Trade, Development, and Political Economy in East Asia

Essays in Honour of Hal Hill
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Trade, Development, and Political Economy in East Asia

Essays in Honour of Hal Hill

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Singapore
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Over 8 percent of humanity resides in Southeast Asia—much more than in any of North or South America, or Europe. Located on the sea routes between the global giants of India and China, it sometimes recedes from the view of the international community. Southeast Asia rarely attracts the attention in the old centres of scholarship in North America and Europe that is warranted by its importance and interest.

Southeast Asians have enjoyed a particular experience of modern economic development. That experience is important simply because it embodies the lives of a major part of humanity. It is also important because it provides an opportunity for observation of unique characteristics of modern economic development—in the words of the Editors of this book, a ‘laboratory’ for observation of new perspectives on the reality of development (p. 1).

People all over the world who are interested in modern economic development and sufficiently well informed to know how much Southeast Asia matters are hugely indebted to the life’s work of Hal Hill that is honoured in this book. Through the forty years I have known him, Hill has worked steadily, diligently, and productively to understand the political, social, and economic contexts of development in Southeast Asia.

Hill has consistently and reliably brought insights from mainstream modern economic analysis to account in seeking to understand his subject. Hence the consistent reaffirmation in Hill’s work of such established verities in economics as the value of free multilateral trade and the dangers that arise from well-meaning variations on the theme; the importance of sound fiscal and monetary policy; the value of market exchange to human welfare wherever the conditions for markets to work effectively are present; and the importance to successful development of...
effective interventions by government to provide public goods that are essential for development and to allow markets to contribute positively to development.

Hill does much more than this. His work recognises the importance of complex institutional realities that vary across countries and regions and are themselves changed by the experience of economic development. The embedding of his work through his professional life in a Department and School of scholars interested in development in Southeast Asia in all of its social and political complexity enriched his work. This context led over time to analysis of the political economy of development—of the need to recognise that governments are influenced by private interests. Hill’s work is highly relevant to economic policy, and recognises that good policy is built on realistic assessment of political economy and wider institutional constraints—that if something will only work in theory it does not work at all.

Hill’s books on the Indonesian economy and on regional dimensions of Indonesian development are essential to understanding modern Indonesian development. His later books are similarly important in understanding modern Philippine and Malaysian development. His long editorship and many contributions to the *Bulletin of Indonesian Economic Studies* helped make it the most important locus of publications on the Indonesian economy and the most globally influential of economic journals produced in Asia and the Western Pacific.

Hill has played an essential role in maintaining and extending the network connecting economists in Australia and Southeast Asia. The ASEAN–Australia Joint Research Project that he managed from 1983 until its conclusion was the starting point for relationships that have expanded and deepened over the years. His Indonesian students and close colleagues have been crucial to the close and productive relationships among Indonesian and Australian economists that have enriched official as well as intellectual relations between the two countries over the past couple of decades.

This book is a fitting tribute to the life’s work of a fine scholar. Its publication provides an opportunity to reflect upon the high social value of rigorous applied research on social science issues relating to developments in Australia’s neighbourhood in Southeast Asia and the Southwest Pacific, and to the conditions that make that work possible. Hill’s work has required immense investment of time, effort, and resources in mastering the Indonesian language and cross-cultural personal relationships as well as the historical and institutional contexts of developments in countries that are different from those in which modern economic development first emerged. These essential building blocks for successful scholarship take time and effort, and therefore explicit recognition in
research and education funding. This was better understood by earlier generations of Australian leaders of allocation of research and education resources than it is today.

But for now, let us celebrate the contributions Hal Hill has made to global scholarship and the quality of Australia’s relations with our region, and be glad of the quality of his continuing work.
Acknowledgments

First of all we are most grateful to the contributors to this volume, who responded swiftly to our request even though we had an unusually strict timeline. We thank Chris Manning, Peter McCawley, and Ross McLeod, who helped us design and implement the festschrift project, while keeping it a secret from Hal to the last minute. Finally, we gratefully acknowledge financial support received from the ANU Indonesia Project. The views expressed in the individual chapters are the authors’ own and do not necessarily represent the views of the organisations they belong to.

Prema-chandra Athukorala
Arianto A. Patunru
Budy P. Resosudarmo

Canberra, November 2014
### Glossary

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<tr>
<td>ACTA</td>
<td>Anti-Counterfeiting Trade Agreement</td>
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<tr>
<td>ACFTA</td>
<td>ASEAN–China Free Trade Agreement</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
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<tr>
<td>AFTA</td>
<td>ASEAN Free Trade Area</td>
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<td>AIPEG</td>
<td>Australian Indonesia Partnership for Economic Governance</td>
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<td>ANU</td>
<td>Australian National University</td>
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<tr>
<td>APEC</td>
<td>Asia–Pacific Economic Cooperation</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>ASEAN-4</td>
<td>the four largest developing economies in the Association of Southeast Asian Nations (Indonesia, Malaysia, the Philippines, and Thailand)</td>
</tr>
<tr>
<td>ASEAN-6</td>
<td>Indonesia, Malaysia, Brunei, Thailand, Singapore, and the Philippines</td>
</tr>
<tr>
<td>ASEAN-10</td>
<td>ASEAN-6 plus Cambodia, Laos, Vietnam, and Myanmar</td>
</tr>
<tr>
<td>BI</td>
<td>Bank Indonesia</td>
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<tr>
<td>BERNAS</td>
<td>Padiberas Nasional Berhad</td>
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<tr>
<td>BPS</td>
<td>Biro Pusat Statistik (Central Bureau of Statistics)</td>
</tr>
<tr>
<td>CAG</td>
<td>comptroller and auditor general</td>
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<tr>
<td>CGE</td>
<td>computable general equilibrium</td>
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<tr>
<td>CEPR</td>
<td>Centre for Economic Policy Research</td>
</tr>
<tr>
<td>CMLV</td>
<td>Cambodia, Myanmar, Laos, Vietnam</td>
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<tr>
<td>CPI</td>
<td>consumer price index</td>
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<td>CSO</td>
<td>civil society organisation</td>
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<td>DDA</td>
<td>Doha Development Agenda</td>
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<tr>
<td>DOT</td>
<td>Direction of Trade</td>
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<tr>
<td>DOTS</td>
<td>Direction of Trade Statistics, published by the IMF</td>
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<tr>
<td>EGS</td>
<td>environmental goods and services</td>
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<tr>
<td>EIF</td>
<td>Enhanced Integrated Framework</td>
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</table>
EOI  export-oriented industrialisation
EU  European Union
FAO  Food and Agriculture Organization
FAPRI  Food and Agricultural Policy Research Institute
FCFS  first-come, first-served
FDI  foreign direct investment
FTA  free trade agreement
G20  Group of Twenty
GCI  Global Competitive Index
G/GDP  government expenditure as a share of GDP
GDP  gross domestic product
GDPPC  GDP per capita
GNP  gross national product
GPA  Government Procurement Agreement
GSO  General Statistics Office of Vietnam
HS  harmonised system
HSC  Higher School Certificate
ICRG  International Country Risk Guide
ICSEAD  International Centre for the Study of East Asian Development
IFI  international financial institution
IFLS  Indonesia Family Life Survey
IFPRI  International Food Policy Research Institute
IFS  International Financial Statistics, published by the IMF
IT  information technology
ILO  International Labour Organization
ILSSA  Institute of Labor Science and Social Affairs
IMF  International Monetary Fund
ISIC  International Standard Industrial Classification
ITA  Information Technology Agreement
KHL  Kebutuhan Hidup Layak (Decent Standard of Living Index)
MFA  Multi Fibre Arrangement
MFN  most-favoured nations
ML  million litres
MNE  multinational enterprises
MOMT  Ministry of Manpower and Transmigration
MOT  Ministry of Telecommunications
MRA  mutual recognition arrangement
MW  minimum wage
NAFTA  North American Free Trade Agreement
NAMA  non-agricultural market access
NGO  non-government organisation
NIE  newly industrialising economy
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>NTB</td>
<td>non-tariff barrier</td>
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<tr>
<td>NPV</td>
<td>net present value</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OLS</td>
<td>ordinary least squares</td>
</tr>
<tr>
<td>OREC</td>
<td>Organization of Rice Exporting Countries</td>
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<tr>
<td>PISA</td>
<td>Programme for International Student Assessment</td>
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<tr>
<td>PPA</td>
<td>percent per annum</td>
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<td>PPP</td>
<td>purchasing power parity</td>
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<tr>
<td>R&amp;D</td>
<td>research and development</td>
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<tr>
<td>RCEP</td>
<td>Regional Comprehensive Economic Partnership</td>
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<tr>
<td>RER</td>
<td>real exchange rate</td>
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<td>ROO</td>
<td>rules of origin</td>
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<tr>
<td>ROW</td>
<td>rest of the world</td>
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<td>RSPS</td>
<td>Research School of Pacific Studies</td>
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<td>SAFTA</td>
<td>South Asia Free Trade Agreement</td>
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<td>Sakernas</td>
<td>Survei Angkatan Kerja Nasional (National Labour Force Survey)</td>
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<td>SBY</td>
<td>Susilo Bambang Yudhoyono</td>
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<tr>
<td>SOE</td>
<td>state-owned enterprise</td>
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<tr>
<td>SPS</td>
<td>sanitary and phytosanitary</td>
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<tr>
<td>TBT</td>
<td>technical barriers to trade</td>
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<tr>
<td>TPP</td>
<td>Trans-Pacific Partnership</td>
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<tr>
<td>TRAI</td>
<td>Telecom Regulatory Authority of India</td>
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<td>TTIP</td>
<td>Transatlantic Trade and Investment Partnership</td>
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<td>UMNO</td>
<td>United Malays National Organisation</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<tr>
<td>US</td>
<td>United States (of America)</td>
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<tr>
<td>WCI</td>
<td>World Competitiveness Index</td>
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<td>WDI</td>
<td>World Development Indicators</td>
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<td>WDR</td>
<td>World Development Report</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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<tr>
<td>$</td>
<td>US dollar</td>
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<tr>
<td>A$</td>
<td>Australian dollar</td>
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<tr>
<td>Rp</td>
<td>Indonesian rupiah</td>
</tr>
<tr>
<td>NTD</td>
<td>New Taiwan dollar</td>
</tr>
<tr>
<td>RMB</td>
<td>Chinese renminbi</td>
</tr>
<tr>
<td>VND</td>
<td>Vietnamese dong</td>
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