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Trade, Development, and Political Economy in East Asia

Essays in Honour of Hal Hill

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Hal Hill

Trade, Development, and Political Economy in East Asia

Essays in Honour of Hal Hill

EDITED BY

Prema-chandra Athukorala,
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Foreword

Ross Garnaut

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.

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Prema-chandra Athukorala
Arianto A. Patunru
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Canberra, November 2014

Glossary

ACTA	Anti-Counterfeiting Trade Agreement
ACFTA	ASEAN–China Free Trade Agreement
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Area
AIPEG	Australian Indonesia Partnership for Economic Governance
ANU	Australian National University
APEC	Asia–Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEAN-4	the four largest developing economies in the Association of Southeast Asian Nations (Indonesia, Malaysia, the Philippines, and Thailand)
ASEAN-6	Indonesia, Malaysia, Brunei, Thailand, Singapore, and the Philippines
ASEAN-10	ASEAN-6 plus Cambodia, Laos, Vietnam, and Myanmar
BI	Bank Indonesia
BERNAS	Padiberas Nasional Berhad
BPS	Biro Pusat Statistik (Central Bureau of Statistics)
CAG	comptroller and auditor general
CGE	computable general equilibrium
CEPR	Centre for Economic Policy Research
CMLV	Cambodia, Myanmar, Laos, Vietnam
CPI	consumer price index
CSO	civil society organisation
DDA	Doha Development Agenda
DOT	Direction of Trade
DOTS	Direction of Trade Statistics, published by the IMF
EGS	environmental goods and services
EIF	Enhanced Integrated Framework

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

NTB	non-tariff barrier
NPV	net present value
OECD	Organisation for Economic Cooperation and Development
OLS	ordinary least squares
OREC	Organization of Rice Exporting Countries
PISA	Programme for International Student Assessment
PPA	percent per annum
PPP	purchasing power parity
R&D	research and development
RCEP	Regional Comprehensive Economic Partnership
RER	real exchange rate
ROO	rules of origin
ROW	rest of the world
RSPS	Research School of Pacific Studies
SAFTA	South Asia Free Trade Agreement
Sakernas	Survei Angkatan Kerja Nasional (National Labour Force Survey)
SBY	Susilo Bambang Yudhoyono
SOE	state-owned enterprise
SPS	sanitary and phytosanitary
TBT	technical barriers to trade
TPP	Trans-Pacific Partnership
TRAI	Telecom Regulatory Authority of India
TTIP	Transatlantic Trade and Investment Partnership
UMNO	United Malays National Organisation
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States (of America)
WCI	World Competitiveness Index
WDI	World Development Indicators
WDR	World Development Report
WTO	World Trade Organization
Currencies	
\$	US dollar
A\$	Australian dollar
Rp	Indonesian rupiah
NTD	New Taiwan dollar
RMB	Chinese renminbi
VND	Vietnamese dong

