1. Agricultural and rural development has underpinned the economic success of Southeast Asia, and will have to underpin African growth too if that growth is to be sustained.

2. Contrary to some current opinion which sees export-oriented industrialization as the critical strategy, Africa is unlikely either to end mass poverty or to industrialize without bringing about improvements in agricultural productivity, rural markets, and rural public services such as were seen in Southeast Asia during the early stages of its economic take-off.

3. Agricultural and rural development in Southeast Asia was led by the state, which coordinated and funded agricultural research and extension services, subsidized the agricultural inputs which made possible the Green Revolution, radically improved transport, irrigation, health, education, and other infrastructure in rural areas, and used government marketing agencies to help stabilize the price of food.

4. The experience of Indonesia shows that in resource-rich countries such as Nigeria, there is no intrinsic reason why the necessary public spending in rural areas cannot be financed from resource rents (and foreign aid).

5. While the causal links between rural development and industrial success are not fully clear, three significant effects are the promotion of political stability, the control and stabilization of food prices and thereby of wages, and the freedom in exchange rate management which follows from national food self-sufficiency.

6. Despite the effectiveness of their market interventions in the agricultural sphere, Southeast Asian states have not directed industrial development along Japanese or Korean lines by protecting and supporting selected infant industries until they can compete in export markets. To the limited extent that governments in Southeast Asia have tried this, they have generally failed. African states, which resemble those of Southeast Asia more than those of Northeast Asia, should not try it either.

7. The rural bias in successful Southeast Asian development strategies is one manifestation of a broader policy principle of 'shared growth', whereby the political consensus in favour of economic growth and the developmental state is underpinned by sustained and substantial redistribution of income and assets to the poor.
8. In its combination of counter-revolutionary aims and capitalist economic structures with corporate institutions and quasi-socialist redistributive policies, Southeast Asian developmentalism often has overtones of 'national socialism' (fascism).

9. Although Southeast Asian governments intervene heavily in agricultural markets, the agencies involved seldom have monopoly powers and seldom attempt to set any prices other than their own. Instead they act as buyers and sellers of last resort, operating alongside free markets in the products with which they deal. This complementarity between market and state institutions is typical of Southeast Asia and merits imitation in Africa.

10. Development cooperation efforts in Africa should be directed toward promoting the state-driven, market-mediated rural development which Southeast Asian evidence suggests is the real foundation, along with sound macroeconomic management, for rapid poverty alleviation and economic growth.
In broad terms, the contours of the spectacular economic divergence between Southeast Asia and Sub-Saharan Africa are quite well known. In 1960, according to the best available estimates, Africans were on average considerably more prosperous than Southeast Asians; today, by contrast, per capita GDP in Southeast Asia is more than twice as high as in Africa. Perhaps more surprising, when the regional aggregate data are compared, is that Southeast Asia did not overtake Sub-Saharan Africa in per capita income terms until as late as 1981, which gives some idea of how rapid its recent growth has been. Two other interesting things to note are: that despite the optimism surrounding the renewed economic growth of the last few years in Africa, African incomes today are still barely higher than they were in 1975; and that the setback caused by the Asian financial crisis of 1997 was quickly overcome, and in retrospect amounts to little more than a blip in the Southeast Asian growth curve. Although there is significant variation within each of the two regions (particularly Southeast Asia, which, it should not be forgotten, contains the major basket case of Burma), on the whole the regional contrast is rather consistent between individual countries - even resource-rich countries like Indonesia and Nigeria, whose growth trajectories closely mirror those of their respective regions as a whole.

What can countries like Nigeria learn from the success of countries like Indonesia? One common answer, perhaps the most common at the present time, can be summed up in three words: 'export-oriented industrialization'. Africa's poverty, in this view, can be transformed directly into riches if only cheap African labour can be used, as cheap Asian labour has repeatedly been used in the past, to produce manufactured goods for export at internationally competitive prices. In his recent book *The bottom billion*, Paul Collier argues that foreign aid to Africa (and other very poor parts of the world) can best be concentrated on helping carefully selected countries to follow the Asian example by breaking into world markets for cheap, labour-intensive industrial products.

For a start, the aid can be spent on helping the export sector - for example, improving infrastructure at the ports. [...] What is required is a once-and-for-all push, country by country. Such aid would be targeted at lowering the costs that potential exporters would face. [...] The bottom billion would look a lot more hopeful if a few of their coastal economies really started to take off in global markets. (Collier 2007:121-122.)

In combination, ironically, with protection against competition from (for the time being) even cheaper Asian manufactures on European markets, this kind of focused financial aid could help to create in Africa pioneering successes in export-oriented industrialization - successes which would then inspire neighbouring countries to imitate them, just as they did in Asia a generation ago when Malaysia, Thailand and Indonesia followed Singapore, Taiwan and Hong Kong into the ranks of the newly industrializing countries. But concentrating the necessary international resources on the
promotion of African industrial exports, Collier warns, will not be easy given the strength of other, competing lobbies within aid agencies - notably those favouring rural and agricultural development.

Every aid agency is divided into fiefdoms - rural development, education, health, and so forth. Trying to get an aid agency to focus its resources on an export growth strategy runs afoul of all these interests, for if there is more money to be spent on the country, you can be absolutely sure that the rural development group will lobby for its share of the spending, whether that is important for export growth or not [...]. (Collier 2007:122.)

In this paper I argue that Collier's recommendations, although ostensibly based on Asian experience, reflect an only partly correct interpretation of that experience. In fact if the story of Indonesia in particular is anything to go by, then aid agencies interested in reducing poverty and promoting growth - even industrial growth - in, say, Nigeria might be well advised to forget about industry for the time being, and instead concentrate precisely on the rural and agricultural development which Collier dismisses as a distraction from the main show. The paper focuses particularly on the Indonesia-Nigeria comparison, but on the Southeast Asian side reference is also made to other countries, particularly Malaysia.

The cart before the horse? Rural origins of industrial growth

The view that industrial exports are the key to economic take-off is enshrined in the World Bank's classic 1993 Policy Research Report on *The East Asian Miracle*. This identified the common strategy behind the East Asian development successes, from Japan to Indonesia, as an 'export push' strategy, combining sound macroeconomic policies with selective interventions to promote export industries (World Bank 1993:22, 358). In Southeast Asia the interventions to that end were less extensive, and sometimes less successful, than in Japan, South Korea, or Taiwan, but exports nevertheless played a consistently important role in economic growth. And indeed, except for the oil sultanate of Brunei, all of the successful Southeast Asian economies - Singapore, Malaysia, Thailand, and Indonesia - saw dramatic growth in exports of manufactured goods, notably clothing and electronic products, in the 1980s. Today, 15 years after the publication of *The East Asian Miracle*, the idea that manufactured exports are the key to successful development has become an almost unquestioned orthodoxy in some circles. In the prescriptive conclusion to the African Economic Research Consortium's authoritative new treatise on *The political economy of economic growth in Africa 1960-2000*, 'diversified export growth' is identified tout court as the Asian model which the whole of coastal, resource-scarce Africa should emulate; 'rural development', meanwhile, is mentioned only as the last of nine different second-best growth strategies that may be worth trying in landlocked countries which for geographical reasons 'do not have the option of rapid industrialization' (Ndulu, O'Connell, Bates, Collier and Soludo 2008:428, 434). When Southeast Asia is held up as a model for the rest of the developing world today, it is frequently in relation not simply to export-oriented industrialization, but in relation to a specific pattern of export-oriented industrialization, based heavily on foreign direct investment rather than domestic capital and entrepreneurship, that is said to distinguish Southeast from Northeast Asia (Kimura 2004).

But is it really true that an industrial 'export-push' strategy was the key to growth in Southeast Asia? The biggest and most important country in Southeast Asia is Indonesia, with fully 40 percent of the region's population. Although still a poor country compared to some of its neighbours, Indonesia is very much part of the Asian economic miracle, having increased its per capita national income from USD 200 (at constant 2000 prices) in 1965 to USD 1,000 today. In terms of proportional per capita GDP growth over the years 1965-1985, Indonesia actually ranked higher than any other Southeast Asian country except Singapore. As we have seen the contrast with Nigeria, where growth
stagnated in the 1970s and collapsed in the 1980s, is dramatic. Since 1993, consistently with the
export-oriented industrialization model, more than half of Indonesia's exports have consisted of
manufactured goods. Here again there is a sharp contrast with Nigeria, where oil has remained
overwhelmingly the most important export, industrial exports are negligible, and the overall
contribution of manufacturing to GDP has never risen above 10 percent.

If, however, we compare the timing of the boom in Indonesian industrial exports with that of the
rise in Indonesian GDP, a striking discrepancy emerges. Rapid per capita GDP growth began
abruptly in 1967 and was sustained until 1982, when there was a slight and temporary dip. Yet up to
and including 1982, less than five percent of Indonesia's exports consisted of manufactured goods.
The great expansion of manufactured exports began in 1983 and was complete a decade later in
1993, since which time manufactures have fluctuated around 50 percent of total exports. Indonesia's
economic take-off, in other words, preceded its emergence as an industrial exporter by a full 15
years. It follows that in the Indonesian case, the take-off cannot possibly have been caused by the
industrial exports.

If we look specifically at the record of poverty alleviation, arguably the primary goal and measure
of development, then the importance of the early New Order period, before the rise of industrial
exports, becomes even clearer. Statistics based on a nationally defined poverty line were collected
in Indonesia from 1976 onward, and show a decline in the proportion of the population living in
poverty from 40 percent in 1976 to just over 20 percent in 1984. The equivalent figure for 1970 is
conventionally estimated at fully 60 percent. Even if this is too high, what is clear is that Indonesia's
great victory over absolute poverty - at that time probably the most rapid episode of mass poverty
alleviation in history, although subsequently surpassed by China - was essentially won in the first
15 years of New Order economic growth. Although the number of Indonesians living in poverty
according to the national definition continued to fall thereafter, it did so more slowly, declining
from 20 percent in 1985 to 11 percent in 1996, before rising again in the wake of the Asian financial

Retrospective studies of Indonesia's development success have in recent years concentrated on the
economic 'deregulation' of the 1980s, involving financial liberalization and the removal of obstacles
to foreign trade and investment, which was the immediate trigger for the industrial export boom
(Basri and Hill 2004; Resosudarmo and Kuncoro 2006). But judging strictly by the facts, the real
policy lessons for Africa ought to come in the first place from the 1970s, when sustained growth
was established and when tens of millions of Indonesians were lifted out of poverty without the aid
of the kind of 'export push' which now tends to be regarded as the _sine qua non_ of the Asian
Miracle.

What, then, actually happened in Indonesia during the first two decades of the New Order and the
first 15 years of sustained economic growth? The most important changes, without doubt, took
place in the agricultural sector, and particularly in foodcrop agriculture. Between 1968 and 1985,
per hectare yields of the staple foodcrop, rice, rose by almost 80 percent (Booth 1988:140), and the
rate of increase in total rice production was almost three times as fast as population growth
(Dasgupta 1998:213). In 1974, Indonesia was the largest rice importer in the world; by 1984, it was
self-sufficient. The main cause of the surge in food production was a massive application of new
technological inputs in agriculture. Per hectare use of artificial fertilizer in foodcrop farming, for
instance, rose by a factor of ten between 1968 and 1985 (Booth 1988:143). This was, of course,
Indonesia's Green Revolution, and its effects on farm incomes, and on the health of the rural
economy in general, go a long way toward explaining the impressive record of poverty alleviation
in the early New Order years.
The Green Revolution in Asia has been described as a 'state-driven, market mediated and small-farmer based strategy to increase the national self-sufficiency in food grains' (Djurfeldt, Holmén, Jirström and Larsson 2005:3). In the Indonesian case this is accurate on all three points. Indonesia's Green Revolution was small-farmer based because most of the country's farmers, and almost all of its rice farmers, have always worked very modest areas of land; in Java in the 1970s, only 2 percent of all agricultural holdings were larger than three hectares (Booth 1988:52). It was market-mediated because the trade in agricultural products, including rice, remained largely in private hands. And it was state-driven because the state set the goal of rice self-sufficiency and supplied, sometimes by coercive means, the technologies and the investments which made it possible to reach that goal.

The state supplied the new high-yielding, fertilizer-responsive, pesticide-resistant rice varieties developed at the International Rice Research Institute in the Philippines, or in Indonesia itself by government scientists as derivatives of the IRRI types (Fox 1991:66). It subsidized, sometimes to the tune of more than half of the international price, the fertilizers needed to make them yield to their full potential (Van der Eng 1996:118). It provided subsidized credit for the purchase of this and other inputs, and in the early years frequently forced farmers to take up a combined seed-fertilizer-credit package under the auspices of the Bimas or 'Mass Guidance' programme for agricultural modernization (Booth 1988:148). Crucially, it also rehabilitated and extended Java's irrigation systems, the improved rice varieties being suitable only for cultivation in flooded fields. In many years, expenditures on irrigation accounted for more than half of the total agricultural development budget (Van der Eng 1996:161). Finally it established a Logistics Agency (Bulog) to stabilize rice prices, both farm gate and retail, by buying rice at a fixed floor price when prices were low and selling at a fixed ceiling price from the resulting buffer stock when prices were high (Timmer 1997).

During the 1970s and early 1980s, agricultural development was the largest single item on the government's development budget, ahead of transport and communications, industry, education, and health (Hill 1996a:58). At its peak in 1979 and 1980, the proportion of total government spending going to agriculture reached 22 percent (Scherr 1989:556). And the rural development effort did not end there. Much of the concurrent spending on roads, electrification, marketplaces, schools, and public health also took place in rural areas, where more than 70 percent of the Indonesian population lived. The total length of roads in Indonesia, for instance, increased by almost 50 percent in the ten years 1967-1977, while the existing network was repaired and upgraded. Much of the rural infrastructure was built using labour-intensive techniques, creating employment for the poor (Timmer 2005:4, 44). Indonesian development spending, in short, was targeted substantially at agriculture, the countryside, and the poor.

Pierre van der Eng (1996:160) has calculated that annual government expenditure on agricultural development under the New Order was more than 30 times higher in real terms than it had been in the late colonial period. How was this unprecedented level of spending made possible? Not by rural taxation: under Suharto as under his predecessor Sukarno, the tax burden on the poor remained much lighter than in colonial times. The answer is simple: oil - or rather: oil and aid. From 1974 to 1989, the oil and gas industry provided about half of all government revenues in Indonesia, and foreign aid around another 20 percent (Van der Eng 1996:162). To the extent that the Indonesian economic take-off was 'export-led', it was led by not by manufactures but by oil. Which is to say, it was export-led only to the extent that it was state-led, since it was only through the redistributive activities of the state that oil income, and aid, was transformed into 'pro-poor growth' (Timmer 2005). The purpose of the later transition to manufactured exports was in the first place to substitute for oil as a source of state revenue, and thereby to maintain the level of development spending in
the face of falling international oil prices. Export-oriented industrialization, in other words, made development sustainable in the long term; but it did not start the development process, and was not the key to poverty alleviation.

The problem in Nigeria was not only that the transition from oil- to manufacturing-funded development did not take place, but that oil income was never converted into agricultural and pro-poor growth in the first place. One factor here was the well-known lack of a uniform technological 'quick fix', along the lines of Asia's Green Revolution in intensive wet-rice agriculture, for Africa's more diverse and less area- and labour-intensive farming systems. But this point should not be exaggerated. Major breakthroughs in maize and cassava breeding, some of them achieved on Nigerian soil at the International Institute of Tropical Agriculture in Ibadan, took place in Africa in the 1970s. But in Nigeria as elsewhere on the continent, weak agricultural extension services, combined with inadequate transport, storage and credit facilities, meant that the potential of the new varieties was not fully exploited (Holmén 2005:70). Nigeria spent much less money than Indonesia on agricultural development: less than five percent of total government expenditure during the oil boom years (Akande 2005:167). Much of what was spent, moreover, took the form of misguided subsidies for large plantations and mechanized equipment with the aim of bypassing, rather than modernizing, peasant agriculture (Mwabu and Thorbecke 2004:136). Nigeria also grossly failed to create the macroeconomic and institutional conditions for agricultural growth.

Indonesia, from the outset, supported its agricultural sector through its exchange rate management and, more directly, though large-scale investment in irrigation, other physical infrastructure, and a fertilizer subsidy scheme, among others. On the other hand, Nigeria squeezed agriculture unmercifully throughout the whole period - directly, through the regional and, later, national marketing boards, and indirectly, through the negative impact of distorted trade and exchange rate policies on domestic agricultural production. (Thorbecke 1998:134.)

Beyond Indonesia, other Southeast Asian countries had fewer natural resources with which to fund state-led agricultural development in the absence of other sources of revenue, and most also received less foreign aid. So not surprisingly, they do not show the pronounced time lag between the onset of sustained, rapid economic growth and the onset of export-oriented industrialization which we see in the Indonesian case, and which makes Indonesia so clearly diagnostic of the fact the root of development lies in the Green Revolution and not in the export push. In Malaysia, for instance, aggregate growth and industrial exports took off more or less simultaneously in the early 1970s, lending superficial credibility to the idea that the industrialization was the direct cause of the growth. In the same period, however, Malaysia was also undergoing its own rural infrastructure improvements and its own state-led Green Revolution, including all the same elements as in Indonesia: new crop varieties, subsidized fertilizer, cheap credit, price interventions, irrigation projects (Jenkins and Lai 1989). A recent cross-country statistical analysis by Warr (2005) appears to confirm that poverty reduction, in Southeast Asia, depends primarily on growth in agriculture and services, growth in the industrial sector having little systematic impact on poverty levels.

**Links between agricultural and industrial revolutions in Asia**

In twentieth-century Southeast Asia as in eighteenth- and nineteenth-century Europe, then, industrial revolutions went hand in hand with agricultural revolutions, and it is reasonable to suppose that the two were causally related. Even in Northeast Asia, where industrialization has sometimes appeared more autonomous of agrarian change, there is evidence that it was in fact preceded by marked productivity gains in the agricultural sector due to expanded irrigation,
chemical fertilizers, and new seed varieties (Kang and Ramachandran 1999). How might rising agricultural productivity have contributed to the success of export-oriented industrialization in Asia? While any answer we might give at this point and in this context must be speculative, the fact that the question is surprisingly seldom asked in such explicit terms seems to make some speculation worthwhile. Three possibilities spring to mind: the effect on wages, the implications for macroeconomic management, and the contribution to political stability.

To begin with wages, or labour costs: for the kind of labour-intensive, internationally mobile manufacturing enterprises that have spearheaded Southeast Asia's industrialization, wage levels are a crucial factor in profitability. In the Malaysian textile and footwear industries in the 1980s, for example, wages accounted for almost 40 percent of all firm costs (World Bank 1995:4-5). One of the prime determinants of the going wage for low-income workers is of course the price of food, and the Green Revolution in Asia made rice (and to a lesser extent other food staples) much more plentifully and cheaply available than it would otherwise have been (the alternative view that the Green Revolution reduced wages primarily by making agricultural workers unemployed is something I will consider in my second paper for this conference). It is true that rice prices fell worldwide as well as in the successful Southeast Asian countries, and that poor Africans often also benefited from the cheapness of foodstuffs on the international market, as well as from food aid and food dumping by the rich countries. However, market fluctuations and political changes meant that food prices in Africa remained volatile, whereas in Southeast Asia they were stabilized by national self-sufficiency policies and by market interventions designed to keep the price of rice within a fixed range. Michael Rock (2002:505) has presented statistical evidence that in Indonesia, Malaysia, and Thailand the growth of manufacturing industry was specifically correlated with the successful stabilization, rather than the progressive reduction, of rice prices.

A second, related reason why agricultural development might have been important to industrialization has to do with exchange rate management. One of the most important aspects of macroeconomic policy in relation to the promotion of industrial exports, and at the same time one of the clearest points of contrast between African and Southeast Asian development policies, historically and to some extent also today, is the maintenance of a competitive exchange rate between the national currency and those of potential export markets. Cross-country statistical studies confirm that the size of the black market premium on currency deals - that is, the difference between an overvalued official and a real (market) exchange rate for a national currency against the US dollar or other international currencies - is a reliable predictor of poor national economic performance (Easterly 2002:221-223, 238).

Avoiding overvaluation of the domestic currency is particularly important for oil-producing countries like Indonesia and Nigeria, which are subject to currency appreciation, a classic symptom of 'Dutch disease', as a result of the influx of foreign exchange caused by oil exports (Pinto 1987; Scherr 1989). During the later years of the Sukarno period the Indonesian government attempted to maintain a grossly overvalued rupiah - much to the detriment of exporters, including the smallholders in the outer islands who produced most of Indonesia's export crops. In 1966, as soon as it had consolidated its grip on power, Suharto's New Order moved to devalue the currency by 90 percent against the US dollar in order to improve the balance of payments and 'reverse the trend toward subsistence farming in the agricultural sector' (Wing 1988:336). Once every few years over the next two decades, a further major devaluation of the rupiah took place: by 10 percent in 1971, 34 percent in 1978, 28 percent in 1983, and 31 percent in 1986 (Simatupang 1996:60-61). After 1986 there were no more abrupt changes, but the rate continued to be administratively set and 'in no sense was a genuine float in which market forces determined day-to-day movements' (Hill 1996a:75). Apart from the tiny oil sultanate of Brunei, no other country in Southeast Asia is as
susceptible to Dutch disease as Indonesia. Nevertheless the same active concern to maintain competitive exchange rates has also been present elsewhere in the region. Thailand, for instance, devalued its currency by nine percent against the US dollar in 1981, and again by 15 percent in 1984 (Siamwalla 1995:154).

In Nigeria, by contrast, the value of the naira was allowed to appreciate throughout the oil boom years, then maintained for several years at an artificially high level as oil prices fell. The failure to devalue promptly had to do partly with politics and corruption: whereas during the oil boom the main mechanism of patronage had been public expenditure, during the slump this source declined and was replaced by rents from foreign exchange allocation to favoured importers. At its peak in 1984 and 1985, the official exchange rate was over 300 percent higher the parallel or black market rate (Bevan, Collier and Gunning 1999:75, 81). This situation was not only disastrous for exporters, whose products were priced out of international markets, but also favoured the import of foodstuffs to the detriment of domestic production: by the early 1980s, Nigeria was was importing between two and five times more food per head of its population than was Indonesia (Pinto 1987:434). Indonesia's rising domestic food production at this period, and particularly its achievement of national self-sufficiency in rice, enabled it to undertake dramatic currency devaluations without having to fear dramatic increases in consumer food prices, which might have led to sharp wage rises in manufacturing industry, as well as to political unrest. Indonesia's successful agricultural revolution, in other words, gave its rulers enhanced freedom to follow a macrэкономic policy conducive to successful industrialization.

Not, it must be admitted, that the prospect of mass protest was an important reason for the failure to take similar currency devaluation measures in Nigeria, where there was reportedly 'no debate' over the sustained appreciation of the naira throughout the 1970s, despite its serious consequences for national development, and where when devaluation finally did become inevitable in 1986 - to the tune of fully 69 percent - it seems to have caused more political trouble among 'urban middle classes accustomed to cheap imports and foreign travel' than it did among low-income consumers of imported food (Forrest 1993:208, 216). The extreme political weakness of the African poor is a topic of great importance to which it will not be possible to give adequate coverage here. But it does bring us to a third and most obvious aspect of the functionality of agricultural development to Asian industrial success: the fact that in the Southeast Asian countries political stability, a fundamental prerequisite for industrial investment, and particularly for foreign direct investment in export-oriented industry, has been predicated on some degree of economic progress for the poor, or at least a significant proportion of the poor, as well as for the rich. When Suharto fell from power after 32 years in 1998 during the Asian financial crisis, it was largely because for the first time he was seen as failing to deliver progressive welfare improvements to the mass of the Indonesian population.

The 'rural bias' in New Order development policy is actually only one manifestation of a broader policy principle, keenly discerned in the World Bank's East Asian Miracle study but often overlooked by over-critical readers of that document, which has been adhered to by all of the successful Asian developmental states: the principle of 'shared growth'. More than their counterparts in other developing countries, the political leaders of the high-performing Asian economies 'realized that economic development was impossible without cooperation' (World Bank 1993:13).

To establish their legitimacy and win the support of the society at large, East Asian leaders established the principle of shared growth, promising that as the economy expanded all groups would benefit. [...] Explicit mechanisms were used to demonstrate the intent that all would have a share of future wealth. [...] Indonesia used rice and fertilizer price policies to raise rural incomes; Malaysia introduced explicit wealth-
sharing programs to improve the lot of ethnic Malays relative to the better-off ethnic Chinese; Hong Kong and Singapore undertook massive public housing programs [...]. Whatever the form, these programs demonstrated that the government intended for all to share the benefits of growth. (World Bank 1993:13-14.)

Economist Hal Hill (1997:133) has identified 'equity' as one of three crucial factors, the other two being 'macroeconomic orthodoxy' and 'openness', that can be regarded on empirical grounds as belonging to the 'irreducible core' of any explanation for rapid growth in the Southeast Asian countries.

Africans still tend to assume that growth and equity are intrinsically antithetical: economic growth, at least in its early stages, must involve widening economic inequalities, as classically predicted by Kuznets (1955). But for more than a decade now hard evidence has been accumulating, partly as a result of the retrospective study of the Asian miracle, that the reverse is in fact the case. Not only can rapid growth occur without deteriorating equity; it is also the most equitable countries which are most likely to achieve the most rapid growth. The East Asian Miracle study already noted that almost all of the miracle countries displayed levels of income inequality more comparable to Europe than to Africa or Latin America (World Bank 1993:29-31). In 1994, economists Alberto Alesina and Dani Rodrik used a wide set of international data on income distribution and land ownership to show that statistically speaking, 'the more unequal is the distribution of resources in society, the lower is the rate of economic growth' (1994:478). In 1998 the charity Oxfam published a study entitled Economic growth with equity in which East Asia - including Suharto's Indonesia, on the face of it an unlikely object of admiration for an idealistic Western NGO confederation like Oxfam - were held up as models for equitable development (Watkins 1998). And in 2005, the World Bank devoted its annual World Development Report for 2006 to the theme of 'equity and development' and the proposition that 'equity is complementary, in some fundamental respects, to the pursuit of long-term prosperity' (World Bank 2005:2).

Capitalist production and 'socialist' redistribution: Southeast Asia as 'Cuba plus'

Despite the mounting empirical evidence for a positive association between growth and equity, many still deny it. Collier and Dercon (2006:226), criticizing the 2006 World Development Report, warn against any temptation to judge development and aid strategies 'in terms of whether they directly contribute to poverty reduction'. In their view this leads to short-sighted policies that 'redistribute both from the future and from the majority of the economy, to those who are currently poor'. Salutary examples of the consequences, according to these authors, include Cuba, and lately also Venezuela, which whatever their achievements in ameliorating the conditions of the very poor are 'not models to be emulated but rather disastrous development cul-de-sacs' (Collier and Dercon 2006: 227, 228).

We cannot make poverty history unless the countries of the bottom billion start to grow, and they will not grow by turning them into Cuba. Cuba is a stagnant, low-income, egalitarian country with good social services. If the bottom billion emulated Cuba, would this solve their problems? I think that the vast majority of the people living in the bottom billion - and indeed in Cuba - would see it as continued failure. [...] Catching up is about radically raising growth in the countries now at the bottom. (Collier 2007:12.)

Economic growth and poverty reduction, in this view, are compatible only as joint outcomes of policies designed exclusively to promote growth; you cannot adopt policies which aim to combat poverty as such without making growth less likely and risking diversion of the development
trajectory into a Cuban cul-de-sac. Similar opinions can be heard in Asia too. In 1990, Singaporean intellectual Kishore Mahbubani (1998:189) included among his 'Ten Commandments for Developing Countries in the Nineties' the injunction: 'Thou shalt not subsidise any products'.

But is this how successful Asian developing countries actually work in practice? No. The rural and agricultural development that underpinned Southeast Asian growth, as we have just seen, depended heavily on public subsidy and 'market distortion'. And anyone who has lived, as I have, in Mahbubani's own Singapore will have been struck by the city-state's extraordinary public housing system. Fully 86 percent of all Singaporeans live in housing built by the state, and although nowadays they mostly buy rather than rent their flats from the Housing Development Board, they do so at a much lower price than they would have to pay in a free market (Phang 2007). They are also assisted in this by Singapore's famous Central Provident Fund, a comprehensive national social security savings and insurance scheme based on compulsory contributions by both employees and employers (Vasoo and Lee 2001). Small wonder that Singapore has sometimes been characterized, along with Hong Kong, Taiwan and South Korea, as a 'Confucian welfare state' (Jones 1993).

What is true of these advanced developmental states is also true in lesser degree of the following wave of industrializing countries in Southeast Asia. In February of this year on a visit to Malaysia during the run-up to a national election, I was once again struck by how much the social contract underpinning developmental success is based on the state using its tax revenues to benefit its citizens, not just indirectly by creating the conditions for economic growth, but also directly through public services and public subsidies. Malaysia, as Collier (2007:88) notes in The bottom billion, is 'a highly successful middle-income country' which is 'top of the league for investment inflows'. It also has a highly successful government, the Barisan Nasional or National Front, a coalition of parties representing ethnic Malay, Chinese and Indian interests which has been in power continuously since independence in 1957. In more than 50 years of independence, Malaysia has never once had a change of government. This March the Barisan won its twelfth consecutive general election, albeit with a smaller majority than it has been used to. A series of party political advertisements, deployed prominently in the media during the campaign period of two weeks before the election, gives a good idea of how the coalition's unbroken dominance has been achieved.

Of the full-page propaganda features published daily in the Malaysian New Straits Times in this campaign fortnight, the first three all celebrate essentially redistributive achievements. The very first celebrates direct government price subsidies on flour, sugar, cooking oil and petrol, products which as a consequence are all cheaper in Malaysia than in much poorer neighbouring countries. So much for never subsidizing any product. The second and third remind Malaysians that the government provides them with free education, and with almost free public health care. A fourth advertisement deals with the efficiency of government services: Malaysian citizens can have their passports renewed within three hours. When macroeconomic progress finally makes its appearance on the fifth day of the campaign, it is fascinating to note that the main boast is not rising GDP, but rising foreign exchange reserves - which, voters are assured, make the country 'well-positioned to weather economic uncertainties'. Subsequent advertisements return to the theme of equity: 'no more poverty'; 'no-one left behind'; 'a place for all'.

Malaysia's ruling party, in other words, does not stay in power by promoting capitalism, or at least not directly so. It stays in power in the first instance by redistributing the benefits of capitalism, and by protecting people from capitalism's adverse effects. Not for nothing is the official emblem of the Barisan Nasional the weighing scale or dacing, symbolizing equity and justice. To present the 'development cul-de-sac' of Cuba and the booming industrial economies of Southeast Asia as the results of entirely contrasting policy choices is misleading: in reality, they have much in common.
Malaysia is not the opposite of Cuba; it is Cuba *plus*. By combining strong private sector development with a wide range of redistributive policies and with the 'good social services' which Collier concedes are a mitigating feature of the Cuban regime, Southeast Asia at its best combines the best of both capitalism and socialism.

Long before socialist Vietnam embraced the market and launched its own Asian miracle under continued communist rule, all of the economically successful Southeast Asian countries already had political systems with some more or less evidently socialist features. In one case the socialist orientation of the ruling party, although not heavily emphasized and in some ways paradoxical, was explicit: Singapore's ruling People's Action Party still officially describes its philosophy as one of 'socialist democracy' and was for many years a member of the Socialist International, from which it withdrew in 1976 after the Dutch Labour Party proposed to expel it. Although seldom recalled today, this event was important enough at the time to prompt the publication of a book, edited by later president of Singapore C.V. Devan Nair and entitled *Socialism that works ... the Singapore way* (1976), in which the PAP defended its socialist credentials with reference to public housing, state education, trade union representation in business and politics, and state-owned industrial enterprises.

In Indonesia under the New Order the word socialism was in itself anathema, the regime having its origins in a mass purge of Indonesia's communists in 1965. Nevertheless many of the institutions of Suharto's developmental state were inherited from the 'Guided Democracy' of Sukarno's predecessor Sukarno, established in 1959 following the breakdown of parliamentary democracy. The Guided Democracy regime incorporated the Indonesian Communist Party as a partner in power, and pursued socialist economic policies under the banner of a 'Guided Economy'. The New Order, it can almost be said, was Guided Democracy minus the communist party, plus international capital. Among the features which it inherited directly from its predecessor were its national constitution, its corporatist form of parliament, its ideological emphasis on *gotong royong* or mutual cooperation, and its 'government party' Golkar, an umbrella organization of noncommunist labour unions, trade associations, youth, peasant, women's and veterans' groups (Reeve 1985). At the level of the peasant agricultural economy, there was considerable continuity between the New Order and its predecessor even in the details of development policy. The Bimas or 'Mass Guidance' agricultural extension programme, which as noted was the main vehicle for disseminating Green Revolution technology under the early New Order, had its origins under Guided Democracy in 1963, before Suharto came to power (Rieffel 1969). In terms of institutional development, then, the year 1959, in which liberal democracy was replaced by the quasi-socialist system of Guided Democracy, was an even more important turning point in Indonesian history than 1965.

Thailand is the Southeast Asian country which has most clearly approximated a *laissez-faire* capitalist development path. For this it has ultimately paid a heavy price in the form of widening income inequality and an unstable polarization of political life between poor rural and rich urban interests, leading to the rise, fall, resurrection by proxy, and then second demise of Thaksin's pro-rural Thai Rak Thai party. Nevertheless even in Thailand, since the 1970s the state has intervened quite heavily to protect rural incomes by supporting rice prices, subsidizing fertilizer, and providing cheap agricultural credit, as well as by means of infrastructure projects and agricultural research and extension (Shigetomi 2004). Meanwhile King Bhumibol, the lynchpin of Thai politics, has consistently provided both an ideological and an economic counterweight to market capitalism with his own crown-sponsored rural development projects, many of them initially built around cooperatives inspired by prototypes in Israel and China (Handley 2006:241). A long-debated universal health care scheme for all Thais was finally introduced by the Thai Rak Thai party in
In 2002, in fulfilment of one of the election promises that had given it a landslide victory the previous year (Towse, Mills and Tangcharoensathien 2004).

In Southeast Asia, the alliances and strategies underpinning shared growth were typically counter-revolutionary in inspiration. Socialist policies were imitated by capitalist governments in order to help defeat socialist threats, or, in the more recent converse case of Vietnam, capitalist policies were adopted by a socialist government, partly in order to pre-empt the threat of popular discontent. In Indonesia, as noted, the developmentalist New Order regime was born in a violent anticommunist purge, and its commitment to rural development reflected an abiding fear that in the absence of economic improvement, peasants might once again turn to political radicalism. It is no coincidence that the emblem of the New Order state party Golkar incorporates symbols of basic material welfare, in the form of rice and cotton panicles, which recall communist banners. In Malaysia the Alliance Party and its successor the Barisan Nasional fought a double counter-revolution, first against the Malayan Communist Party and later against a radical Malay-Islamic communalism which threatened to undo the country's delicate interethnic consensus. In both countries the anticommunist struggle had international as well as national aspects, Southeast Asia being the hottest and bloodiest theatre, after Korea, of the so-called Cold War. The Green Revolution in rice farming, for example, was made possible by the International Rice Research Institute (IRRI) established in the Philippines in 1960 by the American Ford and Rockefeller Foundations, and the term 'Green Revolution' itself was coined by USAID director William Gaud in 1968 to contrast capitalist Asia's reliance on peaceful progress with the violent 'Red Revolution' of the Soviets.

In its combination of counter-revolutionary aims and capitalist economies with corporate institutions and quasi-socialist redistributive policies, Southeast Asian developmentalism often has distinct overtones of fascism or 'national socialism'. The political ideology of the New Order was in fact directly influenced, albeit to a debatable extent, by German national socialism (Bourchier 1997:180), and it is an open secret that the emblem of Singapore's People's Action Party (PAP), founded by people who described themselves as 'anticommunist socialists' in 1954, was inspired by that of the notorious prewar British Union of Fascists - the 'blackshirts' - led by former Labour government minister Oswald Mosely.

**How not to develop: right and wrong roles for the state**

I have argued that agricultural and rural development, not export-oriented industrialization, was the key to initiating economic growth in Southeast Asia; that state interventions and subsidies played a major part in bringing about the crucial transformation of the rural economy; and that the pro-rural policies of Southeast Asian developmental states reflected broader concerns with equity and redistribution as well as growth and modernization. Having said this, in order to avoid any misunderstandings it is perhaps also worth specifying a few things that I am not arguing here.

I am not arguing, firstly, that export-oriented industry is a bad thing. A statistically significant positive relationship between exports and growth is often found in cross-country studies, and has been demonstrated in both Asian and African contexts (Lee and Huang 2002; Söderbom and Teal 2003). There are also strong statistical indications that the causality here runs from export to non-export growth more than vice versa (Riezman, Whiteman and Summers 1996). and that manufactured exports stimulate growth more than do exports of primary products, the effect of which on non-export GDP, in accordance with the well-known 'resource curse' hypothesis, may actually be negative (Herzer, Nowak-Lehmann and Siliverstovs 2006). Nor do I want to deny that in the long run the taxation of successful manufacturing concerns has helped the governments of countries like Indonesia to overcome their earlier financial dependence on resource rents and
foreign aid, without having to return to the colonial practice of taxing the poor. My point is simply that export-oriented industrialization, certainly in Indonesia and probably also elsewhere in Southeast Asia, did not cause the initial transition to sustained economic growth, and in fact appears to have been contingent on prior or parallel growth in the agricultural economy.

Another thing I am definitely not arguing is that the developmental states of Southeast Asia, however effective their market interventions in the agricultural sphere, have also been able to direct industrial development along Japanese or Korean lines by selecting, protecting and supporting promising 'infant industries' up to the point where they can compete in export markets (Amsden 1989; Wade 1990). When Southeast Asian governments have tried this, they have generally failed. The Indonesian automotive industry, for example, has been cited as a case study of 'how not to industrialise': a small, inefficient industry, sheltered from foreign competition by tariffs of up to 200 percent on imported vehicles, concentrated almost entirely in Jakarta, employing few workers, and characterized by 'uneconomic production runs and miniscule exports' (Aswicahyono, Basri and Hill 2000:209). In Malaysia, too, the national car manufacturer Proton absorbed huge amounts of public funding but conspicuously failed to achieve export growth, remaining dependent on the relatively small, heavily protected domestic market while multinational auto manufacturers made Thailand their base for regional production and exports (Felker and Jomo 2007:144). If the attempt to create strictly national car industries has served any purpose, it has been to contribute, probably at disproportionate expense, to the development of labour force skills and the interethnic redistribution of wealth. In broad terms, it has been the same story with other protected heavy and high-tech industries: steel, chemicals and aviation. The performance of enterprises which are actually owned by the state has been particularly dismal.

In light manufacturing there have been a few exceptions to this pattern. The Indonesian food conglomerate Indofood, a manufacturer of instant noodles now widely consumed in Africa as well as Europe and Asia, has its origins in a monopoly on the milling of imported flour granted to Suharto 'crony' Liem Sioe Liong in 1970 (Dieleman 2007:47). On the other hand the Indonesian clothing industry, which is sometimes interpreted as an example of successful infant industry protection because it developed behind tariff barriers in the 1970s before emerging as a major exporter in the 1980s, turns out on close inspection to have been subject to de facto negative protection in the 1970s because the effects of the protection afforded to the domestic weaving industry, from which the garment manufacturers were obliged to buy their cloth, outweighed the effects of the tariffs on imported clothing (Hill 1996b:160). The Indonesian clothing manufacturers, in other words, would have been even more successful in the absence of any state interventions of this kind. Despite some dissenting voices (Jomo 1997; Rock 1995, 1999), in general there is broad agreement that in Southeast Asia the policies most effectively favouring export-oriented industrialization have not been selective interventions to support particular industries, but rather policies designed to keep the prices of exports in general at internationally competitive levels: infrastructure provision, cost of living subsidies (including food price interventions), favourable tax and investment regimes, strategic currency devaluations, and provisions allowing exporting companies to import raw materials and capital goods tariff-free.

Indeed, with only a little stretching of the facts it is possible to go further and conclude that the less ideological and policy emphasis of any kind which Southeast Asian governments have given to industrialization as such, the more likely they have been to industrialize. Of Thailand it has been said that 'it is not unreasonorable to see the development of manufacturing exports during the 1970s as taking place in spite of official policy' (Dixon 1999:104). Conversely, in Burma, by far the least industrialized of the major Southeast Asian countries, the goal of industrialization has ironically been what Tin Maung Maung Than (2007:3) describes as a 'fixation' of ruling elites from...
independence in 1948 up to the present. There is a telling irony here: Burma, which set out single-mindedly to industrialize, failed to do so; whereas Thailand and Indonesia, which concentrated more strongly on the modernization of agriculture, succeeded in developing an internationally competitive industrial sector. Most African countries lie much closer on this spectrum to Burma than to Indonesia. While Suharto's 'technocratic' advisors were directing Indonesia's oil revenues into rural and agricultural development during the 1970s, their Nigerian counterparts, who for a time enjoyed similar power and autonomy, were squandering their country's oil windfall in the vain pursuit of what Collier and Gunning (2008:211) describe as 'megalomanic industrial ambitions'.

Even in the agricultural sector, it also needs to be stressed, state-led development in Southeast Asia has had definite limits. While Southeast Asian states have intervened strongly in agricultural and especially food markets, strikingly absent from their toolkit of interventions have been the monopolistic 'marketing boards' to which African farmers have all too often been forced to sell their produce at discount prices. Introduced - 'like smallpox', it has been said - by colonialists (Thompson and Thompson 2000:114), these boards were designed to stabilize farm-gate prices, but after independence they tended to degenerate into instruments of taxation and predation. Southeast Asian governments, on the whole, have found means of price stabilization which are intrinsically less susceptible to abuse. In Indonesia, for instance, the state food logistics agency Bulog had no monopoly rights (except over imported food) and did not seek to displace the private sector from the domestic rice trade. Its task was only to buy at a set floor price when farm-gate prices were low, and sell at a set ceiling price when consumer prices were high. The margins provided between the floor price in rural markets and the retail price in urban markets allowed private traders to handle most of the rice marketed. In normal years, Bulog bought and distributed less than 10 per cent of the rice produced and consumed in Indonesia (Timmer 1997:137). Development economist Dani Rodrik (2004:13) has written that the idea of a mixed economy, in which markets and the state complement each other, is 'possibly the most valuable heritage that the twentieth century has bequeathed to the twenty-first in the realm of economic policy'. Southeast Asian experience is very much in line with this.

Some caveats, finally, are in order regarding my observations on the politics of pro-rural and pro-poor development. By observing that the successful developmental states have redistributive concerns and policies which can be characterized as 'socialist', I obviously do not mean to imply that governments which make equitable development a priority will automatically succeed in generating growth, still less that the counter-revolutionary states of Southeast Asia incorporate all the features which Europeans associate with socialism. Malaysians, for example, may enjoy food and fuel subsidies and all kinds of good public services, but there is no national minimum wage in Malaysia, and no unemployment benefit. Exactly which types of redistributive policies have proven to be compatible with rapid development, and which have not, is an important empirical research question for the Tracking Development project. The real point is that whatever is wrong with African states, it is certainly not simply that they are interested in redistribution; successful Southeast Asian states have been thoroughly interested in that too. By noting the similarities between counter-revolutionary Asian developmentalism and European fascism, finally, I do not mean to deny the profound differences between the genocidal dictatorship of Nazi Germany and the multicultural, multi-party democracies of Singapore or Malaysia, still less to suggest that what Africa needs is fascism. On Southeast Asian evidence, however, Africa does need strong, stable, popular (populist?) governments which combine conventional, capitalist macroeconomic policies with generous public spending, effective public services, and a particular interest in modernizing agriculture and the countryside.
Policy implications for donors

The recent Policy and Operations Evaluation Department report on Dutch Africa policy between 1998 and 2006 notes that 'integrated rural development', until 1998 a cornerstone of Dutch aid in Africa, has in the last few years almost disappeared from the development cooperation toolkit (Bais 2008:30, 53). Today the overseas development budget is dominated by debt relief, humanitarian aid, and, for favoured governments, 'general budget support'. As far as support for specific sectors still continues, it goes mostly to education, health, and projects designed to promote good governance and strengthen civil society. Except perhaps for the very European preoccupation with clean government and civic freedoms, these currently popular interventions do continue to make some sense in terms of Southeast Asian experience. Education and health services, certainly, have been very important in both Indonesian and Malaysian development. But if there is one phrase that sums up the achievements of the 1970s in Indonesia, and captures a foundational aspect of the Malaysian success story too, then it surely 'integrated rural development' - precisely what appears to have been dropped from the Dutch overseas development agenda.

In the Southeast Asian cases, as noted, it was domestic politics, not donor pressure, which underpinned the 'rural bias' in development policy. In Africa, this domestic political dynamic favouring agriculture and the countryside has all too often been absent. One of the reasons for the recent eclipse of rural development as a specific focus of Dutch development cooperation, according to the recent policy review, is that in many cases it proved to be 'too detached from national policy' in the countries concerned (Bais 2008:53). The African tendency to neglect agriculture, peasants and the countryside has been the subject of considerable attention from researchers, who attribute it mainly to the colonial, urban, bureaucratic origins of African states, and to the ethnic fragmentation of African nations, which leads to a preoccupation in political life with ethnicity rather than class. These factors are certainly not the whole story: Africa has had its share of 'revolutionary' movements and governments, and Southeast Asian states are anything but free from ethnic tensions; in Malaysia, in fact, ethnicity is no less the central axis of politics than it is in Nigeria. The position of Southeast Asia on the front lines of the Cold War, making communist subversion or invasion an imminent threat, may well go further toward explaining the greater seriousness with which governments and elites in that region took peasant poverty and the interests of the rural masses (Campos and Root 1996; Stubbs 2005). But whatever the reasons for the apparently structural lack of interest on the part of African governments in this key element of successful Asian development strategies, whether donor initiative alone could ever compensate for it must remain very doubtful.

What is nevertheless clear is that in those cases where governments have worked together with donors on integrated rural development, the results have sometimes been encouraging. In Mali, the big irrigation project administered by the Office du Niger has enjoyed consistent support both from the national government and from the Netherlands since 1978. Whereas at the beginning of the programme there was still frequent hunger among local farmers, today the areal rice yield in the Office has risen more than sixfold. Poverty has declined sharply despite rapid immigration, and the area is a motor of economic growth. Mali is now self-sufficient in rice, almost two-thirds of its production coming from the Office du Niger (Bais 2008:55). Further expansion of irrigation in Africa, although expensive, is certainly possible. Moreover, although the reasons for slow progress in African agriculture to date have been only partly technological, continued scientific advances have recently brought an African counterpart of Asia's Green Revolution within even closer reach. Perhaps the most important of these advances is the development in West Africa in the 1990s, under the direction of Sierra Leonean plant breeder Monty Jones, of an inter-species hybrid of Asian and African rice (Oryza sativa and Oryza glaberrima respectively) which combines Asian productivity
with African resistance to drought and weeds: the 'New Rice for Africa', NERICA (Djurfeldt, Holmén, Jirström and Larsson 2005; Otsuka and Kalirajan 2006). Development cooperation efforts should be directed toward making the African Green Revolution happen, and more generally toward promoting the 'state-driven, market-mediated' rural development which Southeast Asian evidence suggests is the real foundation, along with sound macroeconomic management, for rapid poverty alleviation and economic growth.

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Wing Thye Woo

World Bank


Indonesia:
GDP per capita
(constant 2000 US$)
1960-2005

Indonesia:
manufactures exports
(% of merchandise exports)
1960-2005
Indonesia: % of population in poverty (as defined by national poverty line), 1970-1996
Indonesia and Nigeria: oil sector, 1965-1990

Indonesia

Nigeria

- % of total exports
- % of government revenues

% of total exports
% of government revenues

Malaysia:
GDP per capita
(constant 2000 US$)
1960-2005

Malaysia:
manufactures exports
(% of merchandise exports)
1960-2005