooled data set to analyse the economic determinants of poverty incidence, the impact of the 1997 economic crisis and the degree to which poverty will be affected by alternative hypothetical recovery paths.

Warr, Peter G.
The Australian National University

Hunger eradication and poverty reduction in Vietnam
Being a low-income country afflicted by wars up to the recent past and subject to frequent natural disasters, Vietnam has been faced with many difficulties in solving its social problems, especially poverty alleviation. To date, social (mass) organisations played an important and active role in mobilising resources, starting movements, and initiating and implementing social programs. In order to carry out sustainable poverty alleviation, the National Target Programme on Hunger Eradication and Poverty Reduction is directed towards assisting poor households in terms of capital and entrepreneurship, technology transfer, information provision, exemption or reduction of taxes and fees, and contributions to facilitate an escape from poverty. In addition, preferential policies on credit for business, education and health care, such as reduction or exemption from tuition and hospital fees, are also applied to support the poor.

Nguyen, Van Thanh
Development Strategy Institute

Sources of ethnic inequality in Viet Nam
Vietnam’s ethnic minorities tend to be concentrated in remote areas and have lower living standards than the ethnic majority. How much is this due to poor economic characteristics versus low returns to characteristics? Is there a self-reinforcing culture of poverty in the minority group? This paper finds that differences in returns to productive characteristics are an important explanation for ethnic inequality. There is evidence of compensating behaviour on the part of the minorities. The results suggest that to redress ethnic inequality, policies need to reach minorities within poor areas and explicitly recognise behavioural patterns that have served them well in the short term, but intensify ethnic differentials in the longer term.

van de Walle, Dominique and Gunewardena, Dileni
World Bank and University of Peradeniya
Women’s health and pregnancy outcomes: do services make a difference?

Data from the Indonesia Family Life Survey are used to investigate the impact of a major expansion in access to midwifery services on health and pregnancy outcomes for women of reproductive age. Between 1990 and 1998, Indonesia trained some 50,000 midwives. Between 1993 and 1997, these midwives tended to be placed in relatively poor communities that were distant from health centres. Additions of village midwives to communities between 1993 and 1997 were associated with a significant increase in body mass index in 1997 relative to 1993 for women of reproductive age, but not for men or for older women. The presence of a village midwife during pregnancy is also associated with increased birthweight. Both results are robust to the inclusion of community-level fixed effects, a strategy that addresses many of the concerns about biases because of non-random program placement.

Frankenberg, Elizabeth and Thomas, Duncan
RAND and University of California

Income transfers to the elderly in Korea and Taiwan

This article analyses income transfers to elderly households in Korea and Taiwan in order to find out the extent to which income maintenance policy contributes to the income of elderly households in these countries. It also examines private transfers to those households in order to see the outcome of public policy in the broad picture of welfare mix. The article argues that private transfers play a bigger role than public transfers in elderly households. The poorer households are more dependent on private transfers. Nevertheless, private transfers failed to help the elderly escape poverty. The paper shows that elderly households in general, and single and couple-only households in particular, are far more prone to poverty that the general population. Although state pensions are expected to play a bigger role in the future after coming into full operation, public policy has so far failed to improve the living standard of the elderly. This paper calls for urgent policy intervention to protect the elderly in the wake of the economic crisis in Korea and the massive earthquake in Taiwan.

Kwon, Huck-Ju
Sung Kyun Kwan University

The politics of privatization in the Malaysian health care system

Despite a strong commitment, for both ideological and pragmatic reasons, to the privatisation of state enterprises and services, and pronouncements that public health-care services would be privatised, the Malaysian government has introduced only a selective degree of privatisation in the health sector. Haemodialysis, pharmaceutical distribution and hospital support services have been transferred to the private sector. Several privatised entities have links with the dominant party in the ruling coalition government. Moves to privatise public hospitals have policed health-care policy in Malaysia and generated opposition from interest groups and demand for greater public consultation in policymaking. Both political and practical factors have restrained the government from introducing wider privatisation policies within the health sector.

Barraclough, Simon
La Trobe University

Decentralization and public health in the Philippines

The author examines governance in the context of health care and poverty issues in the developing world and shows how changes to forms and structures of governance in the developing world can alter the quality of health-care services on which the poor depend. Drawing on research and fieldwork conducted in the Philippines, he looks at how efforts to decentralise key social services have been detrimental to the delivery of health care in three moderately poor to very poor municipalities.

Furtado, Xavier
Canadian International Development Agency
Dismantling the Chinese mini-welfare state? Marketization and the politics of institutional transformation, 1979–1999

This article presents a systematic examination of the workplace-based welfare system in urban China. During the pre-reform period from 1949 to 1978, most welfare provisions in China were delivered, and the majority of welfare spending was spent by workplace units. Since China’s market transition started in the late 1970s, this workplace-based welfare system is no longer financially sustainable, and more importantly its functioning constitutes an impediment to the formation of an institutional configuration for a market economy in China. The Chinese government has therefore experienced increasing pressure to reshape this workplace-based welfare system into a genuine welfare state, so as to shift the responsibilities of welfare provisions from individual work units to government bodies. Some institutional arrangements characteristic of welfare pluralism, which emphasises that the state, employers and individuals share welfare responsibilities, are also incorporated into the newly emergent social welfare system in urban China.

Gu, Edward X.
Harvard University

Moving towards a multi-level and multi-pillar system: changes in institutional care in two Chinese cities

This article examines the situation of institutional care in two Chinese cities. During China’s market reforms, previous state welfare homes encountered significant financial difficulties. At the same time, the demand for institutional care was on the increase. In response, the Chinese government adjusted previous policies for institutional care in order to mobilise resources from the newly developing market economy. Guided by these new policies, state welfare homes in the two cities tried to solve the problems facing them in creative and entrepreneurial ways. Their efforts gradually changed their financial base from total reliance on state resources to having more diversified resources. At the same time, new types of welfare homes began to emerge, which were funded by a mixture of government, the business sector, local communities, and families or individuals. In fact, the coverage of institutional care in one of the two cities was greatly expanded with only very limited state investment.

Shang, Xiaoyuan
Beijing Normal University

The poor in Singapore: issues and options

This article examines the changing patterns of poverty in Singapore. As Singapore’s population ages, the poor increasingly includes the elderly. It appears that ascribed factors, such as gender and race, have significant influence on financial security in old age. As the population ages, the adequacy of the existing anti-poverty policy is a challenge.

Lee, William K. M.
Lingnam University

Economic dynamics and health: lessons from Thailand

The authors analyse health system changes in Thailand over the past two decades with the move from a relatively equitable distribution of health resources to a far more inequitable distribution with the increase in the private health sector. Several strategies were developed and implemented to protect the social safety net for the poor, and to achieve more efficient and transparent use of health resources. These strategies were supported by the strong civic movements towards sustainable, holistic political and social reform.

Wibulpolprasert, Suqit and Pengpaiboon, Paichit
Consultant–Bangkok and Ministry of Public Health–Bangkok
Can Indonesia decentralise successfully? Plans, problems and prospects

Indonesia is engaged in an unprecedented social and economic experiment. Responsibility for much government expenditure is being decentralised, largely to local (district) rather than to provincial governments. If this process is successful, the world’s most centralised large economy could become one of the most decentralised. This paper considers the issues as preparations for decentralisation are finalised, and as the socialisation of its plans and practices is considered by the central government, the People’s Representative Council, the decentralised units of government and the public. These issues were identified partly through interviews with local government officials. They include policy and administrative matters yet to be resolved, such as local budgeting, financial management and auditing practices, personnel decentralisation, local taxation, borrowing by local governments and the match between revenues and expenditures. A major theme is the importance of a continuing national and local discussion on the goals and processes of decentralisation.

Alm, James; Aten, Robert H. and Bahl, Roy
Georgia State University and United States Agency for International Development

Poverty alleviation and regional disparities in Indonesia

This article presents quantitative information on regional poverty and the recent trends in regional inequality in Indonesia. It also provides an overview of the central government’s initiative and performances in poverty alleviation in the context of regional development. Finally, it addresses major challenges facing Indonesia in regional development and suggests possible elements of a future regional development strategy.

Chen, Lihua
United Nations Centre for Regional Development

Political obstacles to decentralization: evidence from Argentina and the Philippines

Decentralisation has swept across the developing world in recent years. Although the speed and scope of the shift towards more decentralised practices is striking, decentralisation is neither inevitable nor irreversible. Rather, it faces enormous political obstacles and can be subject to serious setbacks. This article accounts for attempts by national politicians to thwart decentralisation in two countries that recently adopted some of the most significant decentralising changes in their respective regions: Argentina and the Philippines. Based on fieldwork, it suggests that even after the political decision to decentralise has been made, national politicians may face deep-seated incentives to preserve centralised control over fiscal policy. In the Philippines, legislators attempted to reverse and then circumvent decentralisation since it threatened their status as brokers claiming personal credit for negotiating fiscal transfers from the centre. This article identifies an intermediate outcome in both countries, according to which decentralising policies are neither entirely reversed nor implemented as initially designed.

Eaton, Kent
Princeton University

Changes in the source of China’s regional inequality

This paper examines whether or not the dominant sources of China’s regional inequality have changed since the early 1980s. The authors adopt the decomposition method introduced by Tsui (1993) to facilitate comparisons with his results for 1982. The decomposition analysis shows that the dominant sources of overall regional inequality in output have shifted from the intra-provincial to inter-provincial inequality, from the rural–urban to intra-rural inequality, and also from the disparity within the coast to between the coast and the interior. In the case of consumption, however, the intra-provincial inequality, the rural–urban inequality and the disparity within the coast are the major factors of the overall regional inequality.

Lee, Jongchul
Chungang University
The emergence of affluence in Beijing: residential social stratification in China’s capital city

Since 1987, the Chinese government has begun to liberalise its approach to land markets, allowing for the development of commercial residential housing and sparking greater distinction in housing quality. At the same time, there have been growing income differentials among Beijing’s residents. This paper discusses how Beijing’s new urban affluent have begun to take advantage of greater housing choices. It reports on a survey conducted in 1997 that uncovers the occupational characteristics, consumption patterns, housing characteristics, and residual locations of affluent residents. The results indicate that Beijing’s new urban affluent are beginning to share some of the consumption features of middle-class Westerners. At the same time, however, social segregation is still nascent in Beijing. There is now only a sprinkling of affluent neighbourhoods in the city, and a slight majority of wealthier respondents continue to live in public housing. The continuation of current trends could both deepen and broaden social segregation in Beijing as class divisions manifest in separate neighbourhoods.

Hu, Xiuhong and Kaplan, David H.
Kent State University

Evolving spatial form of urban–rural interaction in the Pearl River Delta, China

Much of the development literature and the theory of urban transition has been based on an arbitrary division of production space into city and countryside. Despite growing recognition of the need for an integrated approach to urban–rural relations, controversial issues related to the definition and measurement of the phenomenon remain unresolved. This case study of the spatial transformation in China’s Pearl River Delta analyses with greater precision the geographical extent and functional attributes of a zone of urban–rural interaction located outside and between major metropolitan centres.

Lin, George C. S.
University of Hong Kong

Infrastructure development and economic growth: an explanation for regional disparities in China?

This paper provides empirical evidence on the links between infrastructure investment and economic growth in China. Using panel data from a sample of 24 Chinese provinces (excluding municipalities) throughout the period 1985–98, the estimation of a growth model shows that besides differences in terms of reforms and openness, geographical location and infrastructure endowment do account significantly for observed differences in growth performance across provinces. The results indicate that transport facilities are a key differentiating factor in explaining the growth gap and point to the role of telecommunications in reducing the burden of isolation.

Démurger, Sylvie
Université d’Auvergne

Intercity regional disparity in China

The People’s Republic of China (PRC) has always emphasised a policy of achieving economic equality among regions. Yet regional disparity persists. During the 1980s and 1990s, government policies increased the disparities among regions, causing the eastern (coastal) region to advance at a greater rate than the western and central regions. Using 1985 and 1991 city-level data, this paper examines economic disparities across regions in the PRC and within each region. It presents evidence on the magnitude and evolution of regional disparities, and estimates the response of regional per capita income and per capita gross domestic product to specific regional and national policies.

Song, Shunfeng; Chu, George S.-F. and Cao, Rongqing
University of Nevada and Zhejiang Normal University
**Shanghai between state and market in urban transformation**

Economic liberalisation has brought fascinating changes to China’s urban development by undermining state control and introducing market forces to economic decision-making, raising the fundamental question of the current roles of state and market in urban transformation. By using Shanghai as an example, this paper argues that the stereotypical perception of rigid state intervention is no longer a relevant understanding of China’s urban transformation. The same is true of the overwhelmingly described market influences. Rather, urban development in contemporary China is shaped by the interplay between state and market. The state plays a key role in determining the timing, pace, and economic and spatial configuration of Shanghai’s development, while the market is an indispensable part in central and local state decision-making. With continuous reform and economic liberalisation, China is moving towards a small government and a multitude of private enterprises.

Han, Sun Sheng  

**Regional cooperation for control of transboundary air pollution in East Asia**

This paper assesses policy options available for environmental cooperation to abate acid rain pollutants in East Asia. The authors argue that a multilateral approach, rather than a bilateral one, should be employed as a control policy. As for control strategies, effective incentive-based environmental policies including a charge system in conjunction with the promotion of cooperation for a regional environmental protocol or treaty are required in order to make up for the lack of contractual enforcement available to participants. In addition, joint scientific and economic research is crucial to prevent a ‘free rider’ problem and to convince regulators that benefits exist from multilateral cooperation. Trade sanctions will, however, create undesirable side effects and rivalry. Competition may undermine the effectiveness of a side-payment system to abate pollution at the national level.

Min, B. S.  
Monash University  

**Financing rural energy services in the Philippines: global environment and people-centered development as public goods**

Access to energy is a means of achieving economic development. Both environmental concerns and global privatisation have increased the need for new and renewable sources of energy. In the Philippines, where such sources of energy are not yet fully exploited, the national power development through grid extension has not reached most of the country’s rural areas. One reason for this is the geography of the country. Another is the fact that the Philippines’ national policy framework for energy development is inconsistent with the enhanced utilisation of new and renewable sources of energy. A new financing scheme—Financing Energy Services for Small-scale End-users—was established in the Philippines by the World Bank, United Nations Development Programme and several bilateral aid agencies in 1991, and has been replicated in the country, specifically at the Development Bank of the Philippines.

Ishido, Hikari  
United Nations Development Programme (UNDP)  

**Poverty, consumption risk, and soil conservation**

This paper studies the impact of poverty and uninsured consumption risk on incentives to invest in soil conservation. A stochastic dynamic model is used to show how consumption risk and costs of investment influence incentives to adopt soil-conservation measures on low-income farms. The model is calibrated using production data from hillside farms in the Philippines. Simulations with the model demonstrate how the value of soil conservation depends on the cost of investing, the risk characteristics of the soil-conservation method and

Shively, Gerald E.  
Purdue University  
differences among households in their capacity to bear risk. Model predictions are compared with empirical adoption patterns, as described by a probit model and non-parametric kernel regressions of adoption probability. Empirical findings show how differences in farm size, tenure security, risk exposure and access to credit help to explain patterns of soil-conservation adoption. Implications for policy are also discussed.

Eco-consciousness and development in Palau

With the arrival of colonisation, Palau was propelled, virtually overnight, from a subsistence economy to one that involved international trading and exposure to previously unknown goods. The presence of foreign governments and the emergence of a trade-based economy eroded traditional conservation practices, leaving an ethical vacuum as the people struggled to adjust to new guiding principles. The next decades were marked by over-harvesting of marine and land resources and overall environmental degradation through pollution and modern development activities. The authors argue that the development of a new approach that would combine traditional wisdom with Western science could be an effective tool to deal with today’s environmental challenges. The clock has been ticking for quite some time, however, and the issue that is of greatest concern is whether or not Palau as a nation will be able to bring development in line with sustainable environmental practices before its resources are destroyed.

Inspections, pollution prices, and environmental performance: evidence from China

In environmental economics, monitoring and enforcement issues have attracted relatively little research. Moreover, the bulk of the literature on these issues has been of a theoretical nature. Few have empirically analysed the impact of monitoring and enforcement activities on the environmental performance of polluters, and all existing studies have been performed in the context of industrial countries. This paper fills this gap by exploring the impact of both inspections and pollution charges on the environmental performance of polluters in China. While pollution charges represent an important pillar of the Chinese environmental-regulatory system, results indicate that inspections dominate and better explain the environmental performance of industrial polluters.

Sustainable energy and urban form in China: the relevance of community energy management

Chinese cities are experiencing major environmental effects from fossil fuel-based energy consumption for mainly residential and increasingly urban transportation uses. Community-energy management (CEM) is a sustainable energy strategy that looks at how purposely shaping the built environment and designing urban services in consideration of energy production, distribution and use, could affect both the long-term demand for energy and the type of energy supplied. This study explores what CEM is in a Chinese context by analysing trends in land-use planning, urban transportation and residential energy, and then suggests strategies that would be appropriate in directing urban development towards a more sustainable energy path.
Water pollution abatement by Chinese industry: cost estimates and policy implications

Factory-level data are used to estimate water-pollution abatement costs for Chinese industry. From the results, the cost effectiveness of current pollution-control policies in China is analysed. Basic conclusions are: the benefits of stricter discharge standards should be weighed carefully against the costs; low emissions charges would be sufficient to induce a high percentage of abatement of suspended solids for cost-minimising factories; and the current regulatory system provides an economic incentive to abate by charging a levy on pollution in excess of the standard. The results suggest, however, that changing to a full emissions charge system would greatly reduce overall abatement costs. For the 260 factories in the sample, the current overall abatement rate could be attained under a charge system at a reduced annual cost whose present value is US$344 million.

Dasgupta, Susmita; Huq, Mainul; Wheeler, David and Zhang, Chonghua
World Bank

World Bank energy projects in China: influences on environmental protection

A study of the World Bank’s energy-related projects in China reveals several areas where World Bank assistance has clearly influenced broader trends in energy and environmental protection. This paper reviews the World Bank’s 36 energy-related projects approved from 1984 to 1999 in the context of these broader trends. Projects helped accelerate development of large-scale efficient coal power plants, hydropower, state-of-the-art technologies for controlling power-plant emissions and international best-practice environmental assessments of energy projects. The World Bank has just begun to fund several promising initiatives for energy efficiency and renewable energy. At the same time, some opportunities for the Chinese government and the World Bank to jointly promote environmentally sounder energy development are only just now being addressed.

Martinot, Eric
Stockholm Environment Institute

Placing human rights and environmental issues on ASEAN’s agenda: the role of non-governmental organizations

Since the cold war era, both regional and global agendas have expanded to include a proliferation of issues. This article examines the influence non-governmental organisations have had in placing human rights and environmental issues on these agendas. While the importance and value of non-governmental organisations focused on development was recognised early by governments, those focused on the environment and human rights had initially often been seen as opponents. Their success in forming both domestic and regional networks, however, some of which have even included government officials, has enabled them to successfully place human rights and environmental issues on the agenda of ASEAN. Initially, placing the issues on the agenda often represented an effort by ASEAN to co-opt the concerns by simply agreeing to discuss them, but there have been increasing efforts especially in the environmental area to implement real policy changes.

Aviel, JoAnne Fagot
San Francisco State University

Carbon emissions control and trade liberalization: coordinated approaches to Taiwan’s trade and tax policy

In recent years, several studies have emerged on the possible reconciliation between trade and environmental policies. Little attention has been devoted to the economic implications of the linkages of these policies in the newly industrialised countries, however. This paper investigates the effects of trade and environmental policies on the Taiwan economy. The estimates are derived from a five-household, 18-sector computable general equilibrium model calibrated to a 1995 social accounting matrix. Empirical results based on Taiwan’s data show that tariff elimination can significantly reduce the costs of

Yang, Hao-Yen
Shih-Hsin University
Trade liberalization and pollution: a general equilibrium analysis of carbon dioxide emissions in Taiwan

This paper examines the environmental effects associated with Taiwan’s application for membership to the World Trade Organization. It provides a quantitative assessment of carbon dioxide emissions from changes in the level and structure of production activity in Taiwan following a liberalisation of trade. The estimates are derived from a five-household, 18-sector computable general equilibrium model calibrated to a 1996 social accounting matrix. Empirical results show that total carbon dioxide emissions increase as a result of trade liberalisation. There is also a shift in the structure of production towards those sectors that are the most carbon intensive.

Yang, Hao-Yen
Shih-Hsin University

950 — Housing

The rise and fall of discriminatory zoning in Hong Kong

By using a modified Cheung model of price control, the authors show that discriminatory zoning is an economically inefficient protectionist alternative to non-discriminatory zoning. The exclusionary zoning on the peak of Hong Kong arose in order to give Europeans a housing area free from economic price competition with the Chinese. Such zoning collapsed after the Second World War when European owners needed to realise their capital. Land-transaction records of certain sites on the peak are analysed to support this interpretation. The authors argue that discrimination is economically inefficient and will be abolished once the favoured group ceases to benefit from it.

Lai, Lawrence W. C. and Yu, Marco K. W.
University of Hong Kong

Small is beautiful: a probit analysis of development control of small houses in Hong Kong

This paper investigates the development control (planning application) data regarding the so-called ‘small houses’ in Hong Kong with respect to two classes of statutory zones: the green belt and unspecified-uses zones. Four refutable hypotheses relating to the scale of the development, exogenous policies and internal planning guidelines confronting the planning-permission mechanism are tested by using a probit model adapted for the purpose. The data set with 826 individual observations over a period of 24 years from 1975 is part of the first systematically collected and unpublished planning statistical data set for Hong Kong. Although the hypotheses are specific to Hong Kong, they could be easily adapted, where non-aggregate planning statistics are available, to evaluate three general issues: rent-seeking, the dependence of planning decisions on policies and the spatial variation in success rates of planning applications.

Lai, Lawrence W. C. and Ho, Winky K. O.
University of Hong Kong

Social belonging, social capital and the promotion of home ownership: a case study of Hong Kong

The Hong Kong government is vigorously promoting home ownership, a major rationale being to increase the community’s sense of belonging and to reduce the rate of emigration. This paper evaluates whether or not home owners in Hong Kong have a higher sense of social belonging than tennants and finds that tenure status is a spurious independent variable in assessing respondents’ sense of belonging. Logistic regression analysis suggests that the significance of tenure is
Residential mobility and urban restructuring under market transition: a study of Guangzhou, China

Residential mobility can be understood as an outcome of a choice process exercised under complex institutional and personal constraints. China’s rather unique pattern of housing market segmentation under market transition impinges directly on residential location and relocation. Drawing on data from a sample survey, this paper analyses the pattern of residential moves resulting from housing construction in a major Chinese city, Guangzhou. Most moves are of short distance, although the general direction is towards the urban periphery. Danweis and the municipal housing bureau, rather than the market, are the primary driving forces behind suburbanisation in China.

Urban housing reform and finance in China: a case study of Beijing

Housing policies introduced in China in 1998 aimed to end the distribution of housing by employers and set up new housing-finance and market systems. The author examines policy development and practice in Beijing and evaluates the performance of the new housing-finance mechanisms. Although the 1998 policies were a major step forward, the system created is very different from that in a market economy. Employers still have a major role to play in housing, although they are not directly involved in construction and distribution.

Education and labor market participation of women in Asia: evidence from five countries

The role of women’s education in economic development has recently received considerable attention in development literature. A cycle or paradigm has been suggested, wherein resources devoted to raising the educational attainment of women is advantageous in a number of ways. In this article, the possible impacts of an increase in a wife’s education on the household decision-making model, where it is assumed that the outcomes are Pareto efficient, is considered. A reduced-form participation index is derived from the model and used in an estimation on household data from five Asian countries.

Gender differences in land inheritance, schooling and lifetime income: evidence from the rural Philippines

This article examines the difference in lifetime incomes arising from parental preferences in the allocation of land inheritance and investments in schooling between sons and daughters in the rural Philippines. Sons are preferred with respect to land inheritance, receiving 0.15 additional hectares of land, while daughters are treated more favourably in schooling investments, receiving 1.5 more years of schooling. Differences in both current and life-cycle incomes between sons and daughters are insignificant, however. This suggests that Filipino parents allocate inter-generational transfers to equalise incomes among their children, without sacrificing efficiency.
Women and the privatisation of Samoa’s coconut oil mill

This case study of the privatisation of Samoa’s coconut oil mill shows that foreign investment need not be a disempowering experience for women and their families, and explores why this is so. In this case, foreign capital is supporting an industry that ‘fits’ and builds on the traditional smallholder production and use systems, which is a contrast to the more usual pattern of foreign investment featuring an introduced and highly specialised enterprise and requiring a centralised workforce. While Samoa is the focus, this study has wider implications because the coconut is central to every Pacific island economy.

Fairbairn-Dunlop, Peggy
University of the South Pacific

A note on the influence of gender relations on the technical efficiency of smallholder coffee production in Papua New Guinea

There is widespread evidence of gender discrimination in household-commodity production in Papua New Guinea, demonstrated by the limited access of women to the associated economic benefits and their longer working hours. It is unclear how these factors influence the technical efficiency of household production. This paper analyses the impact of gender relations on the technical efficiency of coffee smallholders in Papua New Guinea. It also summarises the results of a more general study reported in detail by Overfield and Fleming (1999).

Overfield, Duncan and Fleming, Euan

Gender, hukou, and the occupational attainment of female migrants in China (1985–1990)

This paper argues that the occupational attainment of female migrants in China has to be understood in its unique socio-cultural and institutional context. In addition to the constraints of human capital, the patriarchal culture and the household registration system (hukou) greatly constrain the occupational attainment of female migrants. An empirical study based on a 1 per cent sample of China’s 1990 Census shows that female migrants are at a disadvantage in the labour market not only because of their gender but also because of their rural identities and outsider status, as defined by the hukou system. They can only attain jobs with lower prestige than their male counterparts, such as agricultural work and a few gender-stereotyped, family-related urban jobs.

Huang, Youqin
University of California

Representation of women in governance in Singapore: trends and problems

This article explores the issue of women’s representation in various domains of governance—including the legislature, cabinet, administrative agencies and local organisations—in Asia with special reference to Singapore. Before venturing into the specific issue of representation in Asian governance, however, this paper explores the contemporary global trends in general gender-related issues.

Haque, M. Shamsul
National University of Singapore