Institutions and Governance in Colonial and Post-colonial Southeast Asia: The Case of Export-Oriented Agriculture

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Introduction:

One of the most perplexing questions to have arisen from studies of comparative economic growth in the latter part of the 20th century is why some former colonies have performed so much better than others. That most parts of Asia have done better than most parts of Africa is well-known, at least if growth of GDP is used as the main measure of performance. But even within Asia, some countries have performed much better than others. The superior performance of Taiwan and South Korea has often been attributed to the Japanese colonial legacy, although the evidence for this is not as strong as some writers have claimed. The influential work of Acemoglu, Johnson and Robinson (2001) has attributed the relative backwardness of the former tropical colonies to weak institution-building in the colonial era, itself the result of small European populations, although their analysis does not try to address the different growth outcomes in different parts of the colonial world since the 1960s.

This paper examines the role of institutions in the development of export-oriented agriculture in several parts of Southeast Asia since the late 19th century, with particular focus on smallholder producers. It argues that "traditional institutions" in Southeast Asia, as indeed in other parts of the world where smallholder export production has flourished, were not as dysfunctional as some recent writers have argued. In fact there was considerable progress in adapting traditional institutions to the requirements of export cultivation in the colonial era in some parts of Africa and Asia, especially in

Southeast Asia. This was the case even in those colonial territories which were left under the control of local rulers, most of whom had little knowledge of, or interest in modern economic development. The reliance on 'indirect' rule was in large part the result of limited colonial budgets, and especially in Moslem areas of both Africa and Asia, a reluctance on the part of colonial authorities to interfere with traditional power structures which might in turn trigger local unrest. But the evidence indicates that, even in indirectly ruled regions, export cultivation often developed, sometimes with surprising speed.

In many colonies in both Asia and Africa, European presence was small and colonial budgets extremely limited. Even where the colonial governments had wanted to implement development policies, they often lacked the means to do so. But in spite of the lack of infrastructure, and the very limited attempts to introduce education in the language of the colonial power, there was a rapid growth in export-oriented agriculture from indigenous cultivators in both West Africa and Southeast Asia, which accelerated after 1920. In this paper I try to explain why this happened, looking especially at the case of smallholder crops in Southeast Asia over the 20th century. But before looking at the growth of agricultural exports, it is useful to look at the definitions of institutions which have evolved in the literature over the past few decades.

Defining institutions and institutional change

The term 'institution' can be defined in many different ways; North (1991: 97) states that "institutions are the humanly devised constraints that structure political, economic and social interaction". He goes on to point out that constraints can be both informal, including customary taboos and codes of conduct, and formal rules through codified laws and constitutions. Greif (2006: 30) has emphasized the importance of "rules, beliefs, and norms as well as their manifestation as organizations". He goes on to define as an institution is a system of rules, beliefs, norms, and organization that together generate a regularity of social behaviour, although he does not make the Northian distinction between formal and informal constraints. Another recent study argues that

"an institution is a complicated collection of expectations, norms, and constraints that work together to influence the way people interact with each other" (Allen 2012: 226). All these definitions are broad; they place stress on behavioural norms as well as on codified laws, although such norms are not always easy for social scientists to analyse. Indeed Greif (2006: 382) admits that the "complex nature of institutions implies that a superficial study is likely to be misleading".

Most economic historians would agree that for modern economic growth to get underway, it is essential for a country or region to develop institutions which reduce the costs of doing business, or producing goods and services (i.e. reducing transaction costs). This often involves the development of new legal and governmental institutions which promote macroeconomic stability, and encourage entrepreneurial activity, as well as restraining the predatory activities of those in power. More broadly, there must be a move away from a world where patronage, privilege and family connections determine a person's life chances to one where individual ability is recognized and where impersonal exchange, usually through markets, becomes the norm. Producers must be free to respond to market incentives and use the assets which they control to produce more goods or services which can be sold through markets. Unsurprisingly, given the emphasis which many economists place on the development of markets, much of the recent literature examines those institutions which protect property rights and provide contract enforcement as necessary pre-conditions for the emergence of markets (Greif 2006: 56). Acemoglu and Robinson (2012: 74) argue that the most successful economies have developed inclusive economic institutions which feature "secure private property, an unbiased system of law and a provision of public services that provides a level playing field in which people can exchange and contract". But they do not discuss whether the development of such institutions is a cause or a consequence of rapid economic growth.

Another important strand in the recent literature relates to policies which governments, often aided by bilateral and multilateral development agencies, can implement to change institutions in line with international "best practice". Easterly

(2008) makes a distinction between top-down and bottom up institutional change. The former refers to attempts to impose institutional change through legal and administrative reforms, usually imposed by national governments, and often as a result of advice from international agencies. The latter relates to changes from below, which usually take place more slowly as a result of political, economic and demographic change in specific locations. Easterly, along with many other observers of development policy in different parts of the world argues that top-down reforms often fail, or are at best only partially successful. He uses the example of land titling schemes in Africa to refute the "naïve optimism implied by aid agency recommendations that institutions can be rapidly changed from the top by political leaders" (Easterly 2008: 98).

How crucial were individual property rights to economic change in Asia?

Easterly's concerns about the ability of governments to reform property rights raise further questions about the recent literature on institutions. Much of this literature has placed great emphasis on the creation of individual property rights and often ignored other issues including the changing role of government institutions. But is reform of traditional property rights always essential for economic growth? Some authors argue that the whole emphasis on property rights is misplaced and that this particular institution has "been forced to carry far too heavy an explanatory burden" (Evans 2007: 36). It has also been argued that the emphasis on property rights has led to several scholars making historically inaccurate claims about the absence of property rights as a barrier to sustained economic growth. McCloskey (2010: 320-24) has severely criticized the work of Acemoglu, North and others on the grounds of historical inaccuracy, especially regarding their discussion of the absence of secure property rights in early modern Europe. Angeles (2011: 173) has argued in the context of pre-industrial Europe that "the case for the importance of property rights on capital accumulation, while theoretically sound, lacks empirical support". He also points out that the importance of property rights on the production of ideas can be challenged, in both pre-industrial Europe and today's developing world.

In the context of both Africa and Asia, several scholars have argued that the conventional dichotomy between backward communal tenure and 'modern' individual tenure can be very misleading. Hopkins (1973: 38-9) pointed out that African land laws ranged over a wide variety of tenure systems, as indeed was the case in early modern Europe. He argued that 'indigenous land laws' were neither irrational nor antediluvian, but were a reflection of the conditions governing agricultural production in West Africa. There is little evidence that land tenure systems, whether 'communal' or otherwise, prevented the rapid development of export-oriented agriculture in many regions in West Africa. Hopkins (1973: 218-9) claims that the slow growth of export-oriented agriculture in French West Africa was much more to do with the coercive policies adopted by the French, which caused the indigenous populations to spend unproductive time hiding from the French administrators, rather than growing crops. When forced labour was finally abolished in 1946, there was a dramatic growth in output for export.

In Southeast Asia, the region this paper focuses on, there were, by the early 19th century, criticisms that land tenure systems could impede agricultural development. Thomas Raffles, in his famous *History of Java*, argued that where land rights were vested in the sultan, individual farmers in Java had 'but little inducement to invest capital in agriculture' and that much labour must be unprofitably wasted (Raffles 1975: 147). He contrasted the situation in the more settled parts of Java with the less densely populated frontier regions where the land cleared by settlers was considered to be their own property. As exports expanded in the last part of the nineteenth century, land markets often developed where none had existed before, and colonial administrations reacted to the increased demand for land by introducing new concepts of land titling, usually imported from other parts of the world and quite alien to indigenous populations. In both Thailand and the Philippines, as well as in parts of British Malaya, the Torrens system of land titling from Australia was introduced.

This system had been developed in Australia to give European farms a secure title to land, so that they could then invest in improvements and capital works. The system required a detailed land cadastre which did not exist in many parts of Southeast Asia,

even in the more densely settled areas, let alone in the frontier zones. In Java and Bali, a detailed land cadaster was developed in order to levy a land tax, which had become an important source of government revenue by the early 20th century. Land tax receipts were used as proof of ownership among indigenous cultivators, and a market for land developed. But elsewhere in Indonesia, the land tax was not levied and land rights were often determined by local custom[1]. In the the Philippines, funds were very limited for both surveying and the drawing up and issuing of title deeds, and many smallholders never received any legal title, thus making them vulnerable to land grabs on the part of the rich and powerful who could hire lawyers, and where necessary pay bribes to get titles and expropriate traditional cultivators (Miranda 1991: 58-9; Pelzer 1945: 109-110). In Thailand, land titles were given to cultivators in the central plains but in many other parts of the country, cultivators received no official recognition of their claims to land (Feeny 1982: 96-97). Even in the central plains, the impact of the land titling legislation was often confusing for cultivators. Larsson (2012: 33) has argued that the new laws were poorly implemented, and discounted imperfect but well-established ways of showing proof of ownership, such as land tax receipts, or occupancy.

As large estate companies expanded their operations, especially in Indonesia, Malaya and the Philippines, they used their influence with both colonial administrations and home governments to get access to large blocks of land on long leases or freehold tenure. But in addition, many small cultivators developed hitherto underutilized land close to their food crop farms so that they could grow more rice, or tree crops such as coffee and rubber. This was sometimes a reasonably peaceful process, with the smallholder acquiring extra assets, and an extra source of cash income. But often there was the risk of expropriation by powerful land grabbers, both local and foreign, who had the tacit if not open support of ruling elites, both colonial and indigenous. In the case of British Malaya, Jomo (1988: 86-87) argued that the imposition of colonial land laws, and the large-scale alienation of land to estates meant that many shifting cultivators were deprived of their traditional livelihoods. In the Philippines, those most vulnerable to

[1] The land tax was extended to Lombok and part of South Sulawesi in the 20th century, but not to Sumatra and Kalimantan

predatory behavior were cultivators who had migrated to the so-called "frontier" regions where they developed homesteads and smallholdings. In his discussion of the growth of sugar production in Negros Occidental in the Philippines, Larkin (1993: 60) argued that the peopling and exploitation of the western Negros wilderness had

> much in common with the global frontier phenomenon taking place at this time. The expansion of agriculture onto hitherto underutilized territory of the Americas, Eurasia, Africa, and Oceania happened in response to social, economic, and political pressures, as well as to an imperative to feed the machines of the Industrial Revolution. The cycle of initial pioneering, succeeded by intense cash-crop agriculture, the encumbering of land, the harnessing of labor, and the gradual imposition of a full range of civilization's amenities and restraints, was repeated on Negros, as on other frontiers. As elsewhere, forest lands were reduced and the local aboriginal population displaced as a rising entrepreneurial elite rapidly accumulated wealth.

No doubt mindful of its own recent pioneering history, the American administration in the Philippines was, according to Larkin (1993: 68), keen to follow "America's own ideal of turning the frontier into the realm of the yeoman farmer". The Homestead Act of 1902 in the Philippines granted a maximum of sixteen hectares of public land to each settler family. This was a generous amount for many poor families, and numbers of applications grew steadily over the ensuing years. But a large number of applications for homesteads failed, partly because many potential settlers were often not aware of the legal status of the land on which they wished to settle. If the land was not considered to be in the "public domain" the application was refused. In addition, if the homesteader was not able to cultivate at least one fifth of the land allocated within five years, he lost the claim which was then given to another applicant (Pelzer 1945: 110-114). In parts of Luzon, some homesteaders found that the land they had cleared and farmed was registered by some of the powerful landlords in the area, and in effect taken from them by a legal titling procedure of which the homesteaders were ignorant (McLennan 1969: 673-4).

Other colonial administrations also stated that their goal was to establish an agrarian system based on small owner-cultivators. If necessary the government would facilitate the opening up of "empty lands" with agricultural potential on which to settle migrants from the densely settled areas. French policy in southern Vietnam from the 1860s onwards was "intended to settle the majority of the population on the land, and thereby create a secure social order based on small proprietors" (Brocheux 1995: 30). After 1900, the Dutch began an ambitious land settlement program which involved moving landless families from Java to Sumatra and Sulawesi (Pelzer 1945: Chapter VII). In the delta regions of southern Vietnam, central Thailand and southern Burma, large tracts of agricultural land were opened up for cultivation in the latter part of the nineteenth and early twentieth centuries (Owen 1971; Siamwalla 1972). The impact of these ambitious schemes differed over time and space, but often it led to consequences unintended by the governments which had initiated the process of land expansion. Indeed in some cases, following Easterly (2008: 96) it could be argued that the imposition by colonial governments of new titling arrangements alongside the traditional systems allowed opportunistic individuals to cheat their less sophisticated neighbours, and then exit the traditional system and use the new system to obtain legal safeguards for their land acquisitions.

But at the same time, the traditional systems did survive and continued to be sanctioned by communities in many parts of Southeast Asia. The dramatic increase in export-oriented agriculture which occurred in several parts of Southeast Asia in the 19th and early 20th centuries was partly due to establishment of large estates who usually acquired land from local rulers on long-term contracts which were enforced by colonial legal systems. But smallholder cultivators became increasingly important, and they often grew crops on land which had been newly opened up, either by local populations or by migrants from other regions. Rice exports grew rapidly from the three deltas in Thailand, Burma and South Vietnam, most from land owned or rented by smallholders, while smallholder cultivation of treecrops including coffee, pepper and rubber increased in Indonesia after 1870.

The development of export-oriented agriculture in Southeast Asia: 1870-1942

If the introduction of 'modern' property rights, however defined, did not have a dramatic impact on smallholder agricultural production in many parts of Africa and Asia, to what can we attribute the growth of export-oriented agriculture after 1870? That such growth did occur is beyond dispute, although in the Southeast Asian context, the causes varied by region and by crop. In Indonesia, a considerable part of the growth in the decades after 1870 was the result of smallholders successfully cultivating crops such as coffee and rubber which had been introduced and cultivated by large estates. By the late 1930s, over half of all rubber grown in Indonesia, and almost half the coffee, came from smallholdings (Creutzberg 1975: Tables 10 and 12). Other crops such as coconut products and pepper were entirely grown by smallholders, while tea and oil palm were still mainly grown on estates. In British Malaya, smallholder rubber production also increased between 1920 and 1940, particularly in the unfederated states, although large estates still accounted for around 60 per cent of total production in 1940 (Barlow 1978: Appendix Table 3.2). In neither Indonesia nor British Malaya did government provide much support to the smallholder cultivators; much of the production took place in areas which were remote from direct control by colonial officialdom (Barlow and Drabble 1990: 197).

Elsewhere in Southeast Asia, the staple food crop, rice, was also becoming an important export crop, as regional and world demand for rice grew. The growth of rice exports from the 'three deltas' in central Thailand, southern Vietnam and southern Burma has been analysed by Owen (1971), Siamwalla (1972) and Adas (1974). Almost all the growth was due to expansion of cultivated area, which increased more than three-fold in all three regions in the fifty years from the 1880s to the 1930s (Booth 2007: Table 3.7). In the delta of the Irrawaddy, British policy was supportive to the extent that it removed the restrictions on the export of rice and facilitated, or at least did not prevent, population movements to the delta areas. In Thailand, Siamwalla (1972: 17-18) has suggested that the government liberalized the export trade in rice after 1870 at a time

when the corvee system was still in place. The people who responded to the signal of rising prices were those who had control over both land and labour. Some farmers probably also benefited from the trend towards secure property rights; Feeny (1982: 96) has argued that farmers with secure property rights were able to use their title deeds as collateral for loans. But in Thailand, much of the growth in export crops over the 20th century occurred in areas in the north and south of the country, where traditional tenures were still in place until the titling initiatives adopted, with World Bank support, in the 1980s (Larsson 2012: 124).

The experience of Cochinchina was different again. The French invested heavily in land reclamation in the Mekong delta around the turn of the century, and often disposed of the resulting land in large tracts to both expatriates and local residents who either had the money to buy the land in auctions, or the political influence to acquire it as grants. The distribution of land in the delta regions was very skewed compared with other parts of Vietnam (Henry 1932). Many cultivators were tenants with little security. The population of the delta area expanded rapidly after 1880, although how much of the growth was from natural increase, how much from local migration within southern Vietnam, and how much from longer distance migration from northern and central Vietnam, and from Cambodia is difficult to judge from the existing data. Owen (1971: 127) argued that much of the migration was from less fertile, and more crowded parts of Cochinchina, while Brocheux (1995: Table 1) has shown that numbers of Cambodians in western Cochinchina more than doubled between 1886 and 1908. By 1908 Cambodians accounted for almost 16 per cent of the population. Many were probably squatters on land to which they had no legal title, and were increasingly vulnerable to dispossession after 1900.

It is thus difficult to explain the growth of smallholder export production in Southeast Asia after 1870 simply in terms of a large-scale conversion to secure individual land rights. While it is true that the monetary cost of developing smallholdings of export crops was low, it is unlikely that families would have invested their labour in the back-breaking work of clearing jungle land and planting treecrops if

they had not been reasonably confident that the land and the trees would be their own to cultivate as they wished, and to pass on to their heirs. Those farmers in Sumatra, Kalimantan and parts of British Malaya who planted treecrops which took several years to mature (seven years in the case of rubber) would not have invested their time and money had they expected the land to be seized before the trees even reached maturity. But they relied on customary tenure and the protection of local communities, rather than the Dutch or British legal systems, which were mainly concerned with providing long leases for the large estates.

For rice and other foodcrop cultivators there is a much shorter period between planting and harvest and many cultivators might have been prepared to risk eviction even before the harvest, although it is not clear to what extent this happened. The large farmers in the Mekong delta who had purchased their land from the French authorities no doubt felt they had secure tenure, guaranteed by the French legal system, but they did not cultivate the land themselves. Many were absentee. In Burma and Thailand, owner-cultivators were more usual, and enjoyed some legal protection although in the 1930s, many cultivators in Burma were forced to surrender their land to the moneylenders, mainly Indian, from whom they had borrowed money which they could not repay as world and local prices fell.

Institutions which supported the growth smallholder export production

If secure cultivation rights vested in individuals or households could not explain the rapid growth of smallholder exports in Southeast Asia, or were at best only part of the story, what other factors played an important role in facilitating the growth of smallholder exports? Colonial regimes did impose a measure of law and order, and stable macroeconomic conditions, including fixed exchange rates[2]. In addition they invested in infrastructure, such as ports and roads. But two other factors were also crucial: the response by indigenous producers to the challenge of international markets,

[2] Exchange rates were usually fixed relative to the colonial currency. In some cases they were overvalued and deterred export producers.

and the trading networks established by Chinese migrants. The growth of regional ports such as Rangoon, Singapore, Manila, Medan, Batavia and Surabaya, as well as many smaller ports across Southeast Asia certainly facilitated the growth of exports. But while ports and roads were a necessary condition for export growth, they were not always a sufficient condition. Of more importance was the response to international demand on the part of millions of producers, and the development of marketing networks which formed the crucial link between the isolated rural producer and the consumer, often a household or factory on the other side of the world.

The response of millions of small producers across Southeast Asia to the opportunities offered by growing world demand for tropical products refuted the view, still held by some colonial officials as late as the 1930s, that most farmers in Southeast Asia were entirely oriented to subsistence production. The farmers who grew rice, rubber, coffee, pepper, coconuts and other crops for international markets in the decades after 1870 came from a wide variety of ethnic and religious backgrounds. Their motives for growing crops for sale also varied. Some wanted a cash income in order to purchase the manufactured goods from Europe, the USA, and Japan which were increasingly available across the region after 1870. Others wanted to educate their children, either in traditional religious schools or in those schools which offered instruction in the language of the colonial power. Many wished to fulfill religious obligations, including the pilgrimage to Mecca. Whatever their motives, the small farmers proved themselves more resilient to fluctuating market conditions compared with the large estates, especially over the 1930s[3].

Where did the millions of Chinese who were living across Southeast Asia in the early 20th century fit into the story of export growth? In some parts of Southeast Asia, especially Indonesia and British Malaya, it was impossible for the Chinese to engage in agricultural cultivation, as they were not permitted to own or operate land. In

[3] A classic account of the growth of the rubber industry in Southeast Asia prior to, and immediately after 1945 is given by Bauer (1948). Bauer stressed that the smallholder sector was very competitive; he cited the views of planters who as early as 1930 expressed the opinion that the large estates would lose market share. Some planters wanted the governments in rubber regions to ban smallholder cultivation altogether (Bauer 1948: 285).

independent Thailand, the legal situation was rather different. Sompop (1989: 109) claims that the slow growth of rubber production in Thailand prior to 1940 was in part at least due to the fact that the tin-mining business was more attractive to Chinese. But indigenous Thais became more involved in rubber production over the 1930s and 1940s. By 1949, Thai cultivators controlled more rubber holdings and land than Chinese, although the Chinese dominated in the larger holdings over eight hectares (Ingram 1971: 103). But at the wholesale level, Chinese dominated trade in export crops across much of the region.

Why was this? The case of the Sumatran rubber trade is quite instructive. Indigenous traders had secured a foothold in the post-1918 era, but by the end of the colonial era, the ethnic division of labour was clear:

> The pribumi were, for the most part, confined to the production of slabs or unsmoked sheets at the village level, the latter in cooperation with a Chinese warong owner who had purchased a set of hand mangles. The relationship between the trader and smallholder contained elements of both trust and suspicion, but in the colonial setting the latter element did not become a source of political tension (Thomas and Panglaykim 1976: 149).

The emphasis which Thomas and Panglaykim placed on trust is important; they argued that the entire rubber marketing network in South Sumatra could not have evolved without it[4]. "This is far from saying that each party to every transaction entered the arena on an equal footing" (Thomas and Panglaykim 1976: 146). At all levels the buyer was the dominant partner and the buyer was usually Chinese. This was also the case for most other smallholder crop markets throughout Southeast Asia, where the symbiotic relationship between grower and trader which Thomas and Panglaykim described in the South Sumatran rubber sector also existed. The grower, usually Muslim in most of Indonesia and also in British Malaya, may not have regarded the Chinese

[4] For more on the importance on trust in markets see McMillan (2002: 53-4).

trader as in any sense a fellow member of his community, but was prepared to do business with him, because the transaction was viewed as beneficial by both parties.

Why did so few indigenous traders emerge in the rubber market, or indeed in other markets across the region? This is a complex question and I cannot do it justice here. But one reason which has been put forward by Ray (1995; 552-3) is that many indigenous trading groups in 19th century Southeast Asia were unable to gain a secure foothold in what Ray termed the "bazaar economy" which had developed large-scale transport and trading networks across Asia. Ray claimed that Chinese and Indian traders, usually based in the large port cities, built up businesses which were operating in a different sphere from the banks and trading houses controlled by the imperial powers but were also far removed from the small and fragmented traders and peddlers operating in indigenous markets. He argued that many of these traders were able to fiancé long-distance trade with the same facility as European businesses. The interest rates they charged were often no higher than those charged by the European banks, and trade credit was often available through negotiable instruments. But participation in this sophisticated trading system demanded literacy, numeracy, and commercial knowledge which few Javanese, Minang, Buginese, Malay or other indigenous traders possessed or could easily acquire. Thus as smallholder export production boomed through the late 19th and early 20th centuries, trade in these products was largely taken over by Chinese networks.

Post-1950 Developments: the Thai success story

After independence, the fortunes of small holder agriculture fluctuated across Southeast Asia. In terms of production growth, the greatest success in the years from 1950 to 1985 was probably in Thailand, where smallholder production of rice, rubber, maize, cassava and other crops grew rapidly. Rice production increased from 6.8 million metric tons in 1950 to 13 1 million metric tons by 1974; by 1985 production had risen to 20.3 million

metric tons[5]. Unlike Burma and Vietnam, where the exportable surpluses of rice had dwindled to only a fraction of the pre-war levels by the late 1970s, Thailand maintained its position as a major supplier to world markets. Although there was some improvements in yields, much of the expansion in rice production resulted from growth in planted area, especially in the north and northeast of the country. In these areas, traditional tenure systems persisted at least until the 1970s. By then, Larsson (2012: 124) points out that Thai government officials had come to realize that lack of formal property rights in rural areas contributed to the poverty problem in the north and northeast of the country[6]. They were especially concerned that lack of secure tenure forced many small cultivators to rely on the informal credit market, charging high rates of interest.

As already noted, Thai rubber production lagged behind that of Indonesia and British Malaya until 1940, and although there was some growth after 1950, production in 1963, at around 131,000 tons, was still lower than in its two neighbours. But growth accelerated rapidly over the next three decades and by the 1990s, Thailand had become the world's largest producer and exporter of natural rubber, a position which it still holds. Most of the growth in production came from provinces in the south of the country. This was an area relatively remote from the centre of government in Bangkok, where many people were Moslem rather than Buddhist. It is probable that the land titling initiatives assisted rubber farmers as well as those growing annual crops. Thai farmers also expanded production and exports of corn and cassava from the 1950s onwards; most exports of cassava went to the European Community for processing into animal feed.

Thailand's success in export-oriented agriculture after 1950 was particularly surprising because government support for agricultural production did not appear to be particularly strong. During the 1950s, export taxes on rice and other crops were

[5] These figures are taken from the *Statistical Yearbook of Thailand* published annually by the National Statistical Office.

[6] An analysis of poverty in Thailand between 1962 and 1975 by Meesok (1975) found that the poor were largely concentrated in the north and northeast of the country.

imposed; the impact of the rice tax (known as the rice premium) in particular dominated discussions of agricultural policy for over two decades (Ingram 1971: 243ff). It was argued that elasticities of foreign demand and domestic supply were such that most of the incidence fell on the domestic producer rather than the foreign buyer. This meant that the prices which farmers received were lower than they would have been if the tax had not been levied. As most farmers had lower incomes than urban wage and salary earners, who were lightly taxed, there were obvious considerations of equity. In addition many economists pointed out that the combination of exports taxes, which depressed producer prices, and relatively high prices for inputs such as fertilizer led to slow adoption of yield-increasing technologies, especially for rice (Timmer and Falcon 1975: 376 ff).

Apart from the land titling initiatives, the institutional development which most benefited export-oriented agriculture, and subsequently export-oriented industry in Thailand after 1960 was at the level of macroeconomic policy. This secured low inflation and exchange rate stability which contrasted sharply with other economies in the region including Burma, Indonesia and the Philippines. The Sarit government, which assumed power in 1958 in the wake of a coup which deposed Marshall Pibulsongkram, invited a British-educated economist, Dr Puey Ungpakorn, to head the Bureau of the Budget. In 1959 he became governor of the Bank of Thailand (BOT). Earlier in the decade he had been deputy governor of the BOT, and had taken a strong line against what he saw as the corrupt practices of elements in the military. He had spent several years in London, but then decided to return and work with the Sarit government to implement key institutional reforms (Suehiro 2005: 23-25).

Under Dr Puey's overall supervision, four key economic management agencies were either established or strengthened in the 1960s; these were the National Economic Development Board (now called the NESDB), the Fiscal Policy Office in the Ministry of Finance, the Bureau of the Budget under the control of the Prime Minister and the Bank of Thailand. The directors of these four agencies usually sat in the Council of Economic Ministers. Although ministers themselves often changed as Thailand alternated between

military and civilian regimes, the civil servants in these agencies usually remained in post and were able to formulate policies which they then proposed to the politicians (Warr and Nidhiprabha 1996: 69-70; Suehiro 2005: 22-28). These policies managed to maintain macroeconomic stability in spite of the political instability, which was probably of little concern to the millions of smallholder producers in rural areas.

The four agency system together with the relatively weak role of parliament in the policy-making process gave civil servants considerable power through much of the high-growth era, which lasted in Thailand until 1996. But the power was circumscribed in various ways, not least by the low salaries paid to bureaucrats at all levels. The high inflation over the 1940s had eroded their salaries, and although monetary remuneration did increase after 1950, in real terms salaries never returned to the levels obtaining in the late 1930s (Warr and Nidhiprabha 1996: 23). As private sector salaries increased, especially for those with qualifications in economics, accounting and management, many officials either left government employment, or became more vulnerable to financial inducements from both the military and business groups. Bureaucrats became involved in various rent-seeking activities (Christensen, Siamwalla and Vichyanond 1993: 5-6).

But in spite of these problems, the four agency system, and especially cooperation between the Bank of Thailand and the Ministry of Finance, did manage to keep inflation low and thus keep the baht stable against the dollar. There were two devaluations in the early 1980s, necessitated by balance of payments problems. Both were resisted by the military but the technocrats advising the Prem government were able to get them through. There was also some restructuring of the taxation system, with income taxes accounting for an increasing share of the total, and trade taxes a diminishing share. Export taxes on most agricultural exports had been abolished by the mid-1980s. Both government revenues and expenditures grew relative to GDP between 1970 and 1990, although most of the revenue growth took place after 1980 (Warr and Nidhiprabha 1996: Tables 4.1 and 7.1).

Theses changes probably made the fiscal system less regressive than it had been in the 1960s, when export taxes, especially the rice premium, still accounted for a considerable share of tax revenues. But government expenditures, although increasing as a share of GDP, were still skewed towards current rather than capital outlays; the percentage of total expenditures on economic services fell between 1970 and 1990, although spending on social service increased (Warr and Nidhiprabha 1996: Table 4.2). One consequence of this was that expenditures on both infrastructure and post-primary education remained quite low until the late 1980s. As growth accelerated after 1985, and manufacturing output grew rapidly, the severe bottlenecks in infrastructure provision and in the supply of skilled labour became glaringly obvious (Christensen, Siamwalla and Vichyanond 1993: 33-35).

The four-agency system which had been built up by Dr Puey came under increasing strain in the latter part of the 1980s, and its breakdown helped to precipitate the crisis of 1997/98, and the subsequent slower growth in Thailand in the early years of the 21st century. Some observers have argued that for Thailand to regain the growth momentum of the era from 1960 to 1996, a more interventionist approach in both the agricultural and the industrial sector will be needed. More broadly, it has been argued that the institutional framework which was developed after 1960 is no longer adequate to support continued growth and improved living standards in coming decades. More will be required than simply a stable currency, low inflation, and a *laissez faire* approach on the part of government. What institutional changes will be needed? Will the government have to take responsibility for redistribution as well as for growth? These are questions which Thailand will have to address in coming years[7].

Post-1950 Developments: Indonesia and Malaysia

The development of Indonesia and what became the Federation of Malaya after 1950 demonstrates both similarities and contrasts with the Thai case. In Thailand, the Chinese

[7] Some Thai economists have argued that Thailand must develop a stronger and more capable bureaucracy if it is to achieve more equitable growth in coming decades. See for example Krongkaew (1999; 101).

minority has integrated into the broader Thai-Buddhist culture and the demands for affirmative action have been more muted, although arguably the recent disputes between yellow and red shirts have ethnic as well as economic undertones. But in both Malaysia and Indonesia, in the immediate aftermath of political independence, the issue of ethnic disparities became more and more highly charged, and ethnic violence erupted, especially in urban areas. In Malaysia, after the serious riots in 1969, the government decided to adopt the New Economic Policy (NEP), which was in effect an economy-wide affirmative action programme designed to accelerate the integration of the Malay majority into the modern non-agricultural economy. Access to secondary and higher education for Malays was greatly expanded, often at the expense of students from other ethnic backgrounds. Many Malay graduates were given jobs in the expanded public sector and in teaching. Quotas were also imposed on the private sector; most firms were forced to employ Malays in professional and managerial positions, almost regardless of their competence.

The implementation of the NEP was controversial. It was planned to run for two decades by which time it was hoped that the Malay majority would be well on the road to catching up with the other ethnic groups, especially the Chinese. But the system created powerful vested interests in the Malay political elite, who often benefited to a disproportionate extent from the lavish provision of public sector jobs and low-interest loans. As an institutional package the NEP was subject to considerable criticism both at home and abroad, although it did also attract attention from other countries with deep-rooted ethnic divisions, including post-apartheid South Africa. But in spite of the economic costs of the NEP, the Malaysian economy continued to grow at a robust rate, and attracted substantial inflows of foreign capital, especially into its manufacturing sector. As in the Thai case, technocrats were able to control the key levers of macroeconomic policy, and adjust policy to changing economic conditions. In the early and mid-1980s, Malaysia went through a growth slowdown, and it became clear that the high levels of government expenditure associated with the NEP were no longer sustainable. Public expenditure was cut back, and a number of state enterprises were privatized. During the Asian Crisis of 1997/98, Malaysia did not have to resort to the

IMF for assistance; instead the Mahathir government imposed temporary capital controls in September 1998, and pegged the ringgit at the depreciated level it had reached at that time. These policies led to a faster recovery than in either Thailand or Malaysia.

Kuhonta (2011: 240-2) has argued that the key institution underpinning Malaysia's economic success after 1969 has been UMNO, the United Malay National Organization. UMNO was founded in the colonial era, and has dominated Malaysian politics since independence. While it has been successful in defending rural Malay interests, it has always governed in coalition with Chinese and Indian parties and has never completely alienated Chinese and Indian business groups. Its moderation has meant that other Malay political groups favouring more extreme ethnic policies have never been able to seize control at the national level. Kuhonta compares UMNO with the Vietnamese Communist Party, which since the late 1980s has presided over a dramatic opening up of the Vietnamese economy to international trade and investment, which in turn has led to rapid economic growth. The combination of pragmatic policy-making and concerns for equity shared by both parties has meant that they have managed to push through reforms while at the same time maintaining broad popular support. Kuhonta (2011: 166) contrasts the Malaysian case of a dominant, strong political party with Thailand where no strong political party with a concern for social equity emerged until the advent of Thaksin's Thai Rak Thai party at the end of the 20th century.

In Indonesia, the Chinese were a much smaller proportion of the population than in Malaysia, probably less than five per cent by the end of the 1950s. But the political tensions surrounding the role of the Chinese in post-independence Indonesia were no less tense than in neighbouring Malaysia. Many nationalists felt, with some justification, that the Chinese had received preferential treatment in the Dutch colonial era in both education and access to employment. They argued for affirmative action, especially in education where ethnic quotas were in imposed in state schools and universities quite soon after independence. After President Sukarno brought parliamentary democracy to an end in the late 1950s, more aggressive policies were adopted. In 1959, there was a complete ban imposed on "alien traders" in rural areas; it was clear that this policy was

intended to break the grip of the Chinese over retail trade (Mackie 1976: 95-97; Thomas and Panglaykim 1976: 170-71). The result of these measures was that around 136,000 Chinese left Indonesia in 1960. Mackie pointed out that the ban was much more stringently applied in West Java than in other parts of Java. In Central Java, where Javanese *priyayi* culture was more entrenched and where the Chinese were often long established in small towns, the ban was less rigorously enforced (Mackie 1975: 96).

The ban on Chinese traders in rural areas might have contributed to the decline in official exports of rubber and other smallholder crops after 1960, although a more important reason was the increasingly overvalued exchange rate and the general decline of the formal economy in the years from 1959 to 1967. As inflation accelerated, smuggling of export crops to Malaysia and Singapore also increased. The evidence suggests that Chinese traders often worked with indigenous politicians and military officers to facilitate smuggling across the straits. But during the troubled years of the early 1960s, popular frustration did sometimes break out in attacks on Chinese businesses. The mass killings of 1965/66 were mainly directed at indigenous Indonesians with links to the Communist Party and its front organizations. But the climate of political instability and economic breakdown inevitably led to outbreaks of anti-Chinese violence (Mackie 1976: 111).

When Suharto finally gained power in 1966, he had to deal with a devastated economy and widespread poverty. He famously recruited as advisers a group of economists from the University of Indonesia. Most of them had been educated in the USA; their fluent English and familiarity with modern economic concepts made them invaluable in dealing with officials of bilateral and multilateral aid agencies whose help was considered essential in rehabilitating infrastructure and placing the economy on a more secure growth path. The leading technocrat, Professor Widjojo Nitisastro seems to have played a role similar to that of Dr Puey in Thailand a decade earlier. His official position was Chairman of the National Planning Board (Bappenas) but he also played a key coordinating role, and enjoyed the trust of the President. Although he did not have a

ministerial position after 1983, he continued as a presidential adviser until the late 1990s.

Whatever the differences in their economic and political institutions, Malaysia, Indonesia and Thailand all managed to achieve economic growth and poverty reduction in the 25 years from 1968 to 1993. They were all included in the Asian Miracle report which the World Bank published in 1993. The Philippines was not; in spite of the reasonable growth achieved in the three decades from 1945 to 1975, the last years of the Marcos presidency and the following decade were marked by economic stagnation. Per capita GDP changed little between the mid-1970s and the early 1990s. Although Marcos did place some able technocrats in key positions, their role appears to have been to largely that of window-dressing, to reassure investors and aid donors, rather than to play the kind of policy role which Puey and Widjojo assumed in Thailand and Indonesia. As Hutchcroft (2011: 567) argued, Marcos was never driven by an obsession to promote industrial growth, or indeed broad-based economic development of the kind that did occur in other parts of Southeast Asia.

Conclusions

The main arguments of this paper can be summarized as follows:

1. In many parts of Southeast Asia, as indeed in other parts of Africa and the Americas, smallholder producers responded robustly to the opportunities offered by growing international demand for a range of tropical products from the late 19th century onwards. There was little or no coercion involved; in fact the coercion applied by governments in the 1930s was intended to curb smallholder production in order to protect large estates.
2. There is little evidence that the attempts by colonial governments to impose new tenure systems from above were important in encouraging smallholder export cultivation. Many smallholders relied on traditional tenure systems

which appear to have worked reasonably well in many parts of the region, and prevented large-scale expropriation of land.

3. Where governments did try to impose individual land tenure systems it was often in response to demands from cultivators to more clearly defined proof of ownership. In some regions, such as Java, individual property rights emerged as a result of the land tax system.
4. Marketing networks were crucial for smallholder producers, and for most crops in Southeast Asia these were dominated by Chinese. Although there was sometimes friction, in most parts of the region indigenous cultivators managed to rub along with the Chinese and bonds of trust were established.
5. Much of the smallholder export cultivation in Southeast Asia took place in regions where the European colonial presence was quite small; Thailand was never a colony. "Indirect rule" (which meant that local rulers stayed in place under the often remote control of colonial officials) was maintained in most of peninsular Malaya and the outer islands of Indonesia until 1942.
6. Smallholder cultivators of export crops across Southeast Asia belonged to a variety of ethnic and religious groups. Any generalizations about "Moslems" or "Buddhists" not being responsive to market incentives need to be treated with caution.
7. In the post-1950 era, smallholder crop cultivation continued to grow, but policies adopted by post-independence governments were often not supportive of continued growth. In Indonesia, anti-Chinese policies were adopted by populist politicians which often had detrimental effects on marketing networks. Even more detrimental was mounting inflation and an over-valued exchange rate which deterred production, or encouraged smuggling of export crops from Sumatra and elsewhere.
8. In establishing macro-economic stability, which in turn created an environment where smallholder producers could legally market their output, the role of technocrats was crucial. The literature on the role of technocrats in promoting (or indeed retarding) economic development is still surprisingly

sparse[8]. But the role which they played in the more successful economies of Southeast Asia, and indeed elsewhere, was and continues to be important.

9. In terms of the bottom up versus top down debate over institutional reform, this paper tends to support the bottom-up argument. Imposing institutions imported from other parts of the world is a high risk strategy at best, and can produce unintended consequences which run counter to the original intentions of the policy. But at the same time it has to be admitted that bottom up reforms can take time, and may themselves be in need of future reform.
10. Thailand is often used by the World Bank as an example of a successful land-titling program imposed by the central government with aid from the World Bank. But it followed a number of attempts, not always successful, by the Thai government to reform land tenure systems. By the time the World Bank program was initiated there was considerable demand for individual tenures on the part of both local officials and farmers.
11. Implementation of policies which promote growth with equity are arguably easier when the political system is dominated by a strong party which commands broad support across regions and ethnic groups. But it is far from clear how such an institution can be created in the context of many parts of Southeast Asia, or other parts of the developing world.

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[8] A rare attempt to examine the role of technocrats in Latin America can be found in Harberger (1993).

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