

economic indicators, diffusion indices and a quarterly composite leading indicator for Singapore, as well as graphs the growth cycle chronology for Singapore from 1973 to 1987.

The key contribution and particular strength of the book lies in its effectiveness in expounding and exemplifying concepts and theories using issues and statistical data pertaining to the Singapore economy. For example, many economics students study the definition of gross domestic product (GDP) pedantically without knowing the source of the data, let alone referring to actual figures. This book serves as a tremendous help by providing a historical series, differentiating between nominal and real GDP. At the same time, it cites the data source, enabling ardent students to update for themselves, thus prompting further quest and search.

As a fundamentally important characteristic of the Singapore economy is its openness, particularly in terms of flows of goods and services, greater emphasis and more analytic details could be given to the international aspects of macroeconomics. To begin with, the elementary circular flow diagram in Chapter 1 could be extended and substantively enriched to include international trade and finance reflecting the increasing significance of the financial services sector and the predominance of international trade and investment in the Singapore economy. It would also be helpful to introduce readers to the open economy IS-LM-Balance of Payments model of analysis.

Standard theories on the relative effectiveness of fiscal, monetary and exchange rate policies under different exchange rate regimes would certainly enlighten readers on how the Singapore economy has effectively guarded against imported inflation and simultaneously maintained its export competitiveness, thereby sustaining its enviable, consistently low-inflation high-growth economic performance.

The book, in terms of content and exposition, will particularly benefit readers who have fragmentary knowledge of economic affairs and who seek a framework for more systematic thinking about economic issues, especially those pertinent

to the Singapore economy. It is also useful for the pre-university or undergraduate student, the practising economist or the economics teacher who wish to have greater exposure to the Singapore economy. Interested members of the public would also find the book stimulating in understanding specific economic concepts and current issues facing the Singapore economy.

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***Behind the Myth: Business, Money & Power in South East Asia.* By James Clad. London: Unwin Hyman Limited, 1989. Pp. 285.**

Much has been written about the economic miracle of Southeast Asia in recent years. Mr James Clad takes a different perspective by looking at the sources of domestic economic and political power. His is a view drawn from experience as a diplomat and journalist in the region. Written in a journalistic style, the book is a quick read.

The main theme of the book is on "rent seeking" behaviour of the political élite in the Southeast Asian countries. The book provides a more political perspective than a purely economic one. With an uncanny eye, he sketches out the key players in each country, their linkages with the business world and the ensuing fiascoes that have engulfed each.

He starts with the Philippines just after the Marcos' flight to Hawaii and delves into the Aquino Government's, now well known, incompetence. What is more interesting to the outsider is the continuing saga of Philippine cronyism in the current administration. Mr Clad gives examples of how the President's family members, both near and far, have benefited from her presidential and political power although he states that she has remained unblemished. This

situation prevailed even under the Marcos' regime, so what does the future now hold for the Philippines? This is the question uppermost in the reader's mind when reading about the chaos engulfing the Philippines.

Mr Clad analyses Malaysia's web of linkages between businesses and the political parties to show the economic apartheid that permeated the previous economic plans. Unfortunately, he wrote this at a time when Malaysia was reeling from a crisis of confidence in its economic plans, i.e. in the aftermath of the Bank Bumiputra fiasco and the collapse of co-operative banks. The situation is more stable now and Malaysia is forging an ambitious growth plan for the future. He states that Malaysia's Internal Security Act (ISA) is a draconian measure but does not delve into the reasons for instituting it. In effect, the ISA was introduced by the British who used it to great effect during the Emergency in Malaya. While it is arguable whether the ISA should be continued in the present day, one has to also understand the peculiar multiracial basis of Malaysia's political arena. The interesting feature of the chapter on Malaysia and Brunei is the picture that emerges of the ruling Malay élite, the emerging Malay middle class and their relationship with the Chinese businesses.

Mr Clad perceives Indonesia as a bastion of military and business power. He draws the relationships between the military, the family of the president and the, mainly Chinese, Indonesian business fraternity. While he states emphatically that "rent seeking" is prevalent and quotes from World Bank Reports, he plays down the wider issue of development occurring through "trickle down" effects. The crux of the matter is that despite all the "rent seeking", Indonesia has managed to show significant progress according to the main economic indicators. True, there have been numerous scandals and economic malfeasance. Rent seeking in Indonesia has been institutionalized from the Dutch period, and to remove such directly unproductive activities, there must first be economic development. Some credit has to be given to the technocrats who have actually engineered

Indonesian development in the last decade. By all counts, despite the rent seeking and structural impediments, Indonesia has actually done better than many Third World countries. The problem in Indonesia is more than just removing these structural rigidities. With a large population, a powerful army and a narrow political base, any attempt for equitable growth must, of necessity, be gradual. The painful lessons of Soekarno's *konfrontasi* and the Communist-inspired coup in 1965 have not been forgotten. From a distant perspective, Mr Clad's vision of the role of the military to provide both political and economic leadership is therefore accurate.

Following on from Indonesia, Mr Clad dives into the quagmire of Thailand's military-political structure. He takes pains to sketch the relationships of the large Thai conglomerates with royalty, the military and the politicians. He argues that Thailand faces numerous uncertainties which include questions of succession of the monarchy, the military leadership and the role of Thai-Chinese businesses. He points out, correctly, the ecological problems resulting from unregulated logging activities in which political personalities have been involved. His perception that Thailand's progress depends on a narrow base, one which Myrdal has called a "soft society" rings a tone of despair. Despite the uncertainties, he views Thailand as the new El Dorado for MNCs. His analysis has been accurate — in fact, MNCs of all shades have flocked to Thailand with the result that infrastructural development has lagged behind investment. The most recent coup in Thailand has also lent credence to the view that military instability will determine the growth of the Thai economy.

The chapter on Singapore focuses mainly on the political scene rather than on the economic one. Mr Clad finds Singapore the exception in Southeast Asia. He attributes the progress and efficiency of the country to honest government. Despite Mr Clad's acceptance of these achievements, he concentrates on the vulnerability of Singapore by addressing the withdrawal of GSP privileges by the United States and other OECD

countries. Perhaps more coverage could have been given to the difficulties in industrial restructuring, the problems of state entrepreneurship and the challenges of converting economic success into improved quality of life factors. He concludes that Singapore has only two options — to become a financial and high-tech centre in Asia or to be an offshore base for Japanese manufacturing.

The real insights into Southeast Asian business linkages are shown in the last few chapters. In a chapter entitled “Chinatown”, he rightfully acknowledges the role of the overseas Chinese in forging the development of the region. It is clear from his analysis that *bumiputera* and *pribumi* policies in Malaysia and Indonesia have actually created enormous indirect incentives for Chinese businesses to move away from the shallow retail sector to become heavily involved in financial institutions, large-scale industries and infrastructure projects. The importance of family relationships, the often cosy association with royalty and the ruling élite have all helped the Chinese community to preserve their economic independence.

Mr Clad then goes on to argue that the economic fundamentals underpinning the major Southeast Asian countries remain weak because of the concentration on primary exports. He does not believe that industrialization attempts through the formation of Free Trade Zones (FTZs) can achieve industrial deepening because of the footloose industries in these zones. While this is true, foreign direct investment in the FTZs will have spillovers but these take time to filter through to the domestic economy. There is a “learning to learn” process which over a period of time will create the necessary conditions for an indigenous industrial base. Where government intervention has attempted to do this, it has often

failed because of the weaknesses of state entrepreneurship. Diversifying out of the primary products and moving to “valued added” downstream processing is an exercise which requires factor creation, in this case technical and managerial skills. He, however, rightly points out the inadequacies of the educational system to do this in many of the countries in the region. The fact is that the social returns from primary and secondary education are far higher than that from tertiary education. For this reason, governments in Third World countries have to focus their attention on these areas rather than in the development of professionals.

Mr Clad then questions the effectiveness with which the Asian Development Bank has been able to participate in Southeast Asian economic development. He gives a vivid description of the organizational difficulties and operational issues facing the Bank. The multinational nature of the institution, the organizational hierarchy and the expectations of the funding members operate in a strange fashion to create numerous obstacles.

Finally, in the closing chapters, Mr Clad looks at ASEAN co-operative efforts and the future. He states, candidly, the poor record of ASEAN economic co-operation, the failed attempts at improving intra-ASEAN trade and the disagreements over industrial projects. The future for the ASEAN countries is bleak, according to Mr Clad. He sums up ASEAN’s previous success as “outsiders’ markets plus outsiders’ quarrels equals peace and prosperity”.

The merit of the book lies in the insights into the relationships between the ruling élite, royalty, the military and Chinese businesses in the different Southeast Asian countries.

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