AN ANALYSIS OF SOUTHEAST ASIAN NATIONS WITH REGARD TO THEIR POSSESSION OF SOME PRE-CONDITIONS FOR MEMBERSHIP IN AN ECONOMIC UNION

> Thesis for the Degree of M. A. MICHIGAN STATE UNIVERSITY William T. Bucklin 1952

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ABSTRACT

AN ANALYSIS OF SOUTHEAST ASIAN NATIONS WITH REGARD TO THEIR POSSESSION OF SOME PRE-CONDITIONS FOR MEMBERSHIP IN AN ECONOMIC UNION

by William T. Bucklin

Karl Deutsch,¹ Ernst Haas,² James Meade,³ and others identified some requisites for political and economic integration. Several of these pre-conditions and others are analyzed to determine if any Southeast Asian nations are capable of initiating an economic union. Data from two functioning economic unions, the European Coal and Steel Community and the Latin American Free Trade Area, are used for comparative purposes.

Formation of a union requires a broad range of regional and international contacts among potential members; Southeast Asian contacts are examined in Chapter II as are several recent proposals for union. Integration also depends on the existence of similar(though not necessarily high) economic development levels among members so data on seventeen statistical indices are examined for the three regions to ascertain averages, extremes, and ranges of variation in development for nations in these regions. Some of the most important pre-conditions are those for which statistical data were not available. These are examined in Chapter V and include: similarities in governmental leader backgrounds, political institutions and programs, historical and contemporary relations, political and economic nationalism, attitudes of major governments and United Nations agencies, and administrative capabilities of these nations.

Several limitations restrict the study's reliability and weaken the conclusions so major findings are presented in the •

form of hypotheses. These findings are:

(1) the Philippines, Malaya, and Thailand are ready to undertake economic integration that is scheduled to deepen only as these nations' capabilities increase;

(2) Indonesia and Burma, when willing, could participate in an economic union that involves no supranational control and allows increasing activity as their abilities to carry out responsibilities increase;

(3) South Vietnam and Cambodia could, if willing, undertake limited regional economic cooperation not involving union or supranational control, but would not benefit their nations or others much;

(4) Laos is probably cooperating economically to the extent of the nation's capabilities, and remains unsuited for membership or association in any economic union.

Finally, it is suggested that the Association of Southeast Asian States, an incipient economic union, satisfies the capabilities, if not yet the needs of the region. But direct support of this Association by the United States might solidify already existing ideological divisions in Southeast Asia.

LKarl Deutsch, et al., Political Community and the North Atlantic Area, (Princeton, 1957).

²The Uniting of Europe, (Stanford, 1958).

³Problems of Economic Union, (Chicago, 1953).

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By

William T. Bucklin

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CHAPTER I

INTRODUCTION, METHOD, AND THEORY

INTRODUCTION

The Problem

There is a desire among some Southeast Asian policymakers and others to form a Southeast Asian regional economic union, but considerable doubt persists as to whether the leaders in these mations possess the capabilities for carrying out the responsibilities of membership in a union.¹ This doubt derives from estimates of Southeast Asian capabilities in general and not from a systematic analysis of specific conditions that seem to have facilitated formation of other unions. It has been argued that if an economic union is to be successful, a number of prerequisite conditions must prevail within and between potential member nations. Several studies have outlined some pre-conditions which are thought to be desirable for members of various types of political and economic unions and some of these have been adapted for use in

¹The term "economic union" is used in a general sense to describe any multilateral agreement among nations that permits some degree of coordination upon specified economic matters. Southeast Asia, in this paper, includes the nations of Burma, Cambodia, Indonesia, Laos, Malaya, the Philippines, Thailand, and South Vietnam.

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this analysis.² To these pre-conditions the author has added several which seem relevant to the particular situation in Southeast Asia. And this paper seeks to determine the extent to which the nations in Southeast Asia possess some of these pre-conditions.

Data from two functioning economic unions, the European Coal and Steel Community(ECSC) and the Latin America Free Trade Association(LAFTA), that, presumably, possessed these pre-conditions are employed to indicate the minimum pre-conditions desired for successful union. It is expected that any Southeast Asian nations approaching the pre-conditions possessed by ECSC or LAFTA members would probably be able to undertake some type of economic union successfully if other conditions that are relevant to the particular situation in Southeast Asia but which cannot be compared in this way are favorable.

Ectivations for Southeast Asian

Interests in Economic Union

Southeast Asian interests in economic regionalism predate World War II,³ but a marked increase of interest among the

²Karl W. Deutsch, et al., Political Community and the North Atlantic Area, (Princeton, 1957); Lincoln Lordon, "Economic Regionalism Reconsidered," Norld Politics, 13(January 1961)231-253; Ernst B. Haas, The Uniting of Europe, (Stanford, 1958); C. Grove Haines, ed., European Integration, (Baltimore, 1957); James Meade, Froblems of Economic Union, (Chicago, 1953); Rolf Sannwald and Jacques Stohler, Economic Integration, (Princeton, 1959).

³K. M. Panikkar, "Regional Organization for the Indian Ocean Area," Pacific Affairs, 18(September 1945)246-251. Milton Meyer, "Regional Cooperation in Southeast Asia," Columbia Journal of International Affairs, 3(Spring 1949)68-77.

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region's national leaders has occurred during the last four years. A number of official statements, government proposals, and at least one detailed study of the problem⁴ since 1958 are indicative of this growing interest and warrant discussion later in this paper. At least three motivations have contributed to this growing interest in Southeast Asian economic regionalism.

Southeast Asia, during and since world War II, has been a region of strategic importance to the major world powers whose leaders often seek to influence policy-making in Southeast Asian nations.⁵ It has been a continuing task of Southeast Asian government leaders to maximize the achievement of desired political, economic, and social objectives without subjecting their nations anew to the strictures of political or economic imperialism. Many of these leaders have come to feel that the disproportionate influence of larger, richer, or belligerent nations can be countered only by a concerted and unified effort within the region as a whole.

The short-lived Japanese Greater East Asia Co-Prosperity Sphere,⁶ the several Asian and Southeast Asian conferences Convened since World War II, and the memberships of these nations in contemporary regional or international groups have

⁴"Regional Co-operation," Interim Report by the Executive Secretary, ECAFE, United Nations Publication, (New Delhi, 31 January 1961).

⁵Russell H. Fifield, The Diplomacy of Southeast Asia: <u>1945-1958</u>, (New York, 1958), pp. 12-15 and throughout.

⁶This plan is discussed in <u>Ibid</u>, pp. 27-31.

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all led to a greater appreciation of the common problems to be faced and have contributed to the belief that united, cooperative action on a regional basis might alleviate some of these problems.

Progress in implementing the European Economic Community (which has paralleled and probably contributed to an increase in the economic welfare of its members) and the existence of other economic unions pose both a negative threat and a positive example for Southeast Asian policy-makers. Hembers of the European Economic Community(AEC) and the Commonwealth grant their overseas territories association that includes preferential treatment for many commodities of trade. As a result, the individual nations of Southeast Asia fear deterioration of their bargaining power and terms of trade; they expect increasing competition from the associated nations and territories. The examples of EEC, the Commonwealth, and other economic unions have also led Southeast Asian leaders to believe that higher rates of economic growth might be possible within a union.

Importance of Economic Union in Southeast Asia

The formation of an economic union in Southeast Asia would probably contribute to better political and economic relations between regional members as well as between members and other nations. A regional economic union might also: (1) contribute to the expansion of world trade in that consumers utilizing the products of Southeast Asia would benefit from ţ

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any further rationalization of trade relations within the region. (2) It could be a deterrent to war, both world-wide and local, for nations with economies intertwined might find it difficult to arm against each other. (3) An economic union might further stabilization and expansion of the members' economies and thereby serve to strengthen and perpetuate the non-Communist governments now in power. (4) It could also increase the ability of members to attract private as well as public aid, thus making development programs in these nations more secure. (5) And finally, it could be the beginning of broader functional relationships among these nations. In view of these important possibilities, it is believed that analyzing the existence of some pre-conditions for union is of concern to contemporary political scientists.

DEFINITIONS, SOURCE FOR PRE-CONDITIONS,

AND RETHEDOLOGY

Definitions

Southeast Asia, in this paper, includes the nations of ^{Purma}, Cambodia, Indonesia, Laos, Malaya, the Philippines, ^{Thailand}, and South Vietnam. This definition conforms in general to that of other writers concerned with geographical⁷ or political boundaries except that this paper excludes British North Borneo, Netherlands New Guinea, Sarawak, Brunei, and other colonial possessions because they are not considered

⁷For definitions of the region, see: Milton Meyer, "Regional Cooperation in Southeast Asia," Journal of International Affairs, 3(Spring 1949)68. Francis G. Carnell, "Southeast Asia and the Modern World," India Quarterly, 13(April-June 1957)101-120. Charles A. Fisher, "The Concept of South East Asia," Eastern World, 7(March 1953)12.

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free agents in the conduct of political affairs. The Democratic Republic of North Vietnam is also excluded because: (1) its trade with other Southeast Asian nations is negligible and, (2) its membership would, at this time, be unacceptable to most other Southeast Asian nations.

Technical terms that require definition at the outset include association, organization, supranational body, integration, and political community; other terms are defined as they occur in the paper.

An <u>association</u> is usually the least complicated of regional ties and, for the purposes of this paper, is any continuing cooperation on a voluntary basis between two or more member nations in functions defined by treaty or by mutual understanding. Members are not bound to abide by decisions of any superior authority with regard to the specified functions.⁸ The British Commonwealth and the sterling Area are examples of associations.

An organization is any continuing voluntary agreement between two or more nations providing for cooperation in ^{Specific} functions under specified circumstances. Authority ^{over} these functions may or may not be vested in a superior ^{authority}, but an organization must possess both continuous formal institutions and fixed procedures of operation. Examples

⁸A similar definition is given by E. N. Van Kleffens, "The Case for European Integration: Political Considerations," in C. Grove Haines, ed., <u>European Integration</u>, (Baltimore, 1957), p. 80.

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of well-known regional organizations are the North Atlantic Treaty Organization(NATO) and the Organization of American States.

A superior authority to which members of an organization may have delegated specified and defined powers is termed a <u>supranational body</u>. Although a distinction between unitary or federal supranational bodies is important administratively and may profoundly affect the initiation or success of a regional organization, this distinction between types is not made in this paper.⁹

Integration is a process by which specified and defined functions of two or more independent nations are voluntarily delegated to the supervision and control of a supranational body.¹⁰ Integration may proceed in: (1) depth, or number of functions involved; (2) scope, or number of nations included; and, (3) the rate at which new functions or members are incorporated into the agreement. The highest degree of integration is unification of the nations involved and is achieved when every government function, political and economic, has been transferred to the supranational body.

⁹For the importance of administrative organization to regional groupings, see: Ernst B. Haas, "Regionalism, Functionalism, and Universal International Organization," World Politics, 8(January 1956)238-263. Max Beloff, "Federalism as a Model for International Integration," Yearbook of World Affairs, 13(1959)188-204.

¹⁰Van Kleffens, op. cit., p. 60.

Integration supposedly leads to the formation of a <u>political community.¹¹</u> A political community at the regional level has been formed when the populations concerned consistently give allegiance to the supranational body rather than the national government in matters related to the integrated functions.¹²

Sources for the Pre-Conditions of Economic Union

Two analyses of actual integration processes and several economic studies of requirements for economic unions have contributed to the framework employed in this paper.

Karl Deutsch, in cooperation with eight other social scientists and historians, conducted an extensive historical study of ten integrations that occurred in Europe between the Middle Ages and the early Twentieth Century.¹³ These authors were concerned with two types of integration, amalgamated and pluralistic. Amalgamation involved the merger of two or more independent units and the creation of a supranational body while pluralistic integration coordinated activities between members continuously over a period of time, but retained the national decision-making centers. The following conditions were identified in the study as being "essential" in most amalgamated integrations:

llErnst B. Haas, The Uniting of Europe, (Stanford, 1958), p. 5. Cited hereafter as Uniting.

¹³Karl W. Deutsch, et al., Political Community and the North Atlantic Area, (Princeton, 1957). Cited hereafter as Political Community.

^{12&}lt;sub>Ibid</sub>.

(1) mutual compatibility of main values; (2) a distinctive way of life; (3) expectations of stronger economic ties or gains; (4) a marked increase in political and administrative capabilities of at least some participating units; (5) superior economic growth on the part of at least some participating units; (6) unbroken links of social communication, both geographically and sociologically between different social strata; (7) a broadening of the political elite; (8) mobility of persons, at least among the politically relevant strata; and, (9) a multiplicity of ranges of communication and transaction.14

Amalgamated integration probably required cooperation by members in associations and organizations performing a fairly wide range of different common functions and services.¹⁵ "Helpful" conditions included "previous administrative and/or dynastic union; etanic or linguistic assimilation; strong economic ties; and foreign military threats.¹⁶

Ernst Haas, in <u>The Uniting of Europe</u>, analyzed some of the conditions surrounding development of the European Coal and Steel Community(ECSC) and the European Economic Community.¹⁷ The study focused upon the attitudes and expectations of groups and elites before and after ECSC was founded and was primarily concerned with ECEC's importance as a "pilot project" leading, by a process of "function spill-over" to the political integration of Europe. Some conditions Haas found important to integration were: similar cultural, legal, and economic back-Grounds; fragmentation of ideological and social opinion; mutuality of interests in selected elites; basically identical political institutions and practices; similar political programs; and, a lack of controversial political issues between

¹⁴ Ibid, p. 58.	16 <u>Ibid</u> , p. 44.
¹⁵ <u>Ibid</u> , p. 54.	17 _{Uniting} , op. cit.

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members.¹⁸ Acceptance of ECSC was also eased by a tradition among industrial, political, and labor groups "of mutual consultation and rudimentary value sharing through past associations of members;" another helpful condition was the existence of a real or imagined external threat.¹⁹

Two theoretical studies by economists as well as several shorter analyses of European and Latin American economic unions contributed to this study.²⁰ These economists stress the desirability for nations attempting integration to achieve similarity in their economic infrastructures as quickly as possible. A relative freedom of movement of goods, capital, and labor throughout the region presupposes similarity in prices and qualities of goods, investment opportunities, wages, and labor conditions in all member nations.²¹ Maintaining a balance of payments between members probably requires eventual adoption of a common currency, variable exchange rates, or a common fund from which to compensate members for differences in trade balances.²² In addition, institutions with adequate

²⁰The two theoretical works are: James Meade, Problems of Economic Union, (Chicago, 1953); and, Holf Sannwald and Jacques Stohler, Economic Integration, (Princeton, 1959). The shorter works are listed in following notes.

²¹Giuseppe Pella, "The Coal and Steel Community as a Case Study in Integration," in Haines, op.cit., p. 140. See also: Vu quoc Thuc, "Economic Development in Southeast Asian Countries," Asian Culture, 2(January-March 1960)1-32.

²²Meade, above, pp. 39-55.

¹⁸<u>Ibid</u>, p. 290. ¹⁹Ibid, p. xiii.

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authority to enforce compliance with measures must be designed to bring about the above conditions.²³ Finally, a level of trade, existing or expected, between members must provide a financial return equal to or above the expense of forming and operating the regional organization.

As with the pre-conditions posited by Deutsch and Haas, some of these economic requirements can be fulfilled after the union has been achieved, but their prior existence would probably facilitate integration.

Eany of the pre-conditions given in the above studies are so formulated that they cannot be examined in full with data presently available to the author. After attempting to use Deutsch's methodology, Peter Rohn concluded that the concepts are too general and unobjective; reinterpretation and simplification are needed to analyze other integration proceeses.²⁴ Data are unavailable, for example, to indicate fully the degree of social communication or the amount of interaction among selected elites.²⁵ Ernst Haas' procedure,

24"Testing Deutsch's Indices of Community," Political Research: Organization and Design, 2(September 1959)7-9.

25_{Ibid}, p. 9.

²³Galo Plaza, "For a Regional Market in Latin America," Foreign Affairs, 37 (July 1959)615. "The Common Market and Its Relation to a Free Trade Area," Round Table, 191 (June 1958)245. For these and other conditions important to the success of economic unions, see: Fred H. Sanderson, "The Five-Year Experience of the European Coal and Steel Community," International Organization, 12 (September 1958)193-200; Haines, Op. Cit., pp. 73-75, 90, I22-123; Lincoln Gordon, "NATO and European Integration," World Politics, 10 (January 1958)221.

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too, is difficult to apply without conducting on-the-spot investigations and interviews. And in addition, he believes his method applicable only to societies that are highly developed politically, economically, and socially and writes: "I would hesitate to claim validity for it in the study of regional political integration in Latin America, the Middle East, or South-East Asia."²⁶ To indicate fully the preconditions suggested by economists would also go beyond the scope of this paper; it would probably require a detailed study of the national economies of all potential members.

Nethodology

Because of the difficulties in replicating the studies of these pre-conditions mentioned above, the writer used these studies as a guide in selecting for analysis a number of related conditions for which information is available. Some of these conditions are less inclusive than those suggested by other students of integration, but all permit using readily available information on the subject. Southeast Asian nations are examined to ascertain development conducive to integration in the eleven pre-conditions that follow.

(1) A Broad Range of Regional and International Contacts. The importance of regional and international interaction has been stressed by Ernst Haas, Karl Deutsch, and James Leade.

> (a) Both Haas and Deutsch found that integration was promoted by prior cooperation by nations

^{26&}lt;sub>Uniting</sub>, pp. xv-xvi.

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in associations and organizations performing a fairly wide range of different common functions and services. In another study, Has suggests focusing on existing regional institutions to facilitate study of integrative tendencies in non-western settings.²⁷

(b) Meade has suggested that it is especially desirable for union members to belong to the same security pact.²⁸ This would provide more security for members' interests in each other's economies and ease balance of payments problems by allowing joint decision-making and greater specialization of military preparations.

These regional and international contacts in Southeast Asia since 1945 are examined in Chapter III using documents and secondary source materials. Attention is given to: (1) the range of memberships and attendance, (2) the influence of external participants, (3) the degree of coordination or control achieved and, (4) the extent of involvement with economic matters.

(2) Similarity in Basic Social Conditions. Education levels, numbers of persons urbanized, and sizes of agricultural sectors indicate social conditions that influence integrative

27 "The Challenge of Regionalism," International Organization, 12(Autumn 1958)456.

²⁸<u>Op. cit.</u>, p. 27.

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tendencies.

- (a) High levels of education and urbanization are likely to contribute to social communication and the formation of common political attitudes that Deutsch and Haas found conducive to integration.²⁹
- (b) Large agricultural sectors are apt to hinder integration because persons engaged in agricultural pursuits are usually less receptive to new experiences.³⁰ Then, too, governments have been reluctant to expose agricultural products to free exchange³¹ because most of these products face an inelastic demand and falling prices.³²

(3) Similarity in Economic Prosperity. Some indication of prosperity within a nation is obtained by examining per

²⁹Gabriel A. Almond and James S. Coleman, The Politics of the Developing Areas, (Princeton, 1960), p. 475. E.N. Hodder, "Demographic Influences on Economic Development in Southeast Asia," in Philip Thayer, ed., <u>Nationalism and Progress</u> in Free Asia, (Baltimore, 1956), p. 221.

30Ibid.

31 Meade, op.cit., pp. 26-27; Sannwald and Stohler, op.cit., pp. 79-82. EEC members, in order to implement Stage Two of the Rome Treaty on schedule, had to agree on agricultural tariff reductions before 31 December 1961. This was accomplished only after the 31 December meeting was extended without formal adjournment until the middle of January, 1962. See: New York Times, (14 January 1962). Agricultural products have so far been excluded from the provisions of the LAFTA Treaty.

³²The inelasticity of demand for agricultural products is noted in: Raul Prebisch, "Commercial Policy in the Underdeveloped Countries," <u>American Economic Review</u>, 49(May 1959)255-256. ·

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capita income, cost of living, and economic growth.

- (a) Harmonization of economic conditions must be achieved sconer or later to permit a relative freedom of movement of goods, capital, and labor throughout the region and this presupposes similar levels and distribution of national incomes.
- (b) The relative stability between wages and prices³³ is measured by the cost of living index and this index is helpful in spotting any uncontrolled inflation that would be detrimental to economic integration.³⁴
- (c) Karl Deutsch found that integration required at least some members to be experiencing superior economic growth. But economic growth may not improve the general welfare if increases in the national output are absorbed by increasing populations.³⁵ So a comparison

33Wages, prices, and factor movements are discussed in: Meade, op.cit., pp. 56-85; and, Sannwald and Stohler, <u>op. cit.</u>, pp. 120-132.

³⁴E. M. Bernstein and I. G. Patel, "Inflation in Relation to Economic Development," in Bernard Okun and Richard W. Richardson, Studies in Economic Development, (New York, 1961), pp. 439-448.

³⁵For the effect of increasing populations on economic growth, see: Benjamin Higgins and wilfred Malenbaum, "Financing Economic Development," International Conciliation, 502(March 1955)279-280. Also: "Fopulation Growth and the Standard of Living in Underdeveloped Countries," United Mations Fublication, as quoted in Okun and Richardson, above, pp. 254-260. · · · · · ·

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between economic growth and population growth has been made. That is, a ratio (economic growth/population growth) has been used to indicate national income increases beyond growths encountered in populations.

(4) Similarly High Levels of Export Diversification, Regional Trading, and Industrialization and the Absence of Artificial Trade Barriers.

- (a) The exchange of the wide variety of specialized goods desirable between union members depends upon export diversification within each nation. And export diversification in turn depends on a high level of industrialization.
- (b) A level of trade, existing or expected, between members must provide a financial return equal to or greater than the expense of forming and operating the regional organization.
- (c) Artificial barriers such as customs duties and exchange restrictions reduce the total volume of trade which might otherwise take place with union members.³⁶

(5) Similarly Developed Facilities for Communication and Mobility Within and Between Nations. The emphasis in this paper is necessarily upon facilities within nations because data are not available to indicate the total amount of commun-

³⁶Sannwald and Stohler, op. cit., pp. 45-68. Meade, op. cit., pp. 14-15.

ication and mobility between nations.

- (a) Both Deutsch and Faas emphasize the importance of communication and mobility, at least within and between the politically relevant strata of potential union members.
- (b) Concentration upon existing formal facilities to indicate communication and mobility was suggested by Peter Rohn's critical note³⁷ and by an earlier Karl Deutsch study of communication.³⁸

(6) Compatibility of Major Value Systems. Understanding and sharing values that are widely and deeply held by national populations was conducive to integration in both the Deutsch and the Haas studies.

- (a) Haas notes that in ECSC ". . . no issues of cultural diversity arose to plague the integrating units . . " and, "cultural and religious values accepted in one are typical equally of, at least, a large portion of the population of the others."³⁹
- (b) Deutsch found that any increase in ethnic or linguistic differentiation was likely to be a disintegrative factor.⁴⁰

^{37&}lt;u>Op. cit.</u>
38<sub>Nationalism and Social Communication, (New York, 1953).
³⁹<u>Uniting</u>, pp. 290-291.
⁴⁰Political Community, p. 62.</sub>

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(c) In Southeast Asia major values are apt to be expressed through racial and religious minorities as well as through ethnic or linguistic groups. Available data do not permit a statistical comparison so a general discussion and accompanying tables serve to indicate these value distinctions.

Fre-conditions (2) through (6) are examined in Chapter IV using statistical indices compiled from United Nations publications and other sources. The degree to which ECSC and LAFTA members satisfied these pre-conditions at the time they integrated will be compared with the degree to which Southeast Asian nations satisfy the same conditions at the present time. The use of statistical indices of political, economic, and social development to compare nations has been suggested by James S. Coleman,⁴¹ who compared degrees of "political competitiveness" in underdeveloped nations, and by Seymour M. Lipset's similar attempt to identify some requisites for democracy.⁴² In the present study, indices relating more closely to conditions facilitating integration are used and emphasis is upon similarity of development within regions rather than upon any rank order of nations.

It is understandable that this and other studies of integration stress the need for similarity between nations rather than the levels of development per se in these nations.

41Almond and Coleman, op. cit., pp. 532-582.

42 Political Man, (Garden City, 1960), pp. 48-60.

Political as well as economic integrations have occurred in the past between nations that were not highly developed economically; all members of the Latin American economic unions are still relatively underdeveloped. Economic integration, however, is more desirable among nations that have the capacity for trading a large number of complementary goods; these nations will contribute most to and benefit most from the union.⁴³ Therefore, the level of economic development should not be ignored when analyzing pre-conditions facilitating economic integration. And so this study places emphasis upon Southeast Asian nations that are similar to the most highly developed nation in the region with regard to each particular index.

(7) Similarities in the Backgrounds of Top Governmental Leaders, Political Institutions, and Political Programs. The heads of governments and their foreign ministers would be prime negotiators of an economic union and their decisionmaking scope would be limited by personal values as well as by political institutions and processes.

> (a) ECCC was negotiated by governmental leaders extremely alike in background and Ernst Haas says, "There can be little doubt that broad similarities in the social values entertained by the dominant elites of the ECSC countries explain in large part why the Treaty was accepted and successfully implemented."⁴⁴

43Daniel H. Garnick, "On the Economic Feasibility of a Middle Eastern Common Market," <u>Middle East Journal</u>, (Summer 1960), pp. 265-267. 44Uniting, p. 286.

- (b) Deutsch found that a <u>broadening</u> of the political elite was essential to the integrations he studied.
- (c) Political institutions and practices in ECSC were basically identical, coalitions of parties habitually ruled, and "some identity in political programmes prevailed across national boundaries even before the <u>douaniers</u> stopped checking the coal wagons."⁴⁵
- (d) In Latin America, too, leaders have similar backgrounds, political institutions are similar, and political programs coincide to some degree.⁴⁶

(8) Similar Historical Backgrounds and Amicable Relations Between Potential Member Nations.

> (a) Both Deutsch and Haas support the need for similar historical backgrounds and an economist states that "economic associations are generally created in terms of the <u>common interests</u> of the associates and not of <u>complementary</u> interests."⁴⁷

45Ibid, p. 291.

⁴⁶Victor Alba, "The Latin American Style and the New Social Forces," in Albert O. Hirschman, ed., Latin American Issues, (New York, 1961), pp. 43-44. Alba also notes that the Latin American political elite is broadening. pp. 48-51.

47Jorge Castaneda, "Pan Americanism and Regionalism; A Mexican View," International Organization, 10(August 1956)375.

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(b) It is the author's conclusion that historical backgrounds are extremely important in relations between Southeast Asian nations. And it is possible that the absence of amicable relations between two or more nations could deter or even prevent formation of an economic union, although the presence of amicability alone is not a sufficient basis for economic integration.

(9) Absence of Excessive Political and Economic Nationalism.

- (a) "Nationalism is the most influential political factor in the region at the present time," states Amry Vandenbosch,⁴⁸ and it may be the most important economic factor as well in underdeveloped nations.⁴⁹
- (b) Deutsch recognized that feelings of nationalism also existed and influenced the cases he studied. And Ernst Haas noted the disruptive influence of nationalism in Europe before and after promulgation of ECSC.

⁴⁸Amry Vandenbosch and Richard A. Butwell, <u>Southeast Asia</u> Among the World Powers, (Lexington, 1957), p. 255.

⁴⁹This is Gunnar Myrdal's thesis in several of his recent works. See his: An International Economy, (New York, 1956); "Economic Nationalism and Internationalism," Australian Gutlook, 11(December 1957)3-50; and, Beyond the Welfare State, (New Haven, 1960).

(10) Favorable or Acquiescent Attitudes by Major World Governments and United Nations Agencies. External influences are capable of exerting enough pressure to deter or prevent initiation of an inclusive and effective union in Southeast Asia.

- (a) Southeast Asian nations all have political,
 economic, and cultural ties of varying importance with former colonial powers.
- (b) Any economic scheme initiated would be dependent for its success upon the benevolence of the richer powers⁵⁰ because the economic and political bargaining powers of Southeast Asia are small and the region is vulnerable to external pressures.
- (c) Neighboring nations also have ties or exert pressures that influence decision-making in Southeast Asia.

(11) Sufficient Administrative Capabilities for Operating the Union.

(a) An essential pre-condition in the Deutsch study was "an increase in the political and administrative capabilities of the main political units to be amalgamated."⁵¹

50Benjamin Higgins and Wilfred Malenbaum, "Financing Economic Development," International Conciliation, 502(March 1955)275-339.

⁵¹Political Community, p. 50.

(b) The organizational complexities and administrative requirements of an economic union as outlined by Haas and others might be beyond the capabilities of at least some Southeast Asian nations due to a lack of personnel or finances.

Chapter V examines pre-conditions (7) through (11) of which only the first has been established by other studies as being necessary for integration. The remaining conditions are included because the author believes they have especial significance in determining the readiness of Southeast Asian nations to integrate.

A comprehensive analysis of these remaining pre-conditions would require accumulation of a great amount of interview data and raw statistics that are not available to the author. Consequently, discussion of these conditions is limited to generalizations, relies heavily on secondary source material, and is more grounded on impressions than upon empirical evidence. Nevertheless, this attempt at analysis need not be any less useful than any other based on a priori evidence. Data presented, however, must be considered more illustrative than definitive and the resulting conclusions are tentative and suggestive of hypotheses, not definitive statements.

The limitations of the analysis as well as a summary of the findings and conclusions based on these findings are contained in Chapter VI. With respect for the fragility of the analysis and the gross judgments of each pre-condition's

importance in the study, Southeast Asian nations are grouped according to their readiness to integrate.

A Note on the Use of ECSC and LAFTA

for Comparative Purposes

The comparativeness of pre-conditions in Europe, Latin America, and Southeast Asia is reduced because ECSC and LAFTA contain nations that have long been independent while Southeast Asian nations are still consolidating their newly won freedom. In addition, the effects of extant unions upon their members' political, economic, and social structures cannot yet be fully determined because the unions were so recently established.

But ECSC and LAFTA have not been chosen without reason. One economist feels that the Coal and Steel Community is "... the fundamental pattern to be studied for a realistic approach to the problems of economic integration ... " 52 ECSC is the forerunner of a comprehensive common market that has progressed further than any other toward integration and is the form of administrative organization and implementation that other economic unions have followed.

LAFTA was instituted under conditions not considered conducive to successful economic integration and an economic union in Southeast Asia would face many of the same problems. LAFTA members have agricultural economies that are often

⁵²Ugo La Malfa, "The Case for European Integration: Economic Considerations," in Haines, op. cit., p. 68.

competitive; they have low industrial production by infant industries, occasional political unrest, and unstable currencies.⁵³ Chronic deficit spending, primary trade relations with nations outside the region, and recurring commodity surpluses are other characteristics of LAFTA nations⁵⁴ shared to greater or lesser extent by nations in Southeast Asia.

Summary

The problem has been defined as an attempt to determine the extent to which nations in Southeast Asia possess some pre-conditions for economic union. A majority of the eleven pre-conditions to be examined are those deemed important in other studies of the integration process while the remaining ones seem to have particular relevance to Southeast Asia. Utilizing simple and familiar methods of comparing nations increases the ease with which several nations may be compared although this procedure necessarily requires some sacrifice of analytic depth. Employing comparative data from two functioning economic unions helps relate the readiness of Southeast Asian nations for integration to the integrative readiness in other world regions.

53For discussions of these conditions, see: Albert 0. Hirschman, ed., Latin American Issues, (New York, 1961).

54 Roberto De Oliveira Campos, "Two Views on Inflation in Latin America," <u>Ibid</u>, pp. 69-79.

CHAPTER II

SOME SUPPORTING ARGUMENTS FOR REGIONALIEM AND ECONOMIC INTEGRATION

Arguments Favoring Regionalism

Prior to World War II there were few regional arrangements of any kind; however, in the words of the economist James Meade, "The years in which we now live are distinguished, internationally, by attempts to build economic and political systems on a wider basis than the nation-state."¹ Regional associations and organizations are now extant in most of the world and these groupings may carry out single or multiple, general or specific functions. They may be administratively simple associations as are the various inter-parliamentary assemblies and the Commonwealth, or they may be extremely complex and inter-connected organizations as are NATO and the Organization for European Economic Cooperation. And they are more apt to be predicated upon some aspect of security than upon spiritual or cultural motives.²

¹Problems of Economic Union, (Chicago, 1953), p. 1. ²Norman J. Padelford and George Lincoln, <u>International</u> <u>Relations</u>, (New York, 1954), p. 491.

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Some regionalists maintain that regions are the largest political communities that will allow consideration of nations' common interests.³ The whole world is believed to be too diverse to be administered by one international organization and until nations are ready to join together and delegate elements of their sovereignty to the control of every other nation, regional organizations will serve both as subareas of global control and as "pilot projects" where experiments in development and administration may be carried out.⁴

The cold war has been a basic motivation for the initiation of regional agreements.⁵ In fact, if the cold war were somehow removed from the international scene, it may be questioned whether many regional security and military groupings, as presently constituted, would survive. A need for collective security in a world faced with the destructiveness of nuclear weapons has served to unite most of the industrially developed

³Jorge Castaneda, "Pan Americanism and Regionalism: A Mexican View," International Organization, 10(August 1956)373. Inis L. Claude, <u>Swords Into Plowshares</u>, (New York, 1959), pp. 111-112.

^TErnst B. Haas, The Uniting of Europe, (Stanford, 1958), Preface and Passim. Karl Deutsch, et al., Political Community and the North Atlantic Area, (Princeton, 1957), p. 189.

⁵Ernst B. Haas, "The Challenge of Regionalism," International Organization, 12(Autumn 1958)440. C. Grove Haines, ed., European Integration, (Baltimore, 1957), p. 5.

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nations in various overlapping regional agreements⁶ and the Communist bloc of nations is similarly joined.

Cooperation may be justified, too, because international contacts have not increased equally among all nations. Some nations are drawn into frequent interaction with others for reasons of trade, geographical propinquity, cultural affinities, or security considerations so it is understandable that these cooperating nations should seek to place their relationships on a more stable basis.⁷

A basic tenet underlying organization on either the regional or the global level is dissatisfaction with the nation-state as a promoter of political, economic, or social progress.⁸ Many independent nations cannot finance military establishments large enough to assure their own security.⁹ They have also found themselves wanting in political influence and economic bargaining power when dealing with the larger or richer nations.¹⁰ And finally, they have become aware that small national economies do not always permit resources to be

⁶Max Beloff, "Federalism as a Model for International Integration," Yearbook of World Affairs, 13(1959)188. John Goormatigh, "European Coal and Steel Community," <u>International</u> <u>Conciliation</u>, 503(May 1955)344.

⁷Gunnar Myrdal, <u>Beyond the Welfare State</u>, (New Haven, 1961), pp. 228-231.

⁸Claude, <u>op. cit.</u>, pp. 111-112. Castaneda, <u>op. cit.</u>, p. 373.

⁹E. N. Van Kleffens, "The Case for European Integration: Political Considerations," in C. Grove Haines, ed., <u>European</u> <u>Integration</u>, (Baltimore, 1957), p. 85.

10_{Myrdal, op. cit., pp. 216-217.}

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allocated in a manner conducive to rapid economic development.¹¹

Economic Regionalism

Support for economic regionalism has paralleled the growth in regional security organizations such as NATO, GAS, SEATO, and the Marsaw Pact although economic groupings do not necessarily involve the same nations which cooperate closely on security matters. There is general agreement that European nations in either EEC or the European Free Trade Association, by booling their resources and submitting to supranational control over their economies, are likely to increase their rates of economic growth. Agreement on the benefits of economic integration for underdeveloped nations, however, is not so widespread.¹²

Although various payments or commodity agreements have existed between underdeveloped nations, the recent interest in economic integration represents a fundamental shift in thinking about economic development in these areas. Leaders in these nations, searching for the road to rapid economic development, realize that foreign aid and investment are inadequate to achieve this development as fast as it is

¹¹T. Silcock, The Commonwealth Economy in South East Asia, (Durham, 1959), p. 140. Ugo La Malfa, "The Case for European Integration: Economic Considerations," in Haines, op. cit., p.72.

¹²Contrast the statement: "Most of these countries have too little in common to arrange large-scale customs unions, and limited concessions which they could make would normally conflict with the provisions of the GATT.", in T. Silcock, op cit., p. 140 with Haul Frebisch's thesis that common markets are essential for development in these countries. See Prebisch's "Commercial Policy in the Underdeveloped Countries," American Economic Review, 49(May 1959)268; and New York Times, (16 May 1959). .

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needed. Substantial alteration of economic infrastructures is necessary to provide some of the needed capital and to maximize the benefits of external aid and assistance.

Many leaders in underdeveloped nations believe their nations can realize some of the same benefits from integration that accrue to developed nations. A few broad objectives anticipated from membership in a union are increased production, wider range of consumer choices, larger morkets, and higher standards of living.¹³ Research capital, plant expansion, efficient division of labor, and specialization of industry as well as the containment of prices and maintenance of an equilibrium balance of payments between members are other advantages expected.¹⁴

To state the possible advantages of integrated economies is not, however, to imply that these advantages will come about automatically. The results of integration vary according to, among other things; (1) the method used in integrating, (2) the modal characteristics and size of the nations involved and, (3) the type of economic union effected. Integration may take place either by creating common conditions in all member nations and integrating whole economies, or it may take place by integrating one or more specific sectors of these economies such as coal, steel, or foreign trade. The EDC, EFTA,

13 Meade, op. cit., pp. 3-11. Lincoln Gordon, "NATO and European Integration," World Politics, 10(January 1958)219-231.

¹⁴Meade, pp. 3-11. La Malfa, <u>op. cit.</u>, p. 72

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LAFTA, and the Central American Free Trade Association have adopted the latter method, known as vertical or functional integration,¹⁵ with the expressed intention of integrating additional economic functions as conditions become favorable.

The number of nations involved and their characteristics as well as the extent of their involvement also affect the outcome of a union. An area adequate in size to carry out one function may not include the same members as one set up to carry out another function; the members may change depending upon the desirability of involvement from one function to another.¹⁶ Then, too, an economic union tends to expand and include functions other than those originally agreed upon for, ". . . economic integration in the long run cannot rest on subranational rules and institutions for one economic sector alone, no matter how vital that sector may be in the total scheme of life."¹⁷ It may also be true that the more nations included in the union, the less the members stand to gain from inclusion and the more excluded nations stand to lose by remaining outside the group.¹⁸ Students of European integration have observed that the more nations included at the outset, the harder it is to reach agreement upon the functions

15Van Kleffens, op. cit., p. 90.

¹⁶Claude, <u>op cit.</u>, p. 113.

17_{Haas,} Uniting, p. 103.

¹⁸"The Common Market and Its Relation to a Free Trade Area," Round Table, 191(June 1958)245.

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to be integrated and the less is the likelihood of the supranational body being granted extensive powers.¹⁹ One economist, E. A. G. Robinson, suggests that poor nations with small populations cannot realize economies of scale as can nations with 50 million people and relatively high national incomes.²⁰ He believes that the low levels of demand and necessity of operating on small profit margins prevent entrepreneurs from investing in the modern technologies that bring these economies of scale to richer and more populous nations.²¹

Types of economic unions include price stabilization agreements, free trade areas, customs unions, common markets, and regional industry and resource development plans. A price stabilization agreement is a cooperative attempt by nations to end price fluctuations of certain commodities through government control of stockpiles, production, or investment.²² A free trade area involves a mutual abolition of tariffs(usually reduced gradually over a specified number of years) between members. Customs unions include the abolition of tariffs between members, but also establish common tariffs for goods

19_{Max Beloff, op. cit., p. 203. Also: Lincoln Gordon, "NATO and European Integration," World Politics, 10(January 1958)221.}

²⁰The Economic Consequences of the Sizes of Nations, (New York, 1960), pp. xvili and 269-274.

²¹Ibid.

²²Susan Strange, "The Commonwealth and the Sterling Area," Yearbook of World Affairs, 13(1959)40-41.

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A regional resource and industry development plan involves cooperative development of existing and planned industries utilizing those resources in which a nation holds a comparative or absolute economic advantage within the region. Such a plan does not ipso facto posit an accompanying free trade area, customs union, or common market; however, additional rationalization of regional production would probably result if one or another of these were included. Then, too, initiation of the simplest form of union will supposedly impel members toward a customs union, common market, and rationalization of future resource and industry development.²⁴

Summary

Since World War II nations of the world have continued a trend toward regional security organization. Economic regionalism is probably an outgrowth of these regionalist sentiments. But economic regionalism can be justified on grounds other

²³Giuseppe Pella, "The Coal and Steel Community as a Case Study in Integration," in Haines, <u>op. cit.</u>, p. 140.

²⁴Haas, Uniting, pp. 103-110. Galo Plaza, For a Regional Market in Latin America," <u>Foreign Affairs</u>, "37(July 1959) 607-616.

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than those usually given for security alliances; that is, membership in an economic union appears to hold many immediate material benefits. Yet the extent to which these benefits are attainable is governed by the type of union initiated and the level of economic development within member nations. Leaders of many relatively underdeveloped nations in Latin America and Southeast Asia have considered their nations capable of initiating, operating, and benefitting from economic union.

CHAPTER III

SOUTHEAST ASIAN REGIONAL AND INTERNATIONAL CONTACTS SINCE 1945

Southeast Asian nations have participated in a number of regional conferences and are members of several associations and organizations active within the region. They are also drawn together by shared sentiments and by unofficial cooperation in many private groups. And recently there have been several proposals suggesting formal cooperation on economic matters. But the effects of these regional and international contacts may not all be equally conducive to the strengthening of Southeast Asian integrative tendencies.

ASIAN CONFERENCES

Regionalism in Southeast Asia is not a new phenomenon; interest in cooperation among these nations was occasionally expressed by Southeast Asian policy-makers prior to 1945.¹ During World War II the Japanese began uniting Southeast Asia in the Greater East Asia Co-Prosperity Sphere but, because of pressing war commitments, did not progress very far along

¹Milton W. Meyer, "Regional Cooperation in Southeast Asia," Columbia Journal of International Affairs, 3(Spring 1949)68-77. See also: K. M. Panikkar, "Regional Organization for the Indian Ocean Area," <u>Pacific Affairs</u>, 18(September 1945)246-251.

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these lines.² It was at the close of the war that the first real attempts were made to deal with Southeast Asian problems on a regional level. At that time a Special Commission was created by the British to deal with critical food shortages in their colonial possessions.³ This Commission formed a Liaison Conference that soon included most of the nations and dependent territories of Southeast Asia and held several special conferences on food production and distribution, nutrition, fisheries, and social welfare. No votes were taken during these conferences and political issues were avoided but, in 1949, the Commission was the most bangible form of regionalism in Southeast Asia.⁴ Functions of the Liaison Conference were gradually taken over by agencies of the United Nations and Commission responsibilities have been delegated to other agencies.

Other conferences to which nations in Southeast Asia sent delegates and which are customarily mentioned as being important milestones in the development of regionalism are the Asian Relations Conference, the New Delhi Conference on Indonesia, and the Asian-African Conference at Bandung.⁵

³Meyer, op. cit., pp. 74-77.

⁴Ibid, p. 74.

⁵Ibid, pp. 68-77. Fifield, above, pp. 449-458. William Henderson, "The Development of Regionalism in Southeast Asia," International Organization, 9(November 1955)465-468.

²Russell H. Fifield, The Diplomacy of Southeast Asia: 1945-1958, (New York, 1958), p. 27 and passim.

Asian Belations Conference

The Asian Relations Conference held in 1947 was an unofficial meeting of representatives from twenty-eight nations promoted by Prime Minister Nehru and sponsored by the Indian World Affairs Council. Only the Philippines and Thailand were independent at the time, but representatives of each of the other soon to be independent Southeast Asian nations were present. The Conference was convened to publicize the plight of the Asian nations and their desires for independence; Pandit Jawaharlal Nehru considered it the right moment for fellow Asians to confer ". . . about the present and the future, and lay the foundation of our mutual progress, well-being and friendship "⁶ During the ll-day meeting, roundtable groups discussed economic, cultural, racial, or labor topics as well as national freedom movements; controversial topics were avoided.7 Agreement was reached regarding many common problems, but only one resolution was passed and and an attempt, supported by a few delegates, to form a permanent Asian Union failed; plans to hold another conference in 1949 did not materialize.⁸

6Speech by Nehru on March 23, 1947. Asian Belations, Being Report of the Proceedings and Documentation of the First Asian Relations Conference, New Delhi, March-April, 1947, as quoted in Fifield, op. cit., p. 450.

⁷Fifield, <u>op. cit.</u>, pp. 449-450.

⁸Ibid, p. 451. The resolution created the Asian Relations Organization and the Institute of Asian Studies, unofficial research bodies to promote the well-being and progress of members.

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New Delhi Conference on Indonesia

The New Delhi Conference on Indonesia was convoked by Nehru in January 1949 to marshal Australasian and African support against Dutch attacks on territory claimed by the Republic of Indonesia forces.⁹ The Conference was official; only representatives of recognized governments could participate. Burma and the Philippines sent delegates and unofficial observers were present from Thailand, Indochina, and Indonesia. All delegates united in condemning the Dutch actions and the Conference ultimately influenced settlement of the problem.¹⁰ But another move to set up regional machinery, particularly for promoting cooperation in the United Nations, failed.¹¹

Bandung Conference

In April, 1955, the Colombo Powers(Burma, Ceylon, India, Indonesia, and Pakistan) sponsored the Asian-African Conference that brought together leading statesmen from 29 nations in Bandung, Indonesia. Of the nations in Southeast Asia, only Malaya, not yet independent, was absent. A variety of questions was discussed including economic and cultural cooperation, human rights and self-determination of peoples, colonialism, membership in the United Nations, and disarmament.¹² Although

⁹Ibid, p. 456.

¹⁰Fifield, op. cit., p. 457.

llwilliam Henderson, "The Development of Regionalism in Southeast Asia," International Organization, 9(November 1955) 467.

12_{Ibid}.

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much agreement was reached on problems confronting these nations, there was too little mutuality of interests to undertake any solutions to these problems. The final communique of 24 April appeared to recognize a need for regional cooperation in stabilizing commodity prices, increasing trade, establishing regional banks, sharing atomic resources, and forming common economic policies, but the communique ended with the observation, "It is, however, not intended to form a regional bloc."¹³

The Asian Conferences served to reinforce nationalistic sentiment, identify common economic and social problems, and focus attention upon these emerging nations;¹⁴ however, lasting cooperation within a framework provided by the conferences has been impossible because of the heterogeneity of interests involved and the negative rationale--opposition to colonialism-underlying the meetings. In characterizing these conferences, William Henderson says they ". . . arose out of an ill-defined sense of Asian solidarity springing from a shared colonial past and common resentment against the west."¹⁵ And, "In a sense, the most significant thing about the three pan-Asian Conferences was the fact that they were held."¹⁶ Further limitations on the effects of these conferences were a lack of unanimous attendance by nations within the area they purported to represent and objective or subjective conflicts of interests

13George McT. Kahin, The Asian-African Conference, Bandung, Indonesia, April 1955, (Ithaca, 1956), pp. 10-12. ¹⁴Henderson, <u>op. cit.</u>, p. 468. 15<u>Ibid</u>. ¹⁶<u>Ibid</u>.

among national leaders.

At least three efforts to prolong or recapture this feeling of Asian solidarity have been made since 1955. The Afro-Asian Solidarity Movement, an effort to capitalize on the "Bandung spirit," held meetings in Cairo in 1956, 1957, and 1958.¹⁷ Delegates were not government appointees, but were Communist members of various Afro-Asian governments. In 1960, 11 Asian nations and the Belgian Congo agreed to attend a conference in New Delhi on the Tibetan problem but no conference materialized from this declaration of intent.¹⁸ In 1961, Mrs. Supeni, the Indonesian roving ambassador, toured several Afro-Asian nations attempting to arrange a second Bandung Conference.¹⁹ Again, the results have been unencouraging.

Perhaps realizing that interests in all-Asia conferences were too varied to allow consensus on solutions of common problems, Southeast Asian leaders convened and attended conferences of their own, the most notable of which was the Baguio Conference in 1950.²⁰ After several false starts, President Quirino of the Philippines succeeded in convoking the Conference in May with Indonesia, Thailand, and the Philippines from Southeast Asia and four nations from outside the

¹⁷New York Times, (23 December 1957) and (3 January 1958).
 ¹⁸New York Times, (19 March 1960).
 ¹⁹New York Times, (12 March 1961).
 ²⁰Fifield, <u>op. cit.</u>, pp. 454-458.

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region in attendance. Although originally conceived by Quirino as a prelude to the conclusion of a security pact, military matters were not discussed at the Conference.²¹ In fact, questions discussed were primarily economic. The agenda followed a Philippine resolution stressing rationalization of economic development, increases of agricultural and industrial production, expansion of trade among nations of the region, and possibilities for a multilateral clearing arrangement.²² Nevertheless, despite General Romulo's plea that:

This task is too big for any single nation to accomplish by itself. The need for consultation, understanding, joint planning and action by the countries concerned is imperative.²³

the Conference ended with the observation that:

. . . internal economic development is a matter of national concern for each government; that each individual country cannot brook interference from the outside, no matter how well-meaning, with its development plans and their execution.²⁴

It was apparent that at least the nations attending this conference were, in 1950, not yet envisioning any type of economic cooperation that would bind their policy-making in any way.

²¹Henderson, op. cit., p. 474. Werner Levi, "Union in Asia," Far Eastern Survey, 19(16 August 1950)145.

²²Amando M. Dalisay, "Economic Aspects of the Baguio Conference of 1950," a paper prepared for the 11th Conference of the Institute of Pacific Relations, (Manila, 1950), p. 2.

²³<u>Ibid</u>, p. 1. ²⁴<u>Ibid</u>, p. 5.

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REGIONAL SECURITY GROUPINGS

James Meade has suggested that being members of the same security pact would facilitate economic integration.²⁵ Members of ECSC and LAFTA are united in this way through NATO and the Rio Pact, but there is at present no security pact embracing the eight nations of Southeast Asia. Security pacts operating within the region include the British Commonwealth, the Philippine Pact, and the Southeast Asia Treaty Organization(SEATO).

The Commonwealth's mutual security aspects have declined in importance since World War II; protection from attack for many members is assured by their participation in other alliances and the association exists primarily for consultation on economic matters.²⁶ The Philippine Pact, signed with the United States in August 1951, includes no other Southeast Asian nations.

Southeast Asia Treaty Organization

SEATO, the most comprehensive security grouping within the region, includes Thailand and the Philippines as full members while Laos,²⁷ Cambodia, and South Vietnam are "desig-

25 Problems of Economic Union, (Chicago, 1953), p. 27.

26_{Susan Strange}, "The Commonwealth and the Sterling Area," Yearbook of World Affairs, 18(1959)25. Also: John D. B. Miller, The Commonwealth in the World, (London, 1958), pp. 80-81.

²⁷SEATO members recently agreed to comply with Laotian desires to be excluded from protection under the Treaty. See: Detroit Free Press, (6 July 1962).

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nated territories for which Treaty members assume responsibility in the event of aggression or external subversion.²⁸ SEATO has permanent institutions and its military activities are coordinated by a group of military advisors. Occasional consultations at the foreign minister level have been held, but the value of SEATO as a defensive alliance has been questioned by many because: (1) its strength depends upon United States policy, (2) it represents only one-fifth of the people it is designed to protect and, (3) it is increasingly resented in Asia.²⁹ The organization was originally conceived also to be an instrument "to promote economic progress and social wellbeing and to further the individual and collective efforts of governments toward these ends.³⁰ By 1956, however, it was decided to utilize existing organs to promote general economic development and confine aid under the Treaty to compensation ${}_{\rm fr}^{\rm J}$ for military expenses.³¹ Desires of Thailand, Pakistan, and the Philippines to expand general economic aid under the Treaty have been vetoed by the non-Asian powers³² and William Ball

²⁸Collective Defence in South East Asia, Chatham House Study Group, (New York, 1956), p. 171. Malaya is indirectly tied in with SEATO through a mutual assistance agreement with Britain, a SEATO signatory.

²⁹William Ball, "A Political Re-Examination of SEATO," International Organization, 12(1958)7-25. Also: Collective Defence in South East Asia, above, pp. 125-127 and 162-163.

30Treaty, Article III and Pacific Charter of the Treaty, in Collective Defence in South East Asia, above, pp. 170-174.

³¹<u>Ibid</u>, p. 130.

³²New York Times, (5 June 1960).

concludes that SEATO ". . . is not a suitable vehicle for economic or technical aid."³³

REGIONAL ECONOMIC GROUPINGS

Memberships in existing economic groupings provide opportunities for governments to exchange views on economic matters directly related to those with which an economic union is concerned. In Europe and in Latin America economic integration was actively promoted by other economic organizations. Southeast Asian nations cooperate together and exchange ideas as further members of price stabilization boards, trade and financial associations, and economic development organizations, all of which contain nations outside the region.

Price stabilization boards are the oldest form of economic cooperation in Southeast Asia. Rubber and tin agreements were concluded before World War II³⁴ and agreements on wheat, tea, and sugar have also been in force at various times. These agreements have not, however, been too successful in controlling prices of primary products. The sugar agreement has been compromised by United States' preferential treatment of the Philippines and some Caribbean nations; and, the rubber agreement has suffered from the development of synthetic rubbers.³⁵

330p. cit., p. 25.

³⁴Klaus E. Knorr, Tin Under Control, and World Rubber and its Regulation, both published at Stanford in 1945.

35C. W. James, "The Colombo Plan Passes Halfway," Australian Outlook, 9(March 1955)29-38. T. Silcock, The Commonwealth Economy in South-East Asia, (Durham, 1959), pp. 8-9. Strange, <u>op. Cit.</u>, p. 40.

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These price stabilization schemes have been relatively ineffective on a regional basis for several reasons. (1) Areas outside the region also produce these commodities. An encompassing agreement on rubber, tin, or sugar would have to include parts of Greater Asia, Africa, and Latin America. (2) Consumers importing these products, especially in the United States, would have to agree to the scheme and they have vetoed such arrangements in the past. In general, consumers fear that price stabilization may mean price support.³⁶ (3) Synthetic fibres, synthetic rubber, and plastics are products of industrialized economies that are being used more often; the increasing use of these commodities faces producers of their natural counterparts with a declining market and consequently with declining price levels for their primary exports.

Commonwealth and Sterling Area

The Commonwealth and the Sterling Area are economic associations of some influence in Southeast Asia, particularly in trade and financial matters. Only Malaya in Southeast Asia is a member of the Commonwealth while both Malaya and Burma are within the Sterling Area. Commonwealth members are informed of each other's policies through Conferences of Ministers, discussions, and High Commissioners posted in most members' capitals but there is no central control of foreign or economic policies and members need not be bound together by formal

³⁶Gunnar Myrdal, Beyond the Welfare State, (New Haven, 1960), pp. 241-244.

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treaties, alliances, or obligations.³⁷ The association possesses no common overall institutional structure and is what it describes itself as being--"a free association of wholly independent and equal states."³⁸

Sterling Area members usually carry on the bulk of their international monetary transactions in Sterling and hold a major portion of their reserves in London; however, members are under no obligation to follow the dictates of the Commonwealth Liaison Committee, a body responsible for coordinating policies.³⁹ The importance of the Sterling Area has depended upon the advantages of the discriminatory exchange rate of Sterling and upon preferential tariff policies of Great Britain.⁴⁰ As the drive toward convertibility of Sterling with other currencies increased after 1952, the discriminatory nature of the exchange rates lessened and the importance of membership in the Sterling Area diminished.⁴¹ In recent years preferential trade agreements important to both Britain and the lesser developed members have been imbodied in bilateral agreements and have been enjoyed by nations outside the

37 John D. B. Miller, The Commonwealth in the World, (London, 1958), p. 275. 38 The Commonwealth, British Affairs, 3(December 1959) 194. 39 Sterling and the Sterling Area, ibid, pp. 202-203. 40 Strange, <u>op. cit.</u>, p. 29. 41 Miller, op. cit., p. 270.

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In its economic aspects, the Commonwealth has not provided a great deal of leadership for its members and seldom achieves unity on problems it discusses.⁴³ Efforts to tighten the association by providing a permanent Consultative Committee and a Bank have met with extreme disfavor; decisions and policies might conflict with those of the many other groupings to which Commonwealth members belong.⁴⁴ There is little hope for expanding the Commonwealth into a more effective economic organization because: (1) economic aid for development is tendered through the Colombo Plan, (2) Sterling convertibility is increasing and, (3) imperial preference will probably end if Britain joins EEC.

The Colombo Plan

The Colombo Plan, initiated by Commonwealth members in 1950 as a temporary measure to encourage economic development, has grown as intended to include all South and Southeast Asian nations;⁴⁵ it has been extended beyond the original six years

⁴³Inis L. Claude, Swords Into Plowshares, (New York, 1959), pp. 117, 118, and 122. Also: Paul Delouvrier, "Economic Integration: Problems and Possibilities," in C. Grove Haines, ed., European Integration, (Baltimore, 1957), p. 119.

44Zelman Cowen, "The Contemporary Commonwealth: A General View," International Organization, 13(Spring 1959)208.

⁴²The Union of South Africa, though not a Commonwealth member, enjoys preferential tariffs. Burma does 65% of its trade with Great Britain and accepted preferential tariffs until 1954.

⁴⁵The Colombo Plan for Co-operative Economic Development in South and South-East Asia, Report by the Commonwealth Consultative Committee, (London, 1950), pp. Al-A5.

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and is expected to continue indefinitely.⁴⁶ The plan is actually not a plan at all but. through the Consultative Committee composed of national Ministers meeting annually, members are provided an opportunity to talk over and coordinate national development. The Committee arranges for aid from donor nations (though aid is given in bilateral arrangements between donor and recipient nations) and discusses progress made by members during the year.⁴⁷ Technical aid and technical training programs are handled by two specialized agencies, the Technical Assistance Scheme and its coordinating agency, the Council for Technical Co-operation. Members are subject to no formal rules and the Consultative Committee has no direct control over national plans; efforts to form a permanent Secretariat have so far been unsuccessful.⁴⁸ Although the Plan has achieved some success in channeling technical and economic aid to members and in coordinating their development programs, these efforts have been sufficient to do little more than hold standards of living constant.49 To accomplish more would require a comprehensive program with more central direction than members have been willing to grant. The Plan has.

46Creighton L. Burns, "The Colombo Plan," Yearbook of World Affairs, 14(1960)198.

47Antonin Basch, "The Colombo Plan, A Case of Regional Economic Cooperation," <u>International Organization</u>, 9(1959)2-6.

48Ibid, p. 181.

⁴⁹Ibid, pp. 187-198. See also: "Under-Developed Countries and Population Trends," <u>British Affairs</u>, 3(December 1959)209.

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however, usually been credited with having eased international tensions between leaders of Western and Asian nations and among Asians themselves.⁵⁰

Economic Commission for Asia and the Far East

Overlapping both in membership and in function with the Colombo Plan is the United Nations Economic Commission for Asia and the Far East(ECAFE). ECAFE was formed in 1947 and now contains all independent nations in Southeast Asia and Asia as well as France, Great Britain, the Netherlands, the Soviet Union, and the United States. The Organization has been active in planning reconstruction, attempting to raise the level of Asian economic activity, and broadening of Asian economic relations. It may sponsor investigations and studies as well as collect, evaluate, and disseminate economic, technological, and statistical information.⁵¹ The Commission. meeting in Conference, is empowered to make non-binding recommendations by a majority of members present and voting. but it cannot initiate action within a nation without that nation's consent.⁵² C. Hart Schaaf, ECAFE Deputy Executive Secretary, summarized its accomplishments in 1953 as having furthered economic development, strengthened the United Nations, given

50Burns, op. cit., p. 198.

51 "Helping Economic Development in Asia and the Far East, The Work of ECAFE," United Nations Department of Public Information, p. 6, as quoted in Fifield, <u>op. cit.</u>, p. 466.

⁵²A. M. James, "The U.N. Economic Commission for Asia and the Far East," <u>Yearbook of World Affairs</u>, 13(1959)164.

services worth their cost, and mitigated many difficulties associated with Asian nationalism, the cold war, and willingness to cooperate.⁵³ A. M. James, while quick to credit the usefulness of the information-gathering and disseminating function of ECAFE, was more cautious in his endorsement:

. . . while Ecafe is likely to be used to the full it must not be expected that from its activities there will necessarily spring a feeling of regional unity and a lessening of narrow nationalist emotions. . . Emotions will have their play and the result will be familiar: a group of States, each having its own ideas about its interests, guarding them watchfully, co-operating when co-operation seems necessary or desirable, but putting, in the last analysis, its own interests before those of the collectivity.54

Gunnar Myrdal credits ECAFE with "modest beginnings toward regional cooperation" in specialized areas, but notes a significant lack of success in approaches to major economic issues.⁵⁵

Southeast Asian nations utilize both bilateral aid agreements and development funds to provide capital for economic development. The International Bank of Reconstruction and Development and the International Monetary Fund provide capital for specific projects(usually government sponsored) but require little or no cooperation between recipients.⁵⁶ A cooperative economic development fund to be administered by recipient Asian nations was once suggested by the United States. In

53"The United Nations Economic Commission for Asia and the Far East," International Organization, 7(1953)470. 54 James, <u>op. cit.</u>, p. 187. 55 Beyond the Welfare State, <u>op. cit.</u>, p. 271.

56Fifield, op.cit., p. 492.

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1955, \$20 million was made available to Asian nations and the Simla Conference was convened in May that year to decide how to administer and utilize the fund; only Burma in Southeast Asia was absent from this meeting.⁵⁷ No agreement was reached on implementation of the fund so the United States retracted the offer.⁵⁸ It was obvious that the Asian nations preferred to keep economic, technical, and military aid on a bilateral basis.⁵⁹

Other Economic Associations

A Special United Nations Fund for Economic Development (SUNFED) was proposed in 1953, actually established at a later date, and now furnishes Southeast Asian and other nations with limited development funds. Full implementation of SUNFED, tailored to meet the needs of lesser developed nations better than IMF or IBRD, has been blocked by the United States and other Western nations for policy reasons.⁶⁰

In 1958 the United States allotted \$2 million to initiate a cooperative project involving development of the Mekong River serving and separating Thailand, Cambodia, South Vietnam, and Laos.⁶¹ The ECAFE Bureau of Flood Control organized a team of international experts, led by Lt. General Wheeler of the United States, to cooperate with representatives of the four nations in planning a series of multi-purpose projects to

57 Henderson, op. cit., p.	473.
58 _{Ibid} .	60Fifield, op. cit., p. 492.
59 _{Ibid} .	61 _{New York Times} , (7 March 1958).

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control floods, provide irrigation and hydroelectric power, and to improve navigation on the lower Mekong. In the beginning there was so little cooperation by these nations that, even after preliminary surveys and studies had been completed, work could not begin. Even in 1961, although cooperation appeared to rest on an adequate foundation,⁶² civil strife and political unrest prevented the start of construction.⁶³ By 1962, however, political conditions seemed more favorable and resources were sufficient enough:

. . . to launch virtually all the data-collection programs suggested by the Wheeler mission; to begin the planning of ten multi-purpose projects, three of them on the mainstream; and to make a start on construction.64

SHARED SENTIMENTS AND UNOFFICIAL REGIONAL CONTACTS

Neutralism and the Afro-Asian Bloc

Neutralism, though not a form of regionalism, is nevertheless, a shared sentiment contributing to a general feeling that Southeast Asia, or more often Asia, constitutes some kind of separate entity. Asian neutralists; for whom Nehru is the spokesman but not the leader,⁶⁵ react against imperialism and the cold war; they strongly support disarmament and self-

63_{Tran} Van Dinh, "Territorial Planning and Equipping in Asia," Asian Culture, 3(April-June 1961)14-16.

64"The Mekong River Development Project," United Nations Office of Public Information, ST/OPI/111, 1962.

65Robert A. Scalapino, "Neutralism in Asia," American Political Science Review, 48(March 1954)51.

⁶²Willard A. Hanna, "The State of the States of Indochina," American Universities Field Staff Report, (New York, 1960), Part I, p. 5.

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determination of peoples.⁶⁶ A former United States diplomat, Hamilton Fish Armstrong, describes Asian neutralism in these terms:

To the wide-ranging leaders today who proclaim their independence, neutrality is not a declaration in advance of a fixed position to be taken in case of war, or a claim to rights against belligerent encroachment. It is a political expedient. It is not passive but active.⁶?

The practice of neutralism in Asia differs at least as much between each of its devotees as it does from the traditionally passive role toward conflicts assumed by Switzerland. Burma eschews alliances of any kind, preferring to follow an "active and independent" foreign policy.⁶⁸ India and Ceylon have, in the past, sought to unite the neutrals of Asia to counterbalance the bipolar powers but the attempt to form such a union at the Asian Relations Conference for this purpose came to no avail. Cambodia and Indonesia perceive neutralism in more expediential terms; the opportunity to trade openly with all nations and the maximization of foreign aid are prevalent motives in these nations' foreign policy-making.⁶⁹

Akin to this shared sentiment of neutralism is the spirit guiding the Afro-Asian bloc of United Nations members. This bloc, containing 29 members in 1958, votes as a unit on many

66Ibid, pp. 49-62.

67 "Neutrality: Varying Tunes," Foreign Affairs, 35(October 1956)61.

68John S. Thomson, "Burmese Neutralism," Political Science Quarterly, 72(June 1957)279. Burma is, however, an active member in the United Nations.

69Scalapino, op. cit., p. 59.

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issues involving the possibility of nuclear war, colonialism, and disarmament.⁷⁰ Though not formally organized, the affairs of the "group" are managed by a monthly chairman who keeps delegations informed on matters of importance to the bloc.⁷¹ Although both neutralism and Afro-Asian bloc sentiments contribute to the total amount of interaction among Southeast Asian nations, discussion of common economic problems or their solutions holds little place on the programs of these meetings.

Unofficial Regional Contacts

Unofficial regional contacts, if not numerous, have involved important business, labor, and cultural elites as well as government personnel. The Philippines has been especially active in trying to develop closer relations with the rest of Southeast Asia.⁷² A center for Asian Studies was inaugurated there and a University Scholarship and Exchange of Professors for Southeast Asia program is in operation. Since 1954 volunteer doctors, nurses, nutritionists, and agriculturists from the Philippines have gone to South Vietnam and Laos to help under the Operation Brotherhood program.⁷³ Various other regional meetings have been hosted and the

⁷⁰Gaganvihari L. Mehta, "Asian Nationalism vis-a-vis Other Asian Nations," Annals of the American Academy of Political and Social Science, 318(July 1958)93-94.

71Ibid, p. 94.

72Amry Vandenbosch and Richard A. Butwell, Southeast Asia Among the World Powers, (Lexington, 1957), p. 95.

73_{New York Times, (22 November 1959).}

Philippines is the site for the Asian Nuclear Center⁷⁴ but other Southeast Asians still have reservations about accepting the Philippines as Asian.⁷⁵

The International Chamber of Commerce claims members in Burma, Indonesia, the Philippines, Thailand, and South Vietnam. 76 The Asian Regional Organization of the International Confederation of Free Trade Unions counts unions in Malaya, Thailand, and the Philippines as members while the Communist-dominated World Federation of Trade Unions in 1953 received delegations from Burma and Indonesia. Burmese, Indonesian, and Malayan delegates attended the Asian Socialist Conference in Rangoon that year. Buddhist Councils and Moslem Conferences have periodically drawn representatives from most of the nations in Southeast Asia. An Inter-Parliamentary Union includes legislators from Thailand, Indonesia, Burma, South Vietnam, and the Philippines while an Asian legal consultative committee. the International Study Groups on Rubber and Tin, 77 the Institute of Pacific Relations, and an Eastern Regional Organization for Public Administration as well as other smaller groups all contribute to the interchange of ideas in Southeast Asia.

74Fifield, op. cit., p. 68.

75vandenbosch and Butwell, op. eit., p. 96.

76The following paragraph is largely condensed from Fifield, op. cit., pp. 461-462.

77_{Ibid}, p. 462.

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EFFECT OF REGIONAL INTERACTION ON INTEGRATIVE TENDENCIES IN SOUTHEAST ASIA

Conferences, security pacts, economic groupings, and other expressions of regionalism in Southeast Asia, though indicative of a growing amount of interaction among these nations and with others, may not all be conducive to strengthening integrative tendencies within the region. Most Southeast Asian nations are members of several regional groupings but there is at present no important official organization embracing all of the nations in the region and only those nations; further, no official conference has included all of the nations in Southeast Asia(see Table 1). Every effort by leaders in South and Southeast Asia to form a permanent official regional organization has failed while, with the exception of the Simla Conference, attempts by Western nations to form these groupings have usually succeeded.

Some of the existing groupings in Southeast Asia may obstruct integration of the region as a whole. Cooperation of Thailand and the Philippines in SEATO is criticized by other Southeast Asian nations. Preferential treatment given Commonwealth and Sterling Area members by Great Britain and that given the Philippines by the United States are resented by other Southeast Asian participants in stabilization agreements. Generous aid allotments received by nations sympathetic to policies of the richer powers are another source of envy for nations seeking to remain independent of power blocs. Even memberships in unofficial organs are sometimes exclusive between

TABLE 1

SOUTHEAST ASIAN ATTENDANCE AT CONFERENCES

AND MEMBERSHIPS IN REGIONAL GROUPINGS

CONFERENCES									
	*Asian Relatio	ons	v Delhi on lonesia	As ian- African	Baguio	Simla			
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MEMBERSHIPS									
	Phili- ppines Pact	SEATO	Common- wealth	Sterlin A re a	ng Color Plan	ndo ECAFE			
BURMA CAMBODIA INDONESIA LAOS MALAYA PHILIPPINES	м	D D M	M	M M	M M M M M	M M M M M			
THAILAND S. VIETNAM	••	M D			M M M	M M M			

*The Asian Relations Conference was unofficial.

- X Official delegate
 O Unofficial Observer
 M Full membership
 D "Designated." Under the protection of but not members of SEATO.

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a few nations. If for no other reason, the number of these organizations, associations, and groupings is so large that coordination becomes difficult even within a nation⁷⁸ and despite conscious efforts to cooperate, policies and objectives will necessarily conflict.

Regional alignments in Southeast Asia have usually arisen in reaction to problems other than those common to the region; these alignments exert a centrifugal force pulling Southeast Asian nations away from intra-regional cooperation. They are drawn into cooperation with other underdeveloped and ex-colonial nations in the United Nations: security considerations draw some toward the United States or Great Britain while others envision development of a "third force" consisting of neutrals or non-aligned nations. Economic aid. ties with former colonial nations, and currency exchange form still other patterns of external forces pulling these nations away from each other. Western nations, by their sponsorship and participation, support nearly all of these sentiments, associations, and organizations thus hindering development of a grouping which might prove more suitable to the needs of the region (Despite these centrifugal tendencies and the fact that Southeast Asians following World War II have shown more interest in all-Asian or South Asian regionalism than they have in proposals for closer relations among themselves. 79

79vandenbosch and Butwell, op. cit., p. 264.

^{78&}lt;sub>Harlan</sub> Cleveland, "The Convalescence of Foreign Aid," American Economic Review, 49(May 1959)228. He lists more than 15 economic aid and assistance programs operating over 80 projects in Indonesia alone.

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there has been some interest lately in formulating an institution designed by Southeast Asians and capable of ministering to their economic needs.

PROPOSALS FOR POLITICAL AND ECONOMIC INTEGRATION IN SOUTHEAST ASIA

Early Proposals

The first Southeast Asian integration proposals were primarily concerned with political unification. In 1947 the French suggested a Pan-Southeast Asian Union joining the Indochinese states with Thailand but the plan was abandoned when Thailand insisted on complete independence for the Indochinese states.⁸⁰ During the same year leftist Thai leaders formed a Southeast Asia League composed of unofficial representatives from several Asian nations. Enthusiasm for this project also waned when it became apparent to other leaders that the organization was a Communist front to assist Ho Chi Minh in Vietnam.⁸¹ Various other proposals concerning Pan-Malay, Pan-Asian, and Southeast Asian unions have been made by national leaders including Thailand's former Premier Thamrong Nawasawat, Indonesia's Socialist Party President Soetan Sjahrir, Philippines Presidents Quirino and Magsaysay, and Malaya's Prime Minister Tunku Abdul Rahman.⁸²

80_{Meyer, op. cit., p. 70.}

⁸¹ Vandenbosch and Butwell, <u>op. cit.</u>, p. 249.
⁸² Ibid, p. 250; and Meyer, <u>op.cit.</u>, p. 71.

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The possibility of initiating an economic union in Southeast Asia had scarcely been studied when these integration proposals were put forth and it was the offhand opinion of many Asian specialists in agreement with John F. Cady that, because of communications inadequacies, political immaturity, and competitive economies, economic cooperation would not be profitable for these nations.⁸³ Despite the improvement of conditions in Southeast Asia since 1950, this pessimistic view on the part of these specialists has persisted down to the present. Guy Wint perceives too much disunity between all Asian nations to permit any more cooperation than that offered by existing plans and groupings.⁸⁴ Peffer sees little that is good in the capabilities of these nations to assist one another and cannot conceive of an organization that excludes Western nations.⁸⁵ William Henderson is more cautious, but finds Southeast Asian economies too competitive to make an economic union profitable.⁸⁶ And two other authors suggest that these nations need to overcome some basic problems such

⁸³ Challenge in Southeast Asia," Far Eastern Survey, 19(8 February 1950)25. His statement is, "Economic integration for Southeast Asia can be developed only in the context of the Far East as a whole, including India, China, and Japan."

^{84&}quot;South Asia--Unity and Disunity," International Conciliation, 500(1954)131-191.

⁸⁵Nathaniel Peffer, "Regional Security in Southeast Asia," International Organization, 8(1954)311-315.

^{86 &}quot;Regionalism in Southeast Asia," Columbia Journal of International Affairs, 19(Spring 1956)76.

as balance of payments deficits, economic competitiveness, administration deficiencies, and inadequate financing before an economic union becomes possible.⁸⁷

Recent Proposals

South and Southeast Asian government officials have sometimes taken a quite different, though not necessarily more realistic, view of economic regionalism. South Vietnam's Secretary of Agriculture, in a recent session of the Food and Agriculture Organization Conference, pled for unity, saying:

We have learned, above all, that many of our common problems must be tackled in an integrated manner, because they are vital to the economic development of our countries. We must plan as a region. Even if we cannot do this immediately, we must nevertheless, when we make our plans, take into account the plans of our neighbors, and look ahead to the day when our plans are really coordinated.⁸⁸

The Ceylonese House of Representatives in early 1961 approved a proposal to create a South Asian industrial development plan in cooperation with Burma, India, Indonesia, Nalaya, Pakistan, and Singapore. This proposal apparently was not followed up with a plan of implementation.⁸⁹ In 1960, the Philippines government presented to the 16th ECAFE Conference, and secured acceptance, a master industrial development and

87Vu Quoc Thuc, "Economic Development in Southeast Asian Countries," Asian Culture, 2(January-March 1960)1-32. Dick Wilson, "A New Manila-Kuala Lumpur-Djakarta Axis?" Far Eastern Economic Review, 26(15 January 1959)67.

88 "Collective Effort Urged in Tackling Agricultural Problems," Republic of Vietnam Press and Information Office, 6(30 December 1960)9.

⁸⁹Letter to the Author from Dodwell Cooray, Press Attache, Embassy of Ceylon, Washington, D. C., dated 16 March 1961. ۲ e e •

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trade plan establishing a Southeast Asian economic bloc.⁹⁰ Following the Philippine lead, ECAFE, in a comprehensive report issued at the 17th Session, suggested Asian coordination of economic development and cooperation in industrial projects, trade, transportation, and other areas.⁹¹ Although the report avoided mention of an economic union, Working Groups were proposed to study the advisability of creating "appropriate machinery" for directing regional affairs.⁹² A more rounded summary of the ECAFE study is contained in a recent ECAFE Bulletin.⁹³

Probably the most persistent campaign for regional cooperation has been conducted by Prime Minister Tunku Abdul Rahman of the Federation of Malaya. Since 1958, he has officially advocated cooperation among Southeast Asian nations in economic, cultural, spiritual, technical, and artistic endeavors.⁹⁴ First steps toward an economic union were taken by Malaya in 1959 when, in a joint statement issued by Prime Minister Rahman and Philippines President Carlos Garcia, the two nations called for an Association of Southeast Asian Dataset.

90New York Times, (10 March 1960).

91"Regional Co-operation," Interim Report by the ECAFE Executive Secretary, United Nations Publication, (New Delhi, 31 January 1961).

⁹²Ibid, pp. 25 and 26. At the 1962 ECAFE Conference in Tokyo, ECAFE members failed to reach a decision to act on the proposal. See: Yuan-Li Wu, "The Far East Trade Complex," Current History, 43(July 1962)46.

93_{Economic} Bulletin For Asia and the Far East, 12(June 1961)1-20.

⁹⁴Letter to the Author from Manual A. Viray, First Secretary, Embassy of the Philippines, Washington, D. C., dated 8 August 1961.

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States.⁹⁵ A proposal to this effect was presented to a joint session of Malaya's Federal Parliament later that year.96 Joint Working Groups were established to study the possibilities for union and these groups included representatives from the Philippines, Malaya, and Thailand. In 1960 Prime Minister Rahman told the National Press Club in Washington, D. C.,

We consider that there is so much affinity and identity between the countries of the region that we must cooperate more closely in the common interest. What we have in mind, and what is slowly beginning to emerge, is known in our area as ASAS--The Association of Southeast Asian States. I am convinced that the day must come when such an association develops as a working arrangement on lines similar to those which have emerged as regional economic associations in Europe and in this hemisphere.97

On 1 February 1961, Prime Minister Bahman, Philippines Foreign Minister Serrano, and Minister of Foreign Affairs Thanat Khoman of Thailand reaffirmed their plans to go ahead with forming ASAS. They reemphasized that the organization would be non-political in character, independent of any power blocs, and open to other nations in the region.98 Representatives of the three governments, upon completion of reports by the Working Groups, signed on 31 July 1961 the Declaration of Bangkok declaring the establishment of the Association with

96New York Times, (25 November 1959).

97 Speech before the National Press Club, 27 October 1960, p. 6. 98Paper presented by the Permanent Representative, op.

cit., pp. 3-4. See also: New York Times, (14 February 1961).

⁹⁵Paper presented by the Permanent Representative of the Federation of Malaya at an informal meeting of Pacific Area Permanent Representatives to the United Nations on 13 March 1961.

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aims including the following:

- 1. To establish an effective machinery for friendly consultations, collaboration, and mutual assistance in the economic, social, cultural, scientific and administrative fields;
- 2. To provide educational, professional, technical and administrative training and research facilities in their respective countries for nations and officials of the associated countries; . . .

A White Paper will be prepared after the working papers have received approval of the national legislatures.¹⁰⁰

Since late 1961 Prime Minister Rahman has taken a new turn in his efforts to initiate an economic union. He has been busily negotiating with Great Britain to form a "Federation of Malasia" to include Singapore, North Borneo, Sarawak, and Brunei.¹⁰¹ Britain, Malaya, and Singapore fundamentally $\hat{\psi}$ agree on the economic benefits of merger, but the union poses difficult problems with regard to representation of Chinese populations, distribution of federal powers, and security provisions.¹⁰² And the inclusion of North Borneo in the merger might conceivably precipitate new conflict with other 99Letter to the Author from Kok-Swee Choong, First Secretary, Embassy of Malaya, Washington, D. C., 11 August 1961. 100_{Ibid}. 101 Christian Science Monitor, (24 November 1961). 102 Christian Science Monitor, (31 October 1961) and (28 April 1962). The Detroit Free Press, (1 August 1962), reports

April 1962). The Detroit Free Press, (1 August 1962), reports that agreement has been reached between Malaya and Britain on the merger.

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Southeast Asian nations. Indonesia rules most of Borneo and the Philippines has expressed a desire to possess North Borneo if the British sever their ties with the colony.¹⁰³ Thus the stage is set for new differences of opinion among these three Southeast Asian nations. Nevertheless, the inclusion of the British colonies could benefit a Southeast Asian economic union. These territories have rich resources that would bring in valuable exchange as well as increase the complementarity of the union.¹⁰⁴ Then, too, negotiations between Malaya and Great Britain for immediate merger eliminate: any problems that might arise if these territories wished to join the union at a later date.

SUMMARY OF REGIONAL COOPERATION IN SOUTHEAST ASIA

The network of intra-regional cooperation and international contacts in Southeast Asia nowhere approaches that found among the members of ECSC or LAFTA. Only the Colombo 7 Plan and ECAFE bring governmental representatives of the eight nations together regularly; cooperation within these two organizations is limited and actions are subject to consideration by members outside the region. Southeast Asian reliance upon richer powers for leadership has often been necessary and desirable due to the need for military and economic security which these newly independent nations have been unable to guarantee. There is, however, a growing awareness that richer

103Vandenbosch and Butwell, <u>op. cit.</u>, p. 282. 104T. Silcock, <u>The Commonwealth Economy in South-East</u> Asia, (Durham, 1959), pp. 22-40.

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nations cannot fulfill all of Southeast Asia's needs, particularly in raising the level of the region's share in international trade; the former's policies on trade are not always beneficial to the nations within the region. National economic self-sufficiency for these small nations is incompatible with economic development and higher standards of living and it is apparent to many of the region's leaders that cooperation is needed to develop regional resources economically. Although regional economic cooperation is now in an embryonic state and faced with seemingly insurmountable difficulties, it may be expected that interest in cooperation will increase. The form which any future cooperation might assume cannot yet be determined, but the impetus for this economic cooperation is coming and is likely to continue to come from Southeast Asians themselves rather than from sources outside the region if present trends continue.

CHAPTER IV

COMPARISONS OF DEVELOPMENT INDICES IN SOUTHEAST ASIA, ECSC, AND LAFTA

In this chapter, statistical indices of basic social conditions, economic prosperity, trade relations, communications and transportation facilities, and major value systems are used to compare similarities in regional development for Southeast Asia, ECSC, and LAFTA.

The Southeast Asian nation ranking highest on a specific index and the nation ranking lowest on this index are the least similar of Southeast Asian nations with regard to this pre-condition. This is also true for ECSC and LAFTA members. These high and low figures constitute a maximum range of variation on each index that can be expressed as a ratio (highest/lowest) illustrating the magnitude of the maximum range. Expressing range in this manner allows comparison of nations on indices in which development levels vary widely. A ratio of maximum range has been obtained for each region on every index so similarity in development may be compared for each of the three regions.

In order to weigh these ranges in favor of nations with high development, only the magnitudes of range between the Southeast Asian nation ranking highest on an index and each

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nation ranking lower are considered. In this way, a group of Southeast Asian nations with ratios lower than the higher of ECSC or LAFTA ratios would satisfy the criterion of similarity on the indices examined in this chapter.

Tables of development figures for Southeast Asian nations and tables of averages, range magnitudes, and extremes for each of the three regions are given. Baw data for ECSC and LAFTA members are contained in Appendix I. Southeast Asian nations that seem to satisfy the criterion for integration on an index and all observations that modify these statistical rankings are summarized following each group of indices.

The reader is cautioned that some of the data available are not genuinely comparative and all statistics are not equally reliable.¹ In the introduction of his <u>Atlas of Econ-</u> omic Development, Norton Ginsburg says,

It should be kept in mind, however, that many of the data available are no more than estimates, although they have not been treated as such for mapping purposes.²

And even when comparable statistics are reported in a reliable manner, environmental differences within each region may alter the significance of particular indices. Nevertheless, the author is inclined to agree with James S. Coleman's statement

²(Chicago, 1961), p. 6.

LUnited Nations reports were the major source of statist tical data, however, figures from several sources are included and acknowledged in the tables or Appendices. 1953 data is, in most cases, used for ECSC because, even though the agreement was signed in 1952, the common market did not begin operation until 1953. The LAFTA Treaty was signed in 1960 so the latest figures, in most cases 1959 or 1960, were used for both LAFTA and Southeast Asia.

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that:

Despite the many serious reservations one can and should make regarding the accuracy, comparability, and significance of available economic statistics, as well as the validity of gross judgments regarding the . . . Oharacter of political systems, it is believed that . . ./a comparison of this type7 can, at the least, be suggestive.3

And the discussion accompanying each table is intended to alleviate some of the inadequacies inherent in the statistical data.

BASIC SOCIAL CONDITIONS

Indices to be examined are: percentages of persons urbanized, percentages of populations literate, percentages of children ages 5 to 14 enrolled in primary schools, and percentages of populations employed in agriculture. These indices help measure the amount of social communication that may take place and receptivity to new ideas as well as possession of common political attitudes. And they are also a partial indication of a nation's economic productivity.⁴ Southeast Asian population data contained in Table 27, however, are probably less reliable than ECSC or LAFTA data as indicators of these phenomena and are subject to several qualifications.

³Gabriel A. Almond and James S. Coleman, ed., <u>The Politics of the Developing Areas</u>, (Princeton, 1960), p. 538.

⁴Andrew G. Frank, "Human Capital and Economic Growth," Economic Development and Cultural Change, 8(January 1960) 170-173.

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TABLE 2

SOUTHEAST ASIAN DATA ON POPULATION CHARACTERISTICS^a

		% of Population in Agriculture		
BURMA	8	69	57	16
CAMBODIA	10	80	36	19
INDONESIA	25	96	32	35
LAOS	2	80+	20	11
MALAYA	27	61	38	44
PHILIPPINES	25	61	65	60
THAILAND	10	80	56	54
S. VIETNAM	11	80	32	8

⁸Sources: Statistical Yearbook, United Nations Publication, (New York, 1960); Worldmark Encyclopedia of Nations, (New York, 1960); Gabriel A. Almond and James S. Coleman, ed., The Politics of the Developing Areas, (Princeton, 1960); Norton Ginsburg, Atlas of Economic Development, (Chicago, 1961), Table 15, p. 42.

Note: The reader is cautioned that these figures are not equally reliable and some indices represent no more than informed guesses on the part of the above sources.

Percentages of Populations Urbanized

A large urban population usually indicates that a nation is highly industrialized⁵ and probably possesses a broad consensus on acceptable forms of political activity.⁶

⁵B. W. Hodder, "Demographic Influences on Economic Development in Southeast Asia," in Philip Thayer, ed., Nationalism and Progress in Free Asia, (Baltimore, 1956), p. 221. This is a common belief which, Hodder notes, does not hold true for Southeast Asia.

⁶Almond and Coleman, <u>op. cit.</u>, p. 475.

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1. Southeast Asian data on urbanization reveals less about industrialization than it does for developed nations because city-dwellers in lesser developed nations are often engaged in commerce and trade rather than in industrial pursuits.⁷ Many persons in Southeast Asia, as in other underdeveloped nations, gravitate to the city (usually the capital)⁸ to escape rural poverty without guarantees that employment, industrial or otherwise, is available.⁹

2. When industrialization lags behind urbanization, these agglomerations of people, rather than promoting consensus within a nation, may actually increase political strife.¹⁰ This has been the case in Indonesia, Thailand, and Burma as well as in Argentina, Cuba, and Uruguay.¹¹

3. Population growth in Southeast Asia has been extremely uneven. Growth has occurred primarily in West Java, lower Thailand, lower Burma, Central Luzon and along the lower Mekong River;¹² concentrations of large, unassimilated ethnic groups in areas surrounding Bangkok,

7Bert F. Hoselitz, "The City, the Factory, and Economic Growth," American Economic Review, 45(May 1955)173. Also: Almond and Coleman, op. cit., pp. 100-101.

⁸Almond and Coleman, <u>op. cit.</u>, p. 537. 9Hodder, <u>op. cit.</u>, pp. 221-222; and Hoselitz, p. 177. 10Hoselitz, <u>op. cit.</u>, pp. 170-175. 11Almond and Coleman, <u>op. cit.</u>, pp. 100 and 475. 12<u>Ibid</u>, p. 66.

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Jakarta, Kuala Lumpur and other cities add to political unrest in these urban settings.

4. Philippines urbanization figures are somewhat distorted because charters are granted to cities as political favors in return for support at the polls; these cities actually contain extensive rural areas and agricultural populations.¹³

Percentages of Populations Employed in Agriculture

The uniformly large agricultural populations in Southeast Asia are probably not conducive to economic integration.¹⁴ One indicator of the size of an agricultural sector is the number of persons it employs.

1. The size of the agricultural sector is also dependent upon productivity, that is, the amount of goods produced per person over a period of time. And despite the uniformly large agricultural populations throughout Southeast Asia, the total amount of agricultural goods produced is not high.¹⁵

2. In Southeast Asia, agricultural goods available for export are usually competitive within the region; raw

13Paul F. Cressey, "Urbanization in the Philippines," Sociology and Social Research, 44(July-August 1960)402.

¹⁴See discussion and notes in Chapter I, pp. 13-14.

15Benjamin Higgins' generalizations that, because of technological backwardness in the subsistence sectors of most underdeveloped economies, food shortages often exist and many persons are underemployed for parts of each year is applicable to Southeast Asia. See his: Economic Development, (New York, 1959), pp. 328-344.

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materials face severely fluctuating price levels;¹⁶ and, their bulk and tendency to spoil make transportation difficult and expensive.

3. Although ECSC exhibits a higher range of variation on this index than do nations in LAFTA or Southeast Asia, this may be desirable; it is in part a measure of regional economic complementarity. Dairy products from the Benelux nations and fruit and cereals from France, Germany, and Italy enter more easily into regional trade than do the food products and plantation crops of the other two regions.

Percentages of Populations Literate

and Enrolled in Primary Schools

Literacy rates and percentages of children between the ages of 5 and 14 in primary schools are two indicators of national education levels but both of these indicators are somewhat limited in comparability.

1. Comparisons of literacy rates are nebulous bedause some nations report data without distinguishing between the ability to scribble one's name(census literacy) and the ability to comprehend or communicate written material

¹⁶T. Silcock, The Commonwealth Economy in South-East Asia, (Durham, 1959), pp. 22 and 207. See also: Susan Strange, "The Commonwealth and the Sterling Area," Yearbook of World Affairs, 13(1959)40-41.

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(functional literacy).¹⁷

2. Numbers of children in primary schools do not signify the achievement of identical educational levels in every nation. In Southeast Asia, for example, schools generally maintain lower standards than do those in Europe and individual schools vary both in quality and type of education available.¹⁸

3. Because data for all three regions are for 1957, the figures do not portray either the exact conditions existing in ECSC or LAFTA when they were formed or the contemporary situation in Southeast Asia. Changes in the percentages of children in schools, however, are not thought to be extensive within a span of three years.

Development in Southeast Asia on the four indices just examined is in almost every case below ECSC and LAFTA averages; only percentages of primary school enrollments in the Philippines and Thailand are higher than averages in the two unions. But if similarity of the most highly developed Southeast Asian

¹⁷John de Young, A Pilot Study in Communication Problems on the Barrio Level, p. 96, as quoted in Jose V. Abueva, Focus on the Barrio, (Manila, 1959), p. 23. Extreme literacy rate ambiguity is evident in South Vietnam where, between 1957 and 1959, estimates of various sources ranged from 15% to 90%. See: Norton Ginsburg, Atlas of Economic Development, (Chicago, 1961), p. 38; and Almond and Coleman, op. Cit., Appendix. The high figure was reported in: The Worldmark Encyclopedia of Nations, (New York, 1960), p. 1152.

¹⁸Amry Vandenbosch and Richard A. Butwell, Southeast Asia Among the World Powers, (Lexington, 1957), pp. 207-208. G. William Skinner, Chinese Society in Thailand, (Ithaca, 1957), pp. 227-234. Richard Butwell, Southeast Asia Today--And Tomorrow, (New York, 1961), pp. 116-117.

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TABLE 3

AVERAGES, EXTREMES, AND RANGES OF VARIATION OF THE

ABOVE INDICES FOR SOUTHEAST ASIA, LAFTA, AND ECSCa

		SOUTHEAST ASIA			LAFTA		ECSC		
	ave	extreme	range	ave	extreme	range	ave	extreme	range
Population Urbanized	15	2-27	13.5	48	35-70	2.0	57	41-72	1.7
Population in Agriculture	7 6	61-96	1.6	51	23 -63	2.7	26	12-41	3.4
Population Literate	42	20-65	3.3	72	48-93	1.9	95	89 -97	1.1
Children in Primary Schools	31	8-60	7•5	50	34- 68	2.0	71	57-78	1.4

^aBaw data for LAFTA and ECSC are contained in Appendix I. Averages constitute arithmetic means for nations in each region. Extremes illustrate highest and lowest levels of development for nations within a region, and ranges are range magnitudes derived from the extremes.

nations is the criteria, the situation appears more favorable for integration. Of the most highly developed nations, the range between the Philippines and Malaya is lower than ECSC or LAFTA on all four indices. Thailand and Indonesia can be included with these leaders on three of four indices without increasing the range above ECSC or LAFTA and Indonesia is only slightly less similar on the percentages of persons literate. Burma, Laos, Cambodia, and South Vietnam are less developed than either ECSC or LAFTA on these basic social conditions. :

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Some indication of similarities in economic prosperity desirable for economic union members is obtained by comparing per capita incomes, cost of living indices, and economic growth-population growth ratios. The gross data reported in these indices are, however, most revealing for developed nations where extremes of wealth and poverty are not so great as in lesser developed nations.

TABLE	4
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	Per Capita Nat'l Income US \$	Cost of Living Index (1953 Base)	Economic Growth/ Population Growth			
BURMA	72	96	2.1			
CAMBODIA	70	141	4.5			
INDONESIA	100	311	3.0			
LAOS	50	199	Ъ			
MALAYA	310	92	b			
PHILIPPINES	201	104	2.6			
THAILAND	130	119	4.0			
S. VIETNAM	100	133	b			

SOUTHEAST ASIAN DATA ON ECONOMIC PROSPERITY&

^aSources: Norton Ginsburg, Atlas of Economic Development, (Chicago, 1961), Table 3, p. 18; <u>Statistical Yearbook</u>, United Nations Publication, (1959), Table 166, pp. 447-448 and Table 161, pp. 451-456; Almond and Coleman, op. cit., Table 2, p. 101; Demographic Yearbook, United Nations Publication, (1958), Table 1, pp. 86-103.

^bData missing or outdated.

Note: The reader is cautioned that these figures are not equally reliable and some indices represent no more than informed guesses on the part of the above sources.

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Per Capita Incomes

Per capita incomes derived from gross national products approximate incomes that would be received by each person if the national product were distributed evenly. But due to differing societal conditions governing distribution and disposition of income, comparativeness is reduced and these figures must be interpreted with caution.

1. Disparities in personal incomes are great in all of Southeast Asia, even among the poor. Persons in the subsistence sectors may live with little or no monetary incomes while persons living on plantations and in the Westernized urban areas have income levels approaching the national average, but may live no better than their rural neighbors.

2. In Southeast Asia, because climates are mild, clothing and housing needs are more easily satisfied than in Europe; thus, greater proportions of personal incomes are available to satisfy additional wants there than in temperate European climates.

3. The gross figures on per capita income subsume any differences in man-hours or labor forces needed to earn these incomes.¹⁹ Data may also be distorted by multiple exchange rates, inflationary spirals, cost restrictions, or maldistribution of income in some of these nations.²⁰

^{19&}lt;sub>Higgins, op. cit., pp. 631-635.</sub>

^{20&}lt;sub>E. M.</sub> Bernstein and I. G. Patel, "Inflation in Relation to Economic Development," in Bernard Okun and Richard W. Bichardson, <u>Studies in Economic Development</u>, (New York, 1961), pp. 439-448.

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4. Despite these qualifiers, this index is useful to compare nations within the same geographical area that share similar societal and climatic environments.

Cost of Living Index

The cost of living index measures the relative stability between wages and prices. As a barometer of inflationary trends, it suggests the presence or absence of an economic climate conducive to investment in domestic growth-promoting ventures.

The index does not indicate whether or not the similar wages or prices desirable for union members exist in nations. It aids only in identifying inflation that might be damaging to economic growth.²¹

2. A slow, controlled rise in prices may not be damaging to developing economies. Some Latin American economists maintain that inflation is a necessary part of economic growth,²² but the experience of Malaya, Burma, the Philippines, and Thailand, where inflation is negligible or nonexistent, are evidence to the contrary.

3. Governments may control wages and prices in various ways and subsidization in any form distorts the cost-price ratio that would exist if supply and demand were the only

²¹Bernstein and Patel, op. cit., give a good discussion of inflation as it affects economic development.

²²Boberto de Oliveira Campos, "Two Views on Inflation in Latin America," in Albert O. Hirschman, ed., Latin American Issues, (New York, 1961), pp. 69-80, See also the Tollowing two articles in this volume, pp. 81-124.

controlling variables.²³

Economic Growth vis-a-vis Population Growth

Economic growth rates for Southeast Asia, ECSC, and LAFTA were computed as the average rate of increase in national incomes at factor cost over a period of several years.²⁴ Population growth was taken as the annual rate of growth between 1953 and 1957 for all three regions.

 Accuracy of these economic-population growth ratios is reduced because of distortions in national income data and arbitrariness in estimating the sizes of populations.
 The usefulness of the index is further impaired because Laos, Malaya, and South Vietnam did not report national income data.

Considerable similarity in per capita incomes, cost of living indices, and economic-population growth ratios exists among Southeast Asian nations. With the exception of Laos, all nations reporting data on these indices are more nearly similar than LAFTA; the Philippines and Thailand are more similar than ECSC as well. In addition to being most similar on these indices the Philippines, Thailand, Burma, and Indonesia exceed LAFTA in rates of economic growth and stability of living costs. It must be acknowledged, however, that these indicators

²3Hollis B. Chenery, "Development Policies and Programmes," Economic Bulletin for Latin America, 3(March 1958)75-76. Also: Jan Tinbergen, Design of Development, (Baltimore, 1958), p. 53.

²⁴In some cases it was necessary to use national incomes computed at current costs. The rate of national income increase in ECSC was measured over the years 1950-1953; for LAFTA and Southeast Asia the period used was 1953-1958. •

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TABLE 5

AVERAGES, EXTREMES, AND RANGES OF VARIATION OF THE

ABOVE INDICES FOR SOUTHEAST ASIA, LAFTA, AND ECSC^a

	SOUTHEAST ASIA			LAFTA			ECSC			
	a v e	extreme	range	ave	extreme	range	ave	extreme	range	
Per Capita National Income	129	50-310	6.0	260	108-569	5.2	861	442 - 1194	2.7	
Cost of Living	149	92-311	3.4	375	152- 1043	6 .9	120	106-144	1.4	
Economic/ Population Growth	3.2	2.1-4.5	2.1	2.2	0.5-4.4	8.8	5.4	2.6-9.2	3.5	

⁸Baw data for LAFTA and ECSC are contained in Appendix I. Averages constitute arithmetic means for nations in each region. Extremes illustrate highest and lowest levels of development for nations within a region, and ranges are range magnitudes derived from the extremes.

of economic prosperity do not measure directly the pre-conditions for integration established by other studies and are useful determinants of integrative tendencies only in conjunction with other indices that follow.

EXPORT DIVERSIFICATION, REGIONAL TRADING, INDUSTRIALIZATION, AND ARTIFICIAL TRADE BARRIERS

Free trade areas, customs unions, common markets, or regional industry and resource development plans would not benefit economies of nations that did not trade with each other. Trade is maximized in nations with diversified and industrialized economies that do not discriminate against imports from other nations. And many writers remain convinced that these

conditions do not exist in a degree that would make a Southeast Asian regional economic union feasible.²⁵

TABLE 6

SOUTHEAST ASIAN DATA ON PRIMARY EXPORTS, REGIONAL TRADING,

INDUSTRIAL OUTPUT, AND CUSTOMS TAX REVENUES^a

	Primary Export % of Total Trade		% of Regional Trading	Industrial Origin of GNP - %	Customs Tax Revenues-% of Total Taxes	
BURMA	Rice	72	14	17	26	
CAMBODIA	Rice	30	19	12	b	
INDONESIA	Petroleum	37	19	10 ⁰	48	
LAOS	Tin	60	34ª	ъ	b	
MALAYA	Bubber	60	23●	թ.	43	
PHILIPPINES	Coconut	36	4	22	. 23	
THAILAND	Rice	46	27	19	33	
S. VIETNAM	Rubber	65	7	Ъ	b	

^aSources: Direction of Trade, United Nations Publication, (1959). Statistical Yearbook, United Nations Publication, (1960), Table 164, pp. 460-465. International Financial Statistics, United Nations Publication, 13(January-June 1960), Part I.

^bData missing or outdated.

^cExcluding construction.

dIn 1958, Laos did 34% of its trade within the region, but this was not a normal volume of trade for this nation. The exchange represented a \$1 million trade with South Vietnam.

^eSingapore trade is included with Malayan trade for 1958.

25T. Silcock, op. cit., p. 140. Vu Quoc Thuc, "Economic Development in Southeast Asian Countries," Asian Culture, 2(January-March 1960)29.

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There are several explanations for the limited amount of Southeast Asian trading. (1) Economies are often competitive in many of the commodities produced and available for trade.²⁶ (2) These nations have strong traditional trading links with former colonial powers²⁷ or other nations and much trading is still controlled by foreigners living in Southeast Asia. (3) Artificial trade barriers and ideological differences disrupt amicable trade relationships between these nations. (4) Finally, a great deal of ignorance about other nations' available exchange commodities still exists in Southeast Asia. Nevertheless, ECAFE economists are hopeful that these limitations upon trade can be overcome and will not prevent more extensive regional economic cooperation in the future.²⁸

Export Diversification

Economies in Southeast Asia are especially competitive in the raw materials and agricultural products that now account for most of their gross national products. For example, five of these nations export nearly all natural rubber entering into international trade.²⁹ Three of these nations supply half the world's rice and three of them also supply a major portion of

²⁶"Structure of Intraregional Trade of ECAFE Countries," Economic Bulletin for Asia and the Far East, 12(June 1961)20-26.

²⁷Ibid, p. 24.

²⁸Ibid, pp. 53-54.

29Norton Ginsburg, The Pattern of Asia, (Englewood Cliffs, 1958), p. 318.

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the world's tin.³⁰

1. Although every nation in the region depends on one or two commodities for the major portion of its foreign exchange, this situation is for most more a matter of past circumstance than of present or future necessity because the region is relatively rich in diverse natural resources.³¹ Many of these resources are as yet undeveloped, in part because richer nations(usually colonial powers), by subsidies and preferences, prolonged and promoted the production of selected commodities beyond their natural market advantages. Lack of capital and technology as well as insufficient internal control³² are other obstacles to the development of these resources.

2. Latin American nations are in a similar state of resource development and LAFTA exports are only slightly more diversified than those of Southeast Asia. In contrast, ECSC exports are so diversified that commodities could only be classified into general categories of food, manufactures, or iron and steel production.

3. Southeast Asian nations least dependent upon a single export commodity for foreign exchange are the Philippines, Cambodia, Indonesia, and Thailand. If those nations least

^{30&}lt;sub>Economic</sub> Survey for Asia and the Far East, (Bangkok, 1958), pp. 22-24. Russell H. Fifield, The Diplomacy of Southeast Asia: 1945-1958, (New York, 1958), pp. 8-11.

³¹Fifield, above, pp. 8-11.

³²George McT. Kahin, ed., Governments and Politics of Southeast Asia, (Ithaca, 1959), pp. 91; 133-136; 217-219; 494-495.

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dependent upon two major commodities are ranked, they again include the Philippines, Indonesia, and Thailand, but Malaya is next most diversified in this respect.

Percentages of Regional Trading

Intra-regional trading between Southeast Asian nations is significant in spite of regional dependence upon single export commodities. It is also one of the few indicators of interaction between nations, although it may be both a cause and an effect of this interaction.

 The average percentage of Southeast Asian trade exceeds that of LAFTA. Even ECSC members, with a more complex network of mutual trading interests than any other region in the world,³³ did only 28% of their trading among themselves in 1953(see Appendix II). Luxembourg and France both do a smaller percentage of trading in ECSC than some Southeast Asian nations do within their region; the same situation is true for Mexico and Brazil in LAFTA.
 Trade percentages, however, do not indicate the real amount of financial exchange between nations nor do they indicate the relative amount of the national incomes derived from foreign trade. In 1958, for example, the Philippines did only 4% of its trading within the region, yet in monetary value this exchange exceeded that of Cambodia doing 18% of its trade within the region.

³³Lincoln Gordon, "Economic Regionalism Reconsidered," World Politics, 13(January 1961)245.

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3. Although Southeast Asia as a whole does a creditable amount of regional trading, much of this exchange is on a bilateral basis between a few nations and a trading network such as ECSC's, for example, does not yet exist.
4. Including India, Japan, and Singapore in a regional trading complex with Southeast Asia would mean a significant increase in the trade interdependence of these nations.

Industrial Origin of Gross National Product

A high level of industrialization contributes to the amount of goods available for exchange between members of an economic union. The value of this industrial production in the total economy is indicated by the percentage of the gross national product(GNP) derived from industry.

1. Low levels of industrialization in all Southeast Asian nations limit the amount of regional trade that can presently take place. Although the Philippines, Thailand, and Burma have the highest and most similar industrial output levels in Southeast Asia, they average only 19% on this index, and are less than half as industrialized as are ECSC members.

2. Southeast Asian industry is composed largely of mining and light industry while ECSC has primarily capital intensive industry producing goods that remain in relatively constant demand. And even the Philippines, with the highest industrial output(22%) in the region, depends

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upon agricultural goods for 76% of its exports.³⁴ 3. Malaya did not report data on industrial origin of GNP, but comparable indices suggest industrialization similar to that of the Philippines. Thailand. and Burma.35 4. Industry is expanding in Southeast Asia and regional complementarity promises to increase as these nations process more and more of their primary products domestically. Indonesia's Asahan River complex supplies power for new aluminum and iron and steel plants as well as for plants processing rubber, caustic soda, desiccated coconut, cement. and textiles.³⁶ The Mekong River development will do the same for nations along its shores when the project is completed. And even South Vietnam, with very low industrialization, has opened textile, glass, aluminum, and plastics factories since 1954 despite a decline in overall industrial output during this period.37

Artificial Trade Barriers

Southeast Asian regional trading has also been hindered by customs duties and other indirect taxes, high shipping

³⁴Kahin, op. cit., p. 452.

35Norton Ginsburg, Atlas of Economic Development, (Chicago, 1961), Tables 33-43, pp. 78-98.

³⁶Benjamin Higgins, Indonesia's Economic Stabilization and Development, (New York, 1957), p. 76. Kahin, op. cit., p. 218. Wilfred Malenbaum, "The Asian Economic Potential," Annals of the American Academy of Political and Social Science, 318(July 1958)19.

37Vietnam, United States Operations Mission Annual Report, (Saigon, 1960), pp. 35-39.

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costs, and foreign currency exchange restrictions.

1. Customs duties have long been the major source of governmental revenue in Southeast Asia.³⁸ These taxes are extremely productive and their use enables governments to easily control volumes or single items of trade merely by raising or lowering the duties.³⁹

2. Personal incomes are low and almost untaxable and there is much tax evasion in the agricultural sectors where the bulk of Southeast Asians are employed so the more easily accessible merchants and traders bear the brunt of the tax burdens.⁴⁰

3. Tax burdens borne by the exchange sectors in the Philippines, Malaya, and Thailand have been decreasing since 1955 and are being replaced by other sources of revenue,⁴¹ yet revenues derived from these taxes in all of Southeast Asia are still twice as high as the LAFTA average and three times as high as that of ECSC.

4. Most goods traded by these nations travel in foreign bottoms and the high prices charged by these shipping corporations(usually owned by richer nations) make it

³⁸Jonathan V. Levin, The Export Economies, (Cambridge, 1960), p. 269. The same dependence on customs duties has prevailed in Latin America; see: William W. Pierson and Federico G. Gil, <u>Governments of Latin America</u>, (New York, 1957), p. 405.
³⁹Walter Heller, "Fiscal Policies for Underdeveloped Economies," in Okun and Richardson, <u>op. cit.</u>, p. 461.

⁴⁰Benjamin Higgins and Wilfred Malenbaum, "Financing Economic Development," International Conciliation, 502(March 1955) 313. Also: The Colombo Plan for Co-operative Economic Development in South and South-East Asia, Report by the Commonwealth Consultative Committee, (London, 1950), p. 54.

41Southeast Asian Tax policies are discussed in: Frank Golay, "Commercial Policy and Economic Nationalism," Quarterly Journal of Economics, 72(November 1958)574-587.

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profitable to ship goods only when substantial profit margins are assured.⁴²

5. Free exchange rates in Hong Kong and large markets in Singapore also siphon off goods that might, under other circumstances, be exchanged for consumption or processing in the region.⁴³

TABLE 7

AVERAGES, EXTREMES, AND RANGES OF VARIATION OF THE ABOVE INDICES FOR SOUTHEAST ASIA, LAFTA, AND ECSC²⁸

_	SOUTHEAST ASIA			lafta ecs c					
	ave	extreme	range	ave	extreme	range	ave	extreme	range
Primary Export % of Trade	51	30-72	2.4	39	23-66	2.8	25	13-32	2.5
Regional Trading	18	4-34	8.5	11	1-25	25	28	17-38	2.2
Industrial Origin of GNP	16	10-22	2.2	25	14 -31	2 62	46	37-56	1.5
Customs Tax Revenues	35	23- 48	2.1	18	4-27	6.7	9	7-16	2.3

^aBaw data for LAFTA and ECSC are contained in Appendix I, and II. Averages constitute arithmetic means for nations in each region. Extremes illustrate highest and lowest levels of development for nations within a region, and ranges are range magnitudes derived from the extremes.

42Gunnar Myrdal, Beyond the Welfare State, (New Haven, 1960), p. 244. S. N. Haji, "International Aspects of Indian Shipping," United Asia, 9(1957)254-259. Haji's observation that rich nations reserve cargo(up to 75% in the case of the United States) for national bottoms is applicable for Southeast Asia. 43Ginsburg, Pattern of Asia, op. cit., p. 385.

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Southeast Asian nations most similar in development conducive to integration with regard to diversified exports, regional-trade, industrial output, and customs taxes are Thailand, the Philippines, Malaya, Indonesia, Cambodia, and Burma in that order. No combination of these nations equals the low ranges of variation among ECSC members but all five are generally more similar than LAFTA members.

COMMUNICATIONS AND TRANSPORTATION FACILITIES

These indices have been chosen to indicate the broad range of facilities available for communication and mobility.

TABLE	8
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SOUTHEAST ASIAN DATA ON COMMUNICATIONS FACILITIES^a

	International Mail Flow Per 1000 Persons	Per	Newspaper Copies Per 1000 Persons
BURMA	0.1	0.5	8
CAMBODIA	0.2	0.6	3
INDONESIA	0.1	1.1	11
LAOS	0.2	0.3	1
MALAYA	2.8	10.3	17
PHILIPPINES	0.4	3.3	19
THAILAND	0.2	1.5	4
S. VIETNAM	0.6	1.1	28

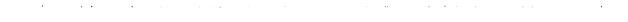
BSources: Norton Ginsburg, <u>Atlas of Economic Development</u>, (Chicago, 1961), Table 44, p. 100. <u>Statistical Yearbook</u>, United Nations Publication, (1959), Table 150, pp. 367-369 and Table 184, pp. 578-579.

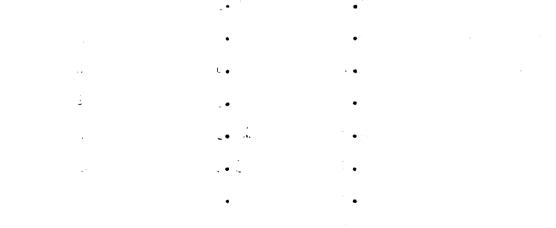
Note: The reader is cautioned that these figures are not equally reliable and some indices represent no more than informed guesses on the part of the above sources.

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TABLE 9

	Railroad Kms Per Person/ Density		Motor Vehicles Per 1000 Persons
BURMA	8	0.1	2
CAMBODIA	5	0.1	2
INDONESIA	6	0.1	1
LAOS	b	Ъ	3
MALAYA	17	0.9	16
PHILIPPINES	4	0.5	6
THAILAND	14	0.2	3
S. VIETNAM	7	0.2	3

SOUTHEAST ASIAN DATA ON TRANSPORTATION FACILITIES^a

⁸Sources: Norton Ginsburg, <u>Atlas of Economic Development</u>, (Chicago, 1961), Table 26, p. 64. <u>Statistical Yearbook</u>, United Nations Publication, (1959), Table 143, pp. 330-337 and Table 147, pp. 351-355.

^bData missing or outdated.

Note: The reader is cautioned that these figures are not equally reliable and some indices represent no more than informed guesses on the part of the above sources.

Communications indices include international mail flow, numbers of telephones, and newspaper copies per 1000 persons. Transportation indices include railroad densities,⁴⁴ aviation miles flown, and motor vehicles per 1000 persons. International mail is especially valuable as one of the few indicators of communication flows between nations. The following qualifications

⁴⁴Railroad density is computed as the number of kilometers of track per person divided by l/population density. See Ginsburg, Atlas of Economic Development, op. cit., p. 64.

are applicable to these indices in Southeast Asia.

1. Throughout Southeast Asia nearly all communication facilities are located in urban areas and mass media seldom directly reach the average villager.⁴⁵ John de Young found in the rural Philippines that only 23.9% of the <u>households</u> had members who read newspapers and 76% of his <u>informants</u> did not read newspapers at all.⁴⁶ And radios are scarce throughout all of Asia.⁴⁷

2. The quality of mass media also varies greatly in Southeast Asia. Newspapers and the presses in the Philippines, Burma, and Malaya generally operate with relative independence and objectivity⁴⁸ while in Indonesia and South Vietnam, the presses are subject to harassment by governments and other persons.⁴⁹

3. The overall sparsity of mass media in Southeast Asia makes it necessary for large segments of these populations to depend upon informal channels of communication such as religious or communal leaders. In fact, because these

45G. William Skinner, Local, Ethnic, and National Loyalties in Village Indonesia: A Symposium, (New York, 1959), p. 8. 460p. cit., p. 8, as quoted on p. 49.

47 Statistical Yearbook, United Nations Publication, (New York, 1954), note at bottom of p. 551. Except in the Philippines, Southeast Asian broadcasting is government controlled. See:

Almond and Coleman, op. cit., p. 137.

⁴⁸Almond and Coleman, op. cit., pp. 135-136. The Burmese press has been timid under the New Win governments.

⁴⁹Kahin, op. cit., pp. 199 and 367. The press in Thailand has not been free of government control but has been harassed less than is true in Indonesia and South Vietnam. •

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informal channels are often so efficient, more information is transmitted in these nations than statistics would indicate.⁵⁰

4. The same observation holds for mobility indicators; even though transportation figures are extremely low in Southeast Asia, animal power, small boats, and pedestrian facilities account for a great deal of travel within and between nations.⁵¹

5. The extent of communications and mobility between nations is difficult to establish. There is little tourism⁵² distances between capitals and other cities are great, and travel facilities are expensive and limited. Indonesia and the Philippines are insular nations accessible only by ship or airplane and few railroads or all-weather roads exist even between nations on the mainland.⁵³ It is worth noting, however, that inter-national communications and mobility facilities between Latin American nations are hardly more adequate.

50Almond and Coleman, op. cit., p. 136.

51For general problems of communication and transportation in Southeast Asia, see: Ginsburg, Pattern of Asia, op. cit., pp. 295-302.

52Data on tourist travel for a limited number of nations is contained in: Statistical Yearbook, United Nations Publication, (New York, 1954), Table 141, pp. 318-323.

53Kahin, op. cit., pp. 91 and 267. Fifield, op. cit., pp. 367 and 398. Ginsburg, Pattern of Asia, op. cit., pp. 25-26.

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TABLE 10

AVERAGES, EXTREMES, AND RANGES OF VARIATION OF COMMUN-

ICATIONS INDICES FOR SOUTHEAST ASIA, LAFTA, AND ECSC^a

	SOUTHEAST A		ASIA	ASIA LAFTA		EC	CSC		
	ave	extreme	range	ave	extreme	range	ave	extreme	range
Internat'l Mail Flow	0.6	0.1-2.8	28	1.2	0.4-3.3	8.2	8.2	3.0- 17.2	5 •7
Telephones	2.3	0.3-10	34	26	5-57	11;4	72	34-93	2.7
Newspaper Copies	11	3-28	9.3	91	28–200	7.1	2 86	97-441	4.1

^aBaw data for LAFTA and ECSC are contained in Appendix I. Averages constitute arithmetic means for nations in each region. Extremes illustrate highest and lowest levels of development for nations within a region, and ranges are range magnitudes derived from the extremes.

TABLE 11

AVERAGES, EXTREMES, AND RANGES OF VARIATION OF TRANS-PORTATION INDICES FOR SOUTHEAST ASIA, LAFTA, AND ECSC^a

	S	DUTHEAST	ASIA		LAFTA		I	ECSC	
	a ve	extreme	range	ave	extreme	range	ave	extreme	range
Railroad Density	7.6	0-17		30	11-63	5.7	92	55 -16 4	3.0
Civil Aviation Miles	0.2	0-0.9		1.3	0.5-2.1	4.2	1.7	0-4.3	
Motor Vehicles	5	1-16	16	16	5-32	6.4	50	19 -76	4.0

^aRaw data for LAFTA and ECSC are contained in Appendix I. Averages constitute arithmetic means for nations in each region. Extremes illustrate highest and lowest levels of development for nations within a region, and ranges are range magnitudes derived from the extremes.

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An overall picture of communications and transportation facilities indicates that Malaya has the most highly developed network in Southeast Asia; the Philippines, Thailand, and South Vietnam rank next in that order. Ranges of variation for the four nations in these indices rate them in every case approximately as similar or more so than LAFTA members. But only in civil aviation miles flown and foreign letters exchanged are the four Southeast Asian leaders as similar as ECSC members.

COMPATIBILITY OF MAJOR VALUE SYSTEMS

Every Southeast Asian nation contains significant ethnic groups, multiple spoken languages, and religious minorities that illustrate the existence of many value systems whose ideologies may not always coincide.⁵⁴ And the exclusiveness and tenacious adherence to these values may constitute a barrier to both national and regional integration.

TABLE 12

PERCENTAGE ESTIMATES OF MINORITY GROUP REPRESENTATION IN SOUTHEAST ASIAN POPULATIONS⁸

	RELIGIONS		ETHNIC GROUPS ^b	LANGUAGES	5	CHINESE ^C
BURMAd	Buddhist Animist Hindu Moslem Christian	84 5 4 2	Indians 4 (Karens, Shans, Chins, Kachins) total 5	Burmese	86	1.6
CAMBODIA	Buddhist	85	Khmer 87 Vietnamese 4	Khmer	85	5•5

54 Victor Purcell, "The Influence of Racial Minorities," in Philip Thayer, ed., Nationalism and Progress in Free Asia, (Baltimore, 1956), pp. 234-245.

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	RELIGIONS		ETHNIC GROUPSb		LANGUAGES	СНІ	NESE ^C
INDONESIA	Moslem 98 Christian 1 Buddhist .5	L	Ja v anese Sundanese Madurese Malays	45 14 7 8			26 .6
LAOS	Buddhist 66 Animist 30		Lower Lao Many small tribes				0.6
MALAYA	Moslem 50 Animist 40 Hindu 10	0	Malays Indians European	50 10 2			37.8
PHILIPPINES	Catholic 83 Aglipayan 8 Moslem 4	3				35 30 2	5•3
THAILAND	Buddhist 89 Moslem 4	9	Thai Malays	85 3			11.3
S. VIETNAM	Buddhist & Confucian 85 Christian 10	-	Vietnames Khmer Montagnar	3	Vietnamese	90	6.2

^aSources: Almond and Coleman, op. cit., p. 67; Worldmark Encyclopedia of Nations, (New York, 1960); Bichard Butwell, <u>op.</u> <u>cit.</u>; Philip Thayer, <u>op.</u> cit.; Encyclopaedia Britannica, (Chicago, 1958); Virginia Thompson and Richard Adloff, Minority Problems in Southeast Asia, (Stanford, 1955); G. William Skinner, "Overseas Chinese in Southeast Asia," Annals of the American Academy of Political and Social Science, 321(January 1959)136-147.

^bThis column excludes overseas Chinese, the percentages for which appear separately.

^CData on overseas Chinese is obtained from G. William Skinner, above.

^dMost Burmese religious, ethnic, and language figures are 1941 data projected to 1955. See Kyaw Thet, "Burma: The Political Integration of Linguistic and Religious Minority Groups," in Thayer, above, pp. 166-167.

Note: These minority group divisions often coincide. That is, an ethnic or racial minority may also appear as a religious or language group. For example, the Chinese in Indonesia differ from the Indonesians racially, ethnically, by religion, and by language. Thus, the categories are not mutually exclusive and total minority representation in populations cannot be ovtained by adding up the percentages in each category.

TABLE 12--Continued.

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Ethnic Groups

The single most important minority in the region comprises at least 10% of the total Southeast Asian population and is composed of alien Chinese. These Chinese, distinct from other Southeast Asians ethnically, linguistically, and in some cases by race and religion, have an importance within the region far greater than their numbers would indicate.55 They control most of the merchandising in Southeast Asia; they constitute a majority of the wholesalers and internal marketers; and, they are significant as regional traders.⁵⁶ Chinese also control much of the production of rubber, tin, and rice in several of these nations.⁵⁷ Their commercial positions are usually resented by indigenous populations and they continue to be the object of governmental policies designed to reduce their economic dominance.⁵⁸ Probably the greatest intra-regional social cohesion is between the Chinese in these nations. They do not. however, form a cohesive community even within a nation but are fragmented linguistically, by ancestral origin, and by political

55G. William Skinner, "Overseas Chinese in Southeast Asia," Annals of the American Academy of Political and Social Science, 321(January 1959)136-147.

56Justus M. Van Der Kroef, "Chinese in Southeast Asia," Current History, 33(December 1957)345.

57In Burma, Indian Chettyars enjoy an economic dominance similar to that of the Chinese in other nations. See: Virginia Thompson and Richard Adloff, Minority Problems in Southeast Asia, (Stanford, 1955), pp. 83-93.

⁵⁸New York Times, (11 December 1959); and (11 January 1960). G. William Skinner, Chinese Society in Thailand, (Ithaca, 1957), pp. 322-382.

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loyalties, national and international.⁵⁹ Nevertheless, because of their predominant economic influence in the region, Chinese good will or neutral acquiescence in the formation of an economic union would be desirable.⁶⁰ And at least one student of Southeast Asian affairs, citing Chinese avoidance of economic involvements in the past, does not expect them to favor any type of economic integration.⁶¹

Although the Chinese have not challenged the authority of national governments by force, being too divided amongst themselves, other minority groups by their adherence to political and religious values other and higher than those of the nation from time to time threaten internal security in Southeast Asian nations, particularly Burma and Indonesia. Many of these groups are separatist oriented, 62 but in nearly every case national governments have refused to recognize these desires for autonomy, maintaining that divisions among populations are artificial ones fostered by colonial administrations. 63

59Richard J. Coughlin, Double Identity: The Chinese in Modern Thailand, (Hong Kong, 1960), pp. 6-8. Also: Richard Butwell, Southeast Asia Today--And Tomorrow, (New York, 1961), p. 34.

⁶⁰For a discussion of the strategic importance of the Chinese in Southeast Asia, see: Robert S. Elegant, <u>The Dragon's</u> <u>Seed</u>, (New York, 1959), pp. 8-9 and throughout.

⁶¹Conversation of the author with American Universities Field Staff Representative Willard Hanna at Michigan State University, 11 November 1960. The situation differs in Malaya with regard to merger with Singapore. This merger would give the Chinese a political majority and is favored by Chinese in Singapore and in Malaya.

62Butwell, op. cit., pp. 23-24. 63Thompson and Adloff, op. cit., p. 281.

Burmese minorities include Karens, Kachins, Kayahs, Shans, and Arakanese. Agitation by the Christian Karens, the Kachins, the Kayahs, and the Shan(Thai) for separate states within the Burmese Union and special representation in the Chamber of Nationalities was ameliorated when their demands were granted.⁶⁴ The Arakanese have not yet been so favored and are still a threat to the national government.65 Arakanese separatism was fostered by colonialism, World War II, and geographical isolation; they have never been entirely complacent about membership in the Burmese Union and accuse the national government of neglecting their needs. But their movement is divided. The majority are Muslim and, along with a transient group of Indian Chittagonians, desire a merger with Pakistan; Buddhist Arakanese are pressing for autonomy or a separate state. The commercial minority of Indian Chettyars in Burma are not militant, but are anxious to retain their present positions in the national economy.

Indonesia is faced with a number of militant minorities in addition to the Chinese population. The most violent of these groups is the Darul Islams, a rebel group of orthodox Muslims controlling outlying areas of West Java and parts of Sumatra and Sulawesi.⁶⁶ This group wages continuous guerrilla

⁶⁴Kyaw Thet, "Burma: The Political Integration of Linguistic and Religious Minority Groups," pp. 156-168; and Htin Aung, "Commentary," p. 94, in Thayer, op. cit.; the Mons and the Chins are being assimilated in Burma and have lost their separatist aspirations.

⁶⁵The discussion of the Arakanese is taken from Thompson and Adloff, <u>op. cit.</u>, pp. 151-158.

⁶⁶ Kahin, op. cit., pp. 221-222.

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warfare against the central government and is pressing for an Islamic state of Indonesia. The movement gains its strength from anti-Dutch and anti-unitary state ideologies as well as from its radical Mohammedanism and the fear which its cruelties inspire.⁶⁷ It is expected that the Darul Islams would oppose Indonesia's economic or political association with non-Muslim nations.

The Christian Ambonese in the Indonesian Moluccas are another separatist group pressing for independence. Under the Dutch the Ambonese were accorded special treatment and upon Indonesia's independence became the objects of persecution in some areas.⁶⁸ Many fled to the Netherlands while others remained in the Moluccas and, with clandestine Dutch assistance, declared their independence in 1949, setting up the South Moluccas Republic.⁶⁹ This insurrection was qualled by the Indonesian army in 1952, but Ambonese still oppose contralized government, Islamic extremists, and any further deterioration of Indonesian-Dutch relations. The Ambonese probably would not oppose economic integration but, considering their lack of influence in the Indonesian government, their support would probably not facilitate the union much.

67_{Ibid}, p. 222.

68_{This} paragraph is taken largely from Thompson and Adloff, <u>op. cit.</u>, pp. 165-169.

69_{Ibid}, p. 166.

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Linguistic and Religious Groups

The need for a common language among integrating populations is difficult to substantiate. On the one hand, Karl Deutsch found that language differences did not constitute much of a barrier to integration.⁷⁰ On the other hand, Brian Harrison claims that a common language is one of the most important factors facilitating national integration⁷¹ and therefore regional integration, a claim which seems more valid in Southeast Asia where hundreds of languages are in daily use. Many of these nations have only recently adopted a national language and where these languages were not those of an indigenous group national loyalties have probably been strengthened.⁷² Where, however, the language of a single ethnic group was adopted as in the Philippines, Burma, and Malaya, assimilation of some minorities has been slowed. In any case, these newly adopted languages have not been assimilated by the large majority of citizens and even when understood, they are often not the media of spoken communication.73

It is difficult to compare language differences in Southeast Asia because linguistic group data are so sparse, but South Vietnam, Burma, Thailand, and Cambodia rank high in terms of persons speaking a single national language. Less

	70Karl Deutsch	, et al.,	Political	Community and	l the
North	Atlantic Area,	(Princeto	on, 1957),	pp. 38-44.	

71 Problems of Political Integration in Southeast Asia," in Thayer, op. cit., p. 143.

72Ibid, p. 143-144.

73Walter H. Mallory, "Aftermaths of Colonialism," in Thayer, op. cit., p. 61.

، المحمد الم المحمد homogeneity in spoken languages exists between populations of other Southeast Asian nations although elites in Malaya, Burma, and the Philippines communicate easily in English while Indonesia and Malaya have achieved rudimentary coordination between their national languages with the ultimate aim of fusing the two.⁷⁴

Religions, because they often transcend minority differences, are a unifying force in several Southeast Asian nations.⁷⁵ Buddhism is the state religion in Thailand, Cambodia, and Laos and may become that in Burma.⁷⁶ Islam shares the same favor in Indonesia and Malaya while in South Vietnam and the Philippines church-state separation is maintained. Ties exist among Muslims in Malaya and Indonesia, Hinayana Buddhists in Burma, Cambodia, Laos, and Thailand, and among Filipinos and the predominately Catholic South Vietnamese elite.⁷⁷ With the exception of the Darul Islams and Christians in Indonesia and the Moslems and Christians in Burma, religions have seldom been militant in any but anti-foreign pronouncements.⁷⁹ Amry Vandenbosch believes most Southeast Asians to be basically animists and ancestor worshippers, despite their professions of being Moslems, Buddhists, Hindus, or Christians.⁷⁹ But nevertheless, no

74Fifield notes this language cooperation between Indonesia and Malaya; op. cit., p. 156.

75Almond and Coleman, <u>op. cit.</u>, p. 78. 76Butwell, <u>op. cit.</u>, p. 73. 77Kahin, <u>op. cit.</u>, pp. 348-349. 78<u>Ibid</u>, pp. 188-189. 79<u>op. cit.</u>, p. 18.

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religion with strong commitments to tradition can be expected to countenance integration if it would decrease political and economic influence it now enjoys within a nation.

Fragmentation of Opinion

Ethnic, racial, language, and religious divisions fostered primarily by geographical barriers and perpetuated under Western colonialism have fragmented opinion in all of these nations.⁸⁰ These already existing divisions have been accentuated in many nations that attained independence before they were politically mature enough to govern and the result has been, in many cases, continuing civil strife.

Fragmentation of opinion also exists in Europe and actually facilitated the formation of ECSC. But fragmentation of opinion in Southeast Asia differs in two major ways from that in Europe. (1) Whereas in Europe, opinions are held lightly enough to permit consideration of and compromise with other views, Southeast Asian opinions result from uncompromising loyalties to exclusive ideologies that are often in conflict. (2) In Europe, although allegiance to "Europe" did not exist,⁸¹ pronounced loyalties to the national governments were professed in nearly all groups excluding the Communists. It is predisely this lack of national unity in some Southeast

⁸¹Ernst Haas, <u>The Uniting of Europe</u>, (Stanford, 1958), p. 20.

⁸⁰Almond and Coleman, op. cit., p. 149. Francis G. Carnell, "Southeast Asia and the Modern World," <u>India Quarterly</u>, 13(April-June 1957)107. Charles A. Fisher, "The Concept of South East Asia," <u>Eastern World</u>, 17(March 1953)12-14.

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Asian nations that leads dissenting groups to advocate insurrection against governments making decisions inmical to the groups' interests.

But Haas found in his study that marginal groups tended to support ECSC, probably because they expected treatment more favorable to their interests under the supranational body than presently found under national governments.⁸² He also found that integration need not rest on identical aims of all participants; it need only offer advantages, however different, to these groups.⁸³ This observation is probably more applicable to Westernized groups committed to modernization than it would be to traditional groups in Southeast Asia, although the Chinese and possibly the Christianized minorities might support integration in hopes of acquiring protection and economic betterment under a supranational body. In general, minority groups, with the exception of the Darul Islams, no doubt represent more of an indirect threat to economic union by their effects upon internal security in these nations than they do by direct opposition to its formation.

SUMMARY OF FINDINGS

The Southeast Asian nations that best satisfy the criteria for economic integration are presumed to be, among other things, those that are highest in development and exhibit the least range of variation on the indices just examined. Nations fulfilling these pre-conditions can be determined by ranking

⁸²Ibid, pp. 294 and 300. ⁸³Ibid, p. xiii.

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TABLE 13

SUMMARY OF SOUTHEAST ASIAN NATIONS MORE SIMILAR ON ECONOMIC

DEVELOPMENT INDICES THAN EITHER ECSC OR LAFTA MEMBERS

BASIC SOCIAL CONDITIONS

Population	Population in	Population	Children 5-14 in
Urbanized	Agriculture	Literate	Primary Schools
Malaya Philippines Indonesia	Philippines Malaya Burma Thailand Vietnam Cambodia Laos Indonesia	Philippines Burma Malaya Cambodia	Philippines Thailand Malaya Indonesia

ECONOMIC PROSPERITY

Per Capita Incomes	Costs of Living	Economic-Population Growth
Malaya Philippines Thailand Indonesia Vietnam Burma Cambodia	Malaya Burma Philippines Thailand Vietnam Cambodia Laos Indonesia	Cambodia ¹ Thailand Indonesia Philippines Burma

TRADE AND INDUSTRIALIZATION

Primary	Regional	Indus trial	Custons Taxes
Export	Trading	Origin of GNP	
Cambodia Philippines Indonesia Thailand Malaya Laos Vietnam Burma	Thailand Malaya Indonesia Cambodia Burma Vietnam inas Philippines Laos ²	Philippines Thailand Malaya3 Burma Cambodia1 Indonesia	Philippines Burma Thailand Malaya Indonesia

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COMMUNICATIONS

International Mail	Telephones	Newspaper Copies
Malaya Vietnam	Malaya Philippines Thailand Indonesia Vietnam	Vietnam Philippines Malaya Indonesia Burma Thailand

TRANSPORTATION

Railroad Density	Civil Aviation	Motor Vehicles
Malaya	Malaya	Malaya
Philippines	Philippines	Philippines
Thailand	Thailand	Thailand
Vietnam	Vietnam	Vietnam
Burma	Burma	Laos
Cambodia	Cambodia	
Indonesia	Indonesia	

Note: The ranges of these nations on each index are in every case except where noted below the range of variation of ECSC or LAFTA, whichever is the higher.

¹Cambodia's rankings on these indices, although based on earlier United Nations data, do not coincide with recent ECAFE evaluations. "The growth in Cambodia's gross domestic product at constant factor cost comes to 13 per cent between 1954 and 1959, when the series stops. Population probably increased at a faster rate." See: Economic Survey for Asia and the Far East, 1961, (Bangkok, 1962), pp. 99-109. Quote from p. 100.

²Laos did a higher percentage of trading within the region than this ranking illustrates, but the monetary value of these exchanges was negligible so the nation's ranking on this index was lowered.

³Malaya's ranking on this index has been determined from other indices of industrialization.

them according to the number of times they appear in groups more homogeneous than either ECSC or LAFTA. This tabulation indicates that the Philippines, Thailand, and Malaya appear in •

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the most groups, are nearly equal in the number of times they appear, and are highest in development on most indices; Burma and Indonesia rank below them, but are decidedly above South Vietnam, Cambodia, and Laos in the degree to which they satisfy pre-conditions for integration.

This method of selecting nations possessing desirable pre-conditions overlooks important variations in the extent to which these factors facilitate integration. These indices are also interdependent and must be considered in relation to others in Chapter III and the following chapter. Thus, an attempt to evaluate and weigh variables discussed in Chapter IV without reference to other pre-conditions not yet discussed would be premature and might distort their importance in the overall analysis. So additional factors affecting integrative tendencies within the region will be considered and the findings in Chapter IV will be qualified as part of an overall conclusion in Chapter VI.

CHAPTER V

THE INFLUENCE OF POLITICAL FACTORS UPON INTEGRATIVE TENDENCIES IN SOUTHEAST ASIA

Pre-conditions examined in Chapter IV are those usually considered as economic, but political factors need also be treated in a discussion of economic integration; "economic unity and political unity, though they may be separately discussed, are nonetheless two sides of the same coin."¹ And despite satisfactory development in other pre-conditions, some Southeast Asian nations may lack the mutuality of political interests necessary to integration.

This chapter examines the pre-conditions primarily concerned with internal and foreign political institutions and processes. Because of the primacy of political factors in any decision to integrate economies, these conditions are probably more crucial than any of those discussed earlier, with the possible exception of regional and international contacts. The following pre-conditions were chosen by the author for

LHans Nord, "In Search of a Political Framework for an Integrated Europe," in C. Grove Haines, ed., European Integration, (Baltimore, 1957), p. 225. Van Kleffens, in the same work, argues that the real problems of integration are political rather than economic; see pp. 80-96. And in ECSC, political objectives, not economic ones, seemed to be dominant. See: John Goormatigh, "European Coal and Steel Community," International Conciliation, 503 (May 1955) 344-346.

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their overall relevance in Southeast Asia, but no well-rounded discussion of politics in these nations is intended.

SIMILARITIES AMONG TOP GOVERNMENTAL LEADERS, POLITICAL INSTITUTIONS, AND POLITICAL PROGRAMS

Backgrounds of Top Governmental Leaders

The backgrounds of Southeast Asian governmental leaders are not so similar as those of ECSC leaders, but Southeast Asian leaders do share some interests(see Table 14). Southeast Asian leaders generally (1) are of the same generation, (2) spent part of their lives under a colonial administration, (3) represent the newly urbanized politically active segment of the populations and, (4) have received a Western-type university education.² But they also represent three major religions, several religious sects, and vary in religiosity from the messianic to atheistic.³ Governmental or political experience ranges from that of royal families educated to govern to President Macapagal of the Philippines, almost a novice at public officeholding. And ideological commitments vary from democratic socialists and liberals to authoritarians and enlightened despots.

²Gabriel A. Almond and James S. Coleman, ed., <u>The Poli-</u> tics of the Developing Areas, (Princeton, 1960), p. 127. <u>Rupert Emerson</u>, "Paradoxes of Asian Nationalism," Far Eastern Quarterly, 13(February 1954)136.

Former Prime Minister U Nu of Burma has actively promoted a Buddhist revival in that nation and is looked upon as a "present-day political and religious messiah." See: Richard Butwell, Southeast Asia Today--And Tomorrow, (New York, 1961), pp. 11 and 13.

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	BAC	KGRC	BACKGROUNDS OF SO	UTHEAST AS:	IAN GOVERNME	SOUTHEAST ASIAN GOVERNMENTAL LEADERS ^B	13 8	- 3
	POST	AGE	EDUCATION	RELIGION	PREVIOUS GOVT ¹ L EXPERIENCE	WAR EXPERIENCE	MARITAL STATUS	POLITICAL PARTY
BURMA								
U Nu	Prime Minister	51	Rangoon U. BA & Law	D ev ou t Buddh1st	Congress, Ministry	Ministry Under	Married 4 Child	AFPFL (clean)
Ne win	(Iormer) Army General	53	Rangoon U. BS in Agr.		1943- Ministry 1949-	Japanese In Japan & led		Iaction
Sao Hkun Hk10	(LOW FR) Foreign Minister	50	Cambridge BA & MA	Buddh1s t	Various Posta 1947-	resiscors Probably in Britain	Married 4 Child	AFPFL (clean) faction
CAMBODIA	 		, 1 1 1 1 1	1 1 1 1	 	1 		
Prince Sihanouk Prime Minis	Prime Minister	40	Salgon U. & Paris	D ev ou t Buddh1st	King, 1941–1955	Cooper- ated with	Marr1ed	Social Community
Thep Phan	Foreign Minister				- ССКТ МЧ	agpanese		rarcy
INDONESIA	 		" 	 	 			
Soekarno	President	61	g In-	Moslem	Politician 1926-	Reluctant work with	Married 4 times	Formerly in PNI
Abdul Nasution	Army General	1 11	eering Bandung Military		Fres 1945- Military Career	Japanese Led youth under		Formerly in IPKI
Dr. Subandrio	Foreign Minister	64	Acauany Medical College 1n Djakarta		Politician Since 1945	Physician Physician	Married 1 Child	

TABLE 14

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	POST	AGE	EDUCATION	RELIGION	PREVIOUS GOVT'L EXPERIENCE	WAR EXPERIENCE	MARITAL STATUS	POLITICAL PARTY
<u>LAOS</u> Savang Vatthana King	King	55		Buddh1st	Various Posts 1930	In Laos		
Souvanna Phouma		60	Science Paris Engineer		King 1954- PM, etc., after 1950			National Progressive
Khamphan Panya	Minister Foreign Minister				Ambassador & Ministry, 1945-			Party Com. for Defense of Nat'l Int.
MALAYA)) () 1	1	 	1 	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1 1 1 1	• • • •	
Abdul Rahman	Prime Minister	60	Cambridge Moslem BA & Law	Moslem	Frince & Various	Served Under	Married 3 times	UMNO & Alliance
Rahman, Dato Ismail	Foreign Minister	4	Melbourne U. Medical Degree	Moslem	Posts 1930-Japanese Various Private Posts & Practice Minister 1955	0-Japanese Private Practice 1955	5 Child	
	 	 	- 	1 1 1	1 1 1 1 1 1 1	1 	; 1 1 1 1	
D. Macapagal	President	5	PhD, Law & Economics	Cathollc	C1V11 SV0 1948-, UN	Law Prof. anti-Japan	Married 2 times	Liberal
Emmanuel Pelaez	Vice Pres.& Foreign Minister	ઝુ			& CODGTGES	agent		11

TABLE 14--Continued.



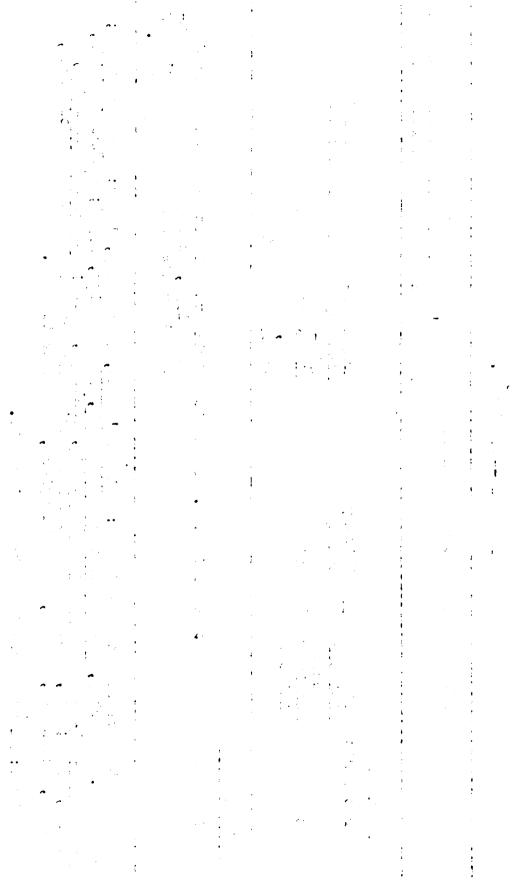
	POST	AGE	AGE EDUCATION	RELIGION	PREVIOUS GOVT ¹ L EXPERIENCE	WAR EXPERIENCE MARITAL POLITICAL STATUS PARTY	MARITAL STATUS	POLITICAL PARTY
THAILAND								
Thanarat Sarlt	Prime Minister	53	53 Military Academy		Army 1929- Army Ministry Comm	Army Commander	Married 2 times	
Thanat Khoman	« deneral Foreign Minister	748	48 Paris Law		1947- C1v11 Svc 1946, UN to 1959	Probably in Paris		
SOUTH VIETNAM	 	 	 	- 1 1 1 1 1	! ! ! !	1 	 	
Ngo Dinh Di em	P re gi de út	62	62 Saigon.U.	Cathol1c	Civil Sve In until 1933, Du then inactive	active ring War	Bachelor	Bachelor National Revolu- tionary Movt.

TABLE 14--Continued.

Note: Blank spaces indicate missing data.

Cambodia, Indonesia, Malaya, the Philippines, and South Vietnam.

^BData have been compiled from: Asia Who's Who, (Hong Kong, 1960); New York Times; Leonard S. Kenworthy, Leaders of the New Nations, (Garden City, 1959); Robert Van Niel, The Emergence of the Modern Indonesian Elite, (Chicago, 1960); Statesman's Yearbook, (London, 1960); and, material from the Information Services of the Embassies of Burma,



A broadening of the political elite in Southeast Asia is taking place on the secondary level because of education. modernization, expansion of governmental tasks, and deepening of the politically active segment of the populations. Counter elites are growing within ethnic or cultural groups, the younger generations. and the mass organization leaders. Politics in these nations. however. is still controlled by a small number of persons who usually manage to manipulate the various political forces to their advantage.⁴ In fact. authoritarian tendencies seem to be increasing as leaders attempt to perpetuate themselves and simulate political stability by postponing elections or tampering with election returns.⁵ Since World War II military coups d' etat have been attempted in every nation except Cambodia⁶ and the Philippines: coups were successful in Burma (1958 and 1962) and Thailand (1948 and 1958). Burma's Ne Win has intervened and formed a caretaker government for the second time in four years; Thailand's General Sarit has continued to guide that nation for four years. Soekarno's guided democracy in Indonesia has, for all practical purposes, transferred executive and legislative powers to the presidency while Diem's tight centralized control of South Vietnam approaches "nepotic despotism:"7 and. Prince

⁴George McT. Kahin, <u>Governments and Politics of Southeast</u> <u>Asia</u>, (Ithaca, 1959), pp. 36, 100, 211, and 364.

⁵John F. Cady, "Evolving Political Institutions in Southeast Asia," in Philip Thayer, ed., Nationalism and Progress in Free Asia, (Baltimore, 1956), pp. 121 and 124-125.

⁶There was an externally inspired revolt in Cambodia during 1958 that drew support from several Cambodian military and civilian leaders. It was easily quelled.

Butwell, op.cit., p. 77. Almond and Coleman, op.cit., p.123.

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Sihanouk manages the affairs of Cambodia whether in or out of office.⁸ Only in the Philippines have leaders responsible for independence moved out of office in response to the wishes of an electorate.

The efficacy of participating in an economic union or other forms of regional cooperation evokes contrary opinions among Southeast Asian leaders. Top leaders in Malaya, the Philippines, and Thailand are staunch supporters of the proposed Association of Southeast Asian States and President Diem has shown some interest in joining it.⁹ But Soekarno is clearly opposed to the Association and Prince Sihanouk as well as the Burmese remain cool toward it.¹⁰ Even among those committed to some type of regional economic cooperation, competition for leadership is keen. Various proposals are advanced from time to time but response is more often in the form of counter-proposals than in real agreement among these leaders.

A hopeful note in the face of these diverse backgrounds) and ambitions is that ECSC promised a host of different advantages for the various groups and governments in Europe.¹¹ It was recognized that ECSC would:

. . . relieve these men of difficult decisions while they are in office and perhaps help to keep them in office. It will provide them with a joint source of prestige and 4

⁸Willard A. Hanna, "The State of the States of Indochina," American Universities Field Staff Report, 8(1960), No. 1, Part I, p. 6. ⁹Butwell, <u>op. cit.</u>, pp. 113 and 162. <u>10Ibid. And: New York Times</u>, (26 January 1960). <u>11Ernst B. Haas, The Uniting of Europe</u>, (Stanford, 1958), P. X111.

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patronage so long as they stick together, and strengthen them against their opponents of the right and left... This group of leaders recognized in the project an instrument for prolonging the political advantages that time and circumstances had played into their hands.12

Similar reasoning by Southeast Asian leaders could promote broader agreement upon integration and lead to the settlement of explosive issues on which decisions have been postponed or evaded so governments could remain in power.

Institutional Structures

The similarity and stability of governmental institutions in Southeast Asia does not approach that found among ECSC or even among LAFTA members. In Southeast Asia these institutions are often bypassed in the political process. And, as Lucian Pye notes, ". . . it is still hard to discern even the outlines of the political and social systems that are evolving."13

Constitutions do not command respect nor circumscribe governmental activity in Southeast Asia as they do in most of Europe. These documents more often express future hopes and desires of these incipient nations than present-day realities by which they are governed. Fairly frequent alterations of constitutional forms and abrogation of constitutional rights attest to the political instability of these nations. Thailand has operated under four constitutions since World War II and

¹²Horst Mendershausen, "First Tests of the Schuman Plan," <u>Review of Economics and Statistics</u>, 35(November 1953)270, as <u>quoted in Haas, op.cit., p. 154.</u> A similar statement was made by the former President of Ecuador, Galo Plaza. See his: "For a Regional Market in Latin America," Foreign Affairs, 37(July 1959)610.

¹³Almond and Coleman, <u>op. cit.</u>, p. 66.

the last one was suspended in 1958.¹⁴ Indonesia adopted constitutions in 1945, 1949, and 1950; a Constituent Assembly preparing a new constitution was dismissed in 1959;¹⁵ and the nation is nominally governed under the 1945 document today.

Classification of these nations into presidential, parliamentary, or monarchical governments disguises the many differences between these systems. Diem's presidential powers are unchecked by other branches of government. Soekarno's appropriation of powers to the Presidency has altered the Indonesian government in fact, if not in form. And the constitutional monarchies of Thailand, Laos, and Cambodia differ as much from each other as from other Southeast Asian governments.

Legislatures in Southeast Asia are neither equally representative nor equally effective in the policy-making process. In some of these nations legislatures represent no more than the ruling faction and for the most part only put the stamp of approval on decisions already arrived at by the dominant leaders in the governing party.¹⁶ The Philippines has the only functioning legislature containing a large opposition, but the President's executive powers still enable major government programs to be adopted regardless of legislative approval.¹⁷ It is quite probable that, because of

14Kahin, <u>op. cit.</u>, p. 44. 15Butwell, <u>op. cit.</u>, pp. 147-149. 16_{Almond} and Coleman, <u>op. cit.</u>, p. 142. 17Kahin, op. cit., pp. 464-465.

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executive dominance and frequent circumvention of governmental institutions, negotiation of an economic union would not be appreciably hampered by constitutional restrictions upon governmental decision-making.

Political Parties

Political parties in Southeast Asia are at least as complex as those in Latin America.¹⁸ Parties are governmentsponsored in Cambodia, Laos, and South Vietnam; in other nations many parties are no more than personal followings of revolutionary leaders; and throughout the region these parties are, as is Burma's National Unity Front(NUF), ". . . leaderdominated with no voice from below.¹⁹ Only in Malaya, Burma, and the Philippines have parties formed governments and been responsible for governing over a period of time. Malaya and the Philippines remain relatively democratic and Burma is a sometime democracy, but Indonesia, Thailand, and South Vietnam ". . . cannot be regarded as democracies by any criteria.²⁰ And Cambodia and Laos are still oligarchies governed by competing royal factions.

In ECSC multiparty systems predominate and result in coalition governments where parties must compromise to reach agreement on political issues. And in Southeast Asia, while in every nation except the Philippines and Indonesia, parties

26For the diversity of Latin American political parties, see: Russell H. Fitzgibbon, "The Party Potpourri in Latin America," <u>Western Political Quarterly</u>, 19(March 1957)3-22.

¹⁹Kahin, op. cit., p. 117.

20Butwell, op. cit., p. 44.

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responsible for national independence have no major rivals,²¹ multipartyism is also common. This multipartyism derives from the newness of the political systems, geographic configurations encouraging fragmentation, and the exclusive political orientations of ethnic and communal groups. The Philippines superficially has a two party system, but alignments are fluid among major and minor parties; Philippine party strengths are a reflection of a leader's ability to command a following rather than belief in a specific philosophy.²² Indonesia has four major parties and a fifth(Socialist) with only a small following, but possessing excellent leaders.²³ Because of the atrophy of electoral processes there, however, these parties function more as interest groups than as electoral machines. In the event that elections are held, control of the government by the Masjumi party is possible and their reliance upon support from the Nahdatul Ulama party and the Darul Islams could presage the creation of an Islamic state.²⁴ Cambodia tried a multiparty system during 1954-1955, but this experiment was abandoned after Sihanouk formed the Social Community Party which captured all

22Almond and Coleman, op. cit., p. 129.
23Ibid, p. 111.

²⁴In 1958 a Masjumi leader and his followers were joined by some Darul Islams and set up a "Revolutionary Government of the Republic of Indonesia" in Central Sumatra. Although the government was crushed by the Indonesian army, the movement still continues in some areas.

²¹Richard L. Park, "Problems of Political Development," in Thayer, op. cit., pp. 103-104. Although his statement does not include the Philippines, it is clear that personnel and party changes in the government since 1956 warrant its inclusion.

Assembly seats in the 1955 and 1958 elections.²⁵ Malaya's Alliance precariously combines three ethnic based factions dominated by the United Malays National Organization(UMNO), and Burma's AFPFL: is a loose confederation of several parties, ethnic associations, and professional organizations of diverse ideologies.²⁶

Parties in Southeast Asia often attempt to provide a complete way of life for their adherents and this is particularly true where organization is on an ethnic, racial, or communal basis.²⁷ The overaddiction to ideology, theory, and idealism that characterizes these parties causes them to overlook practical politics and makes compromise difficult, if not impossible.

Ideologies of governing parties in these nations range from the right-wing authoritarian groupings in Thailand to the avowedly socialist Burmese AFPFL, but all major parties are opposed to unmodified laissez-faire capitalism. Only governing parties in the Philippines, Thailand, Malaya, and South Vietnam are committed to a free enterprise approach²⁸ and even these parties accept a great deal of national

²⁵Butwell, op. cit., p. 41.

²⁶Kahin, <u>op. cit.</u>, pp. 94 and 280.

27 Almond and Coleman, op. cit., p. 110.

²⁶Butwell, <u>op. cit.</u>, p. 73. His characterization of the South Vietnamese economic system as free enterprise is somewhat of a misnomer because the government controls at least 51% of the stocks in all major industries. With this reservation in mind, however, his term will be used throughout this paper to describe the South Vietnam system because competition is allowed and there is no governmental sentiment for socialism.

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2 . . . planning, welfare services, and restrictions on business for economic stability and development reasons.²⁹ The UMNO in Malaya is willing to accept some international control over the economy³⁰ as are both the Nacionalista and Liberal parties in the Philippines and the National Revolutionary Movement in South Vietnam; Burma's difficulties in marketing export products might even dispose AFPFL leaders toward more economic cooperation. Socialist parties in Southeast Asia have been less doctrinaire and have shown more international unity than those in Europe.³¹ So it is possible that the socialists may approve integration of the right kind, but an economic union initiated among all nations of the region would require substantial attention to socialist demands to be successful.

Only the Communist parties in the region are well organized on the local level³² and these parties probably embrace the closest ideological ties common to every nation in the region, though in electoral strength they are not significant except in Indonesia where the PKI polled 22% of the vote in 1955 and in a free election could controllall of Java.³³ And the Communists themselves are not unified within the region but split between loyalties to the Soviet

29Russell H. Fifield, The Diplomacy of Southeast Asia: 1945-1958, (New York, 1958), p. 120. 30T. Silcock, The Commonwealth Economy in South-East Asia, (Durham, 1959), p. 173. 31Frank N. Trager, et al., Marxism in Southeast Asia, (Stanford, 1959), pp. 298-299. 2Almond and Coleman, <u>op. cit.</u>, p. 115. 33New York Times, (4 September 1960).

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Union or China.³⁴ Communist parties are outlawed in Malaya, Burma, and the Philippines and barely tolerated in Cambodia;³⁵ the PKI was banned in Indonesia's South Sumatra, Sulawesi, and Kalimantan for incompatibility with guided democracy.³⁶ Only in the Philippines, Thailand, and South Vietnam is Communism considered as an international conspiracy so anti-Communism has not been a basis for unity within the region.

The Communist position regarding the formation of ECSC was uniformly national in every member nation and has continued to be so since.³⁷ In Southeast Asia, one could expect the same attitude to prevail because: (1) Communists have continually attempted to frustrate internal development of these nations and the region as a whole, and (2) they have been attempting to link the nascent Association of Southeast Asian States to SEATO.³⁸

Within the region Communist activity is pursued not only through political parties but also by subversion,

Divergences in Soviet and Chinese policies in underdeveloped nations are discussed in: Thomas P. Thornton, "Peking, Moscow, and the Underdeveloped Areas," World Politics, 13(July 1961), pp. 491-504. These conflicting loyalties In Indonesia are related in: Guy J. Paukér, "The Soviet Challenge in Indonesia," Foreign Affairs, 40(July 1962)612-626. He notes that Soekarno's Nationalists and the Communists have grown very close under guided democracy.

35_{New York Times, (4 September 1960).}

36Ibid.

27 Haas, Uniting, p. 114. John Goormatigh," European Coal and Steel Community," International Conciliation, 503 (May 1955)351-352.

38Vu Quoc Thuc, "Economic Development in Southeast Asian Countries," Asian Culture, 2(January-March 1960)10. New York Times, (26 June 1960).

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internally and externally inspired. South Vietnam and Laos have been caught in the throes of externally inspired Communist activity since their independence in 1954. This situation has deteriorated since 1957. and with increasing rapidity since 1959.39 Communist guerrillas operate throughout rural South Vietnam and the government controls many areas outside the capital only by day.⁴⁰ In Laos. effective government is non-existent, the army is ineffective, and the people are apathetic in the face of Communist victories that have now claimed approximately half of the national territory.⁴¹ The lack of a functioning Laotian government and the impossibility of determining the character of a new one seem to preclude this nation from membership in a union at present because other nations are extremely reluctant to engage in long-term agreements during a period of political turmoil. South Vietnam's government still functions and is considering membership in ASAS, but its value as a union member is diminished by continuing internal security and economic stagnation.

Parties which, judging by their ideological orientation, leaders' pronouncements, and support for the ASAS, probably

3%Butwell, op. cit., pp. 99-100. %New York Times, (22 April 1962).

⁴¹Averell Harriman, "What We Are Doing in Southeast Asia," <u>New York Times</u>, (27 May 1962), p. 7 and continued. At the time this paper is being prepared fighting in Laos has ended, foreign troops have withdrawn, and a new government is being formed. This government is a neutral coalition and would probably forego membership in any economic union that did not include neutrals as well as Western-oriented members.

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TABLE 15

CHARACTERISTICS OF POLITICAL INSTITUTIONS AND GOVERNING

		ويتؤرج فالمتحد		
	TYPE OF GOVERNMENT	NO. OF MAJOR PARTIES	GOVERNING PARTY	CHARACTER OF POLITICAL PROGRAM ²
BURMA	Parliamentary Republic3	2	(Under Military Control)	Socialist
CAMBODIA	Constitutional Monarchy	1	Social Community Party	Socialist
INDONESIA	Parliamentary Republic3	4	Appointed Coalition Council ⁴	Socialist
LAOS	Constitutional Monarchy	3	(In Process of Change)	No Commitment
MALAYA	Parliamentary Republic	1	Alliance (UMNO MCA, MIC)	Free Enterprise ⁵
PHILIPPINES	Presidential Republic	2	Liberal	Free Enterprise ⁵
THAILAND.	Constitutional Monarchy3	0	(Under Military Control) ⁴	Free Enterprise ⁵
S. VIETNAM	Presidential Republic	1	National Revolutionary Movement ⁴	Free Enterprise ⁵

PARTIES IN SOUTHEAST ASIAN NATIONS¹

¹Sources: Gabriel A. Almond and James S. Coleman, The Politics of the Developing Areas, (Princeton, 1960); George MCT. Kahin, Governments and Politics of Southeast Asia, (Ithaca, 1959); Hichard A. Butwell, Southeast Asia Today-And Tomorrow, (New York, 1961); Russell H. Fifield, The Diplomacy of Southeast Asia: 1945-1958, (New York, 1958); Statesman's Yearbook, (London, 1961).

²These characteristics are taken from: Butwell, above, pp. 83-92.

³Constitution temporarily suspended. In Indonesia, President Soekarno, rather than the Prime Minister, wields the decision-making power. He does so, however, because of his adroitness in maintaining a balance among competing parties and interest groups. See: Butwell, above, p. 77.

⁴In these nations, government decision-making is dominated by the Chief Executive.

⁵In all of these nations, some state ownership and control of industry as well as some state planning are accepted.

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would support integration include the Nacionalistas and Liberals of the Philippines, the UMNO faction of Malaya's Alliance, Diem's NEM, and Thailand's personalistic groupings. Those clearly opposed include the Communists, Soekarno's Nationalist party and the Islamic parties in Indonesia, and at least some elements of the Burmese AFPFL. Other parties that might oppose integration include the Malayan Chinese and Indian Congresses, Burma's NUF, and Sihanouk's Social Community Party.

Interest Groups

Major interests influencing Southeast Asian politics are overwhelmingly urban and articulated primarily by traditional groups, military and labor organizations, business and industry, and administrative bureaucracies. Traditional interests are mainly those of the ethnic, racial, linguistic, and religious groups already discussed. Though not usually the dominant interests in these nations, traditional interests necessarily influence decision-making, even where the policy-making process is normally dominated by a single interest group.

Military organizations, responsible for winning independence in all but Thailand, Malaya, and the Philippines, have assumed the role of guardians of the national interest.⁴² Armies are capable of intervening in politics when policy takes an undesirable turn and have done so in Thailand,

⁴²Harry J. Benda, "Southeast Asia," in Vera Micheles Dean, The Nature of the Non-Western World, (New York, 1957), p. 152.

Burma, Indonesia, and South Vietnam.⁴³ Military leaders have governed Thailand for 20 years and today "the army dominates all phases of national life . . . , "⁴⁴ though with some consideration of other interests, primarily business and bureaucracy. Thai leaders are promoting economic development and social progress⁴⁵ and they have not been averse to international or regional cooperation. Thailand has joined associations and organizations for security and prestige purposes and is a member of the ASAS.

The Burmese army became entrenched in the union's politics and economics during the 18 month reign ending in 1960.⁴⁶ The 1962 coup d' etat returned Ne Win to power and promises to deepen military involvement in national affairs. The latest coup came to forestall control of the government by extreme left-wing AFPFL members and to prevent adoption of a federalist government.⁴⁷ Army interventions in both of these nations have come to prevent "a swing to the left" and the military regimes have been receptive to economic

⁴3Butwell says armies are "the single most important organized groups in Thailand, Burma, Indonesia, and South Vietnam."; op. cit., p. 69. The Philippines army failed in a strike directed at influencing politics in that nation during 1956. See Kahin, op. cit., p. 458.

44Butwell, op. cit., p. 103.

"Frank C. Darling, "Modern Politics in Thailand," The Review of Politics, 24(April 1962)174.

Horne army even operates businesses in Burma. See: Butwell, op. cit., p. 103.

47New York Times, (3 March 1962); and, (4 March 1962).

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cooperation in the past.⁴⁸ But the accompanying nationalism of these military establishments might preclude delegation of national policy-making powers to a supranational body. The Indonesian army is not a monolithic organization and some elements have been influential in Soekarno's national council⁴⁹ while others have supported regionalists in the outer islands. In South Vietnam the army, along with the administration, is the strongest government supporter.

Labor has a large potential for influence in all of Southeast Asia and in several of these nations trade unions are already more highly developed than the industrialized sectors of these economies.⁵⁰ The Indonesian labor movement, though split between socialist and Communist unions, has successfully pressured the government and employers into granting many of its demands.⁵¹ Militant activity by Indonesian trade unions forced wages higher than some employers can afford to pay and prompted social welfare legislation more extensive than the government can support.⁵² In Thailand and South Vietnam, labor unions are new and ineffective while in Malaya they have so far avoided politics.⁵³ The Philippine labor movement resembles that of the United States

48Thailand has been more receptive to cooperation than Burma and observers anticipate no change in Burma's neutralist policy. New York Times, (3 March 1962).
49Butwell, op.cit., pp. 48-50. Kahin, op.cit., p. 205.
50Almond and Coleman, op. cit., p. 132.
51Trager, op. cit., pp. 230-231.
52Kahin, op. cit., p. 216.
53Ibid, pp. 36 and 276.

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and votes are controlled by political parties rather than by trade unions.⁵⁴ And unions in all of these nations are often the agents of ethnic, nationalist, or Communist groups⁵⁵ that encourage demonstrations and protest activity for political more than for interests related solely to labor's needs. But as labor demands become differentiated from those of the current controlling interests, the labor union movement(except for Communist unions) will probably support economic integration as they did in ECSC⁵⁶ if the issue is presented in terms of the advantages laborers stand to gain. And the growing labor union strengths would, if an economic union were initiated, probably force already over-inflated wage levels up to the highest level existing in the region.

Business groups and administrative bureaucracies exert varying influences upon Southeast Asian governments. Although both make essentially middle class demands, these demands are not identical in content or intensity within the region. Organized business groups are influential only in the Philippines and Malaya⁵⁷ and are hampered throughout the region because: (1) the business sectors of these economies are relatively small, (2) interests of large and small businessmen diverge, (3) some demands which, in other nations, would be made by business groups are contained within the

54<u>Ibid</u>, p. 351.
55Almond and Coleman, <u>op. cit.</u>, p. 116.
56Haas, <u>Uniting</u>, p. 239.
57Butwell, <u>op. cit.</u>, pp. 68-69.

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nationalized sectors of these nations' economies and, (4) business interests are divided between demands of indigenous businessmen and those of aliens--Chinese, Europeans, and Americans. The preponderance of conservative, alien-controlled small businesses over large industrial and business firms operates to hinder mobilization of business support for economic integration. Government planning and subsidization of nationalized and other strategic enterprises might also hamper regional economic integration.

Administrations are consolidating newly won independence in Southeast Asia and have successfully realized many of their demands upon government. Administrators make up a major portion of the educated populations in these nations; they are the most politically active groups and highly nationalistic in seeking to maintain their vested interests in the existing governmental structures. Soekarno has found it difficult to ignore pressures by Indonesian veterans now in administrative positions; conflicting objectives of central and regional administrators have also plagued this nation.⁵⁸ Burmese administrators have continually thwarted political leaders there. And the U Nu government could never quite cope with the bureaucrats⁵⁹ who were in part responsible for army interventions. Administrators in South Vietnam are

⁵⁸Conflicts between interests of central and regional administrators are discussed in: J.D. Legge, "Experiment in Local Government," <u>Australian Outlook</u>, 13(December 1959) 272-284.

⁵⁹Geoffrey Fairbain, "Aspects of Burma and Thailand," Australian Outlook, 12(September 1958), pp. 3-10.

na en la substance de la subst ● la substance de la substance d ● la substance de la substance d largely responsible for the electoral support enjoyed by the Diem regime.⁶⁰ Only in the Philippines have administrator's interests been subordinated to others and to those of the nation as perceived by politicians.⁶¹

SIMILAR HISTORICAL BACKGROUNDS AND AMICABLE CONTEMPORARY RELATIONS

In Europe, historical backgrounds and cultures have been diffused for so many years that they are mutually understood, if not shared, by the region as a whole. In Latin America, too, nations have similar cultural, legal, and political heritages bequeathed by the Spanish or, in Brazil, Portuguese conquerors. Such is not the case in Southeast Asia. Diverse historical traditions abound and contemporary relations between several nations are seriously strained, though Europe and Latin America are not without their differences in contemporary relations.

Historical Backgrounds

Pre-colonial Southeast Asia was fragmented racially, religiously, and politically and these divisions still govern relationships to varying degrees among the various populations. Burmese are of Indian stock and are still inspired from that direction; Malayans predominate in Malaya(excluding Singapore), Indonesia, and the Philippines

⁶⁰ Robert Scigliano, "The Electoral Process in South Vietnam: Politics in an Underdeveloped State," Midwest Journal of Political Science, 4(May 1960)144-161.

⁶¹⁰nofre D. Corpuz, The Bureaucracy in the Philippines, (Manila, 1957), p. 247.

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while populations in South Vietnam, Laos, and Thailand are of Chinese descent.⁶² Yet Burma, Malaya, and Indonesia have legacies of Indian culture while the remaining mainland nations were influenced greatly by China.⁶³ The Philippines shares fewer cultural legacies common to either group. Although racial problems in Southeast Asia are few,⁶⁴ ethnic and religious differences give rise to similar problems. Traditional animosities existed primarily between Burma, Thailand, Cambodia, and South Vietnam.⁶⁵ With the exception of Thai-Burmese relations, these animosities have persisted down to the present.

Legacies of colonialism have been deposited in the region by British, French, Dutch, Americans, and Spanish. As Lucian Pue notes, these colonial impacts affected territories by direct and indirect rule to varying degrees and for varying lengths of time.⁶⁶ And the emphases of these colonial administrations also varied. The British emphasized law and order government and laissez-faire economies; the Dutch were paternalistic in their indirect rule and developed

62The Khmers in Cambodia may also have come from India. See: "Cambodia," Encyclopaedia Britannica, (Chicago, 1957), pp. 640-641.

MAlmond and Coleman, op. cit., p. 71.

Amry Vandenbosch and Richard A. Butwell, Southeast Asia Among the World Powers, (Lexington, 1957), p. 15.

65These traditional animosities are noted by: Fifield, op. cit., p. 4. Also by: John F. Cady, "Challenge in Southeast Asia," Far Eastern Survey, 19(8 February 1950)24-26; and, Htin Aung in Thayer, <u>op. cit.</u>, pp. 85-87.

66Almond and Coleman, op. cit., pp. 82-84.

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dual economies; France was concerned with cultural aspects and stressed either assimilation or association; and, Filipinos, under American tutelage, were urged to concentrate on administration, education, and politics.⁶⁷ Contradictory social, economic, and political practices arose because colonial administrations and Western customs did not permeate these societies completely. And these contradictions were probably accentuated by the abrupt and sometimes premature withdrawal of the colonial powers.

Legal systems are an excellent example of the effect these contradictory heritages might have upon integration. Codified law dominates the Indochinese states while British precedents form the bases for law in Burma and Malaya. Indonesian adat or customary law still governs family and village life there despite conflicts with both Western legal concepts supported in the courts and Islamic law supported by Muslim Imams.⁶⁸ Philippine legal precedents are firmly established and rest upon those set by American courts and several centuries of Spanish codes, all of which must be mastered by the aspiring lawyer. It is anticipated that establishing a supranational authority over nations with these different and sometimes conflicting legal and other traditions would be tedious.

67_{Ibid}, p. 84.

68G. William Skinner, Local, Ethnic, and National Loyalties in Village Indonesia: A Symposium, (New York, 1959).

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Contemporary Animosities

Any decision to integrate must also contend with contemporary inter and intra-national animosities deriving from pre-colonial and colonial roots as well as from postindependence altercations. Old colonial boundaries were used in many cases to define the newly independent nations' borders and these lines often divided ethnic groups and former kingdoms as well as geographically contiguous or easily accessible areas. As a result, frequent border disputes between Thailand, Cambodia, and South Vietnam have become important in these nations' foreign relations; disputes between the Philippines and Indonesia and between Thailand and Burma have also occurred. Differences still exist between Malaya and Thailand over minorities in bordering provinces⁶⁹ where neither nation has been able to maintain order.

The most serious contemporary animosities are those between Cambodia and its neighbors. Besides arguments over disputed territories, there are periodic problems involving border crossings, smuggling, oppression of minorities, and accusations of trade obstruction.⁷⁰ Prince Sihanouk harbors a fear of Thailand and South Vietnam, accusing them of plots to overthrow his government, and alleges that other SEATO

69Fifield, op. cit., pp. 18 and 257-260.

⁷⁰Willard A. Hanna, "The State of the States of Indo-China," American Universities Field Staff Report, 8(New York, 1960), No. 3, Part III, pp. 6-7.

members are implicated.⁷¹ It is possible, however, that the historical importance of these differences has been blown up out of proportion and the disputes are continued only to serve immediate ends in these nations. Nevertheless, Sihanouk is not likely to favor any integrative or cooperative scheme containing, as does ASAS, only SEATO members.

Contemporary Affinities

A number of historical and contemporary affinities existing between Southeast Asian nations are apt to promote closer regional ties. Foreign relations between insular Indonesia and the Philippines are good and these nations share many problems associated with their insularity. Indonesia and Burma are also on good terms and their foreign policies are similar in many respects. Philippines-South Vietnam relations are also especially close?² And relations between the traditional enemies, Thailand and Burma, have become cordial and often warm since settlement of the Shan States and Koumintang disputes.⁷³ Even Thailand, Cambodia,

71Ibid, p. 7. Vandenbosch and Butwell relate that Sihanouk's resignation as Prime Minister in 1956 was prompted by differences with Thailand and South Vietnam who had charged lawless acts against their territories by Cambodian nationals. His action was designed to increase national indignation at these acts. Op. cit., pp. 139-140.

⁷²Fifield, op. cit., pp. 95-96.

⁷⁵Ibid, p. 247. John S. Thomson, "Burmese Neutralism," Political Science Quarterly, 72(June 1957)283 and throughout. The Shan states problem arose over desires of the Shan, who are of Thai descent, to be associated with Thailand rather than with Burma. The other problem involved allegations that members of the defeated Koumintang army from China were being harbored in Thailand and conducting raids into Burmese territory.

and Laos have managed to cooperate and settle common Mekong river transit problems by negotiation⁷⁴ despite other continuing disputes between them.

An evaluation of the deterrent effect of national differences upon economic integration in Southeast Asia could easily be exaggerated. Haas found that European integration was more affected by contemporary political and economic conditions than by historical factors; in LAFTA too, agreement was reached despite existing boundary disputes between several of the members. Chapter III records numerous instances of cooperation by Southeast Asian nations in associations and organizations that transcend issues under dispute. And if cooperation on economic and other matters continues or increases among Southeast Asian nations, their acceptance of old colonial or disputed borders might be eased. Traffic across national boundaries and even mationality itself becomes less relevant when border restrictions are loosened and similar conditions prevail on both sides.

POLITICAL AND ECONOMIC NATIONALISM

Political Nationalism

Although nationalist movements in each of the Southeast Asian nations were parallel in their drives toward independence, the movements were not coordinated or in contact with each other.⁷⁵ Geographic isolation, varying colonial influences, and desires to create national unity out of individual

24Fifield, op. cit., pp. 254-256.

75Almond and Coleman, op. cit., p. 107. Vandenbosch and Butwell, op. cit., pp. 247-248.

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historic pasts have given rise to several forms of nationalism within the region.

(1) Thai nationalism, perhaps because of the nation's long independence, is conservative, unmilitant, and concerned primarily with fostering national identity within the population.⁷⁶

(2) Philippine nationalism has anti-clericalism as its most important source of strength⁷⁷ and, because independence came peacefully after long preparation, the people are less fearful of a resurgence of colonialism.
(3) Malaya actually has three nationalisms--Malay, Chinese, and Indian.⁷⁸ And in Indonesia and Burma, minority groups are also outside the main current of nationalism where they often bear the brunt of resulting prejudices.⁷⁹

(4) Laotian nationalism hardly exists. The capital's
*. . physical and psychological ties with most of the area and peoples which it supposedly governs are exceedingly tenuous.*⁸⁰

Most nationalist leaders in Southeast Asia are middle class intellectuals or professional men with high Western

76Kahin, <u>op. cit.</u>, p. 40.
77<u>Ibid</u>, p. 460.
76<u>Ibid</u>, pp. 278-279.
79<u>Rupert Emerson</u>, "Paradoxes of Asian Nationalism,"
Far Eastern Quarterly, 13(February 1954)141.
80<u>Hanna, op. cit.</u>, No. 2, Part II, p. 3. Also:
Harriman, op. cit., p. 53.

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contact.⁸¹ Loyalties expressed by the people have more often been to these popular leaders than to the national interest and leaders' followings were ordinarily confined to Western urbanized populations. But nationalism is deepening in Southeast Asia and the younger educated adherents are more militant and less personalistic than has been true in the past.⁸² And with the growth of national identities, Amry Vandenbosch finds that, rather than drawing closer together, these nations are becoming increasingly differentiated, not only in their attitudes toward each other, but also in their approaches to larger world problems.⁸³ Fragmentation is also increasing within these nations as nationalists who agreed upon independence fall into disagreement about the goals of the new nations.

Despite the recognized force of political nationalism within the region, it may not deter formation of a union. Feelings of nationalism existed in many of the cases Deutsch studied, but nevertheless, integration was often successful.⁸⁴ And within nations of ECSC or LAFTA this was also no doubt the case. Southeast Asian nationalism, though strong, may still be pliable because only small segments of these

81Emerson, <u>op. cit.</u>, pp. 135-136. 82Almond and Coleman, <u>op. cit.</u>, p. 129. 87Vandenbosch and Butwell, <u>op. cit.</u>, p. 255. ⁸⁴Karl Deutsch, et al., <u>Political Community and the</u> North Atlantic Area, (<u>Princeton</u>, 1957), p. 19.

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societies are politically active⁸⁵ and because political leaders command a personal following that is in part independent of any national ideology. And concentration on the results of integration, rather than on the implications for national sovereignty could ease the transition from nascent national legalties to a regional loyalty.

Economic Nationalism

Economic nationalism is a necessary, potent, and growing force in nearly all underdeveloped nations; it is useful to further economic development and stabilization as well as to reduce these nations' dependence upon foreign factors of production. There is, of course, the danger of fostering too much nationalism⁸⁶ in which case the effects will be a reduction in total trade, lossoof needed foreign investment, and a decline in economic growth.

Excessive nationalism is evident in Indonesia where President Soekarno, in order to increase local support for the central government,⁸⁷ fanned the West Irian fire and courted a war with the Dutch⁸⁸ that the Indonesian economy

86 Gunnar Myrdal, Beyond the Welfare State, (New Haven, 1960), pp. 209-213.

⁸⁷Fifield, op. cit., pp. 136-137.

⁸⁶New York Times, (4 September 1960). Soekarno's persistence recently overcame Dutch objections and West Irian will be transferred to Indonesia after a short interim period during which the United Nations will administer the territory.

⁸⁵ Robert A. Scalapino, "Neutralism in Asia," American Political Science Review, 48 (March 1954)60. He says, "Mass Indoctrination on an intensive scale has just begun in parts of the Far East, and in any case is likely to follow government policy in most areas."

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could not afford without sacrificing opportunities for economic development. Burmese nationalism led to a rejection of foreign aid in 1953, but the ensuing retardation of development was responsible for a change in policy, again allowing acceptance of aid from Soviet as well as from Western nations.⁸⁹

In all Southeast Asian nations, governments accept some responsibility for improving social and economic welfare. This responsibility has been translated into development plans that, in order to be carried out effectively, require governmental control or supervision of nearly all economic sectors. And these nations, in addition to premoting development, are concerned with reducing foreign control over their economies; their policies have more often reflected the latter objective than the former.⁹⁰ Frank H. Golay states.

Southeast Asian nations are determined to reintegrate their societies on the basis of an exclusive nationalism. Economic nationalism is not so much concerned with increasing the size of the pie as it is with increasing the share accruing to indigenous Southeast Asians.91

89Butwell, op. cit., p. 160.

Clement Johnson, Southeast Asia, Report on U.S. Foreign Assistance Programs, (U.S. Government Printing Office, 1957), as quoted in Nathaniel Peffer, Transition and Tension in Southeast Asia, (New York, 1957), p. 207. Perfer quotes Johnson as saying, "In all conflicts between nationalism and sound economic policy, nationalism has prevailed."

91 Commercial Policy and Economic Nationalism," Quarterly Journal of Economics, 72(November 1958)587.

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He also notes that the commercial policies utilized to nationalize(de-alienize) these economies tend to reduce the volume of trade and increase product concentration rather than diversification.⁹²

Economic nationalism in Southeast Asia may be less easy to overcome in Southeast Asia than political nationalism. Deutsch notes that not one full-fledged modern service-state has successfully federated or otherwise merged.⁹³ Myrdal is even pessimistic about united Europe's long-term outcome and feels that, although tariffs may be eliminated, they will be replaced by quotas or cartel agreements.⁹⁴ But Haas feels that if integration of basic sectors can be achieved, then commitments to social welfare. economic.development, and planning will lead to a "spillover" into other sectors of the economies and these sectors will have to be included in the union.⁹⁵ He also notes that even though governments in response to internal pressures sometimes balked at decisions of the supranational body. no nation would take responsibility for destroying the union once it was initiated.96

Southeast Asian integration could be eased if it were considered and presented to the populations as a means of achieving economic development rather than as an end of national sovereignty. And leaders could profit by capitalizing on anti-foreign sentiments in stressing the protection

?2 Ibid, pp. 583-584.	
93 <u>0p. cit.</u> , p. 22.	95 <u>Uniting</u> , p. 299.
940p. cit., p. 147-148.	96 Ibid, pp. xiv, 268-280.

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from imperialism offered by an economic union.

ATTITUDES OF SOME MAJOR GOVERNMENTS

AND UNITED NATIONS AGENCIES

External Governments' Interests and Influences

Decisions to initiate an economic union in Southeast Asia would be influenced by the attitudes of: (1) former colonial nations with whom ties are still maintained, (2) major world governments upon whose benevolence these nations must depend for a number of years, (3) neighboring nations with ties to the region or desires for association and, (4) United Nations agencies concerned with Southeast Asian affairs and international trade.

Great Britain, France, and the Netherlands held similar desires to include their former colonies in associations with the mother country. Britain pursued this policy in the Commonwealth and Sterling Area and eschewed until recently any other economic ties so as to preserve British influence over these territories. With the decline of these associations' importance, however, a change of policy became necessary and Britain began negotiating for entry into EEC. Anticipating the end of preferential treatment for remaining colonies, the British sought to strengthen the economic independence of those in Southeast Asia by encouraging merger with Malaya.⁹⁷

⁹⁷Christian Science Monitor, (24 November 1961). The Detroit Free Press, (1 August 1962), reports that agreement has been reached creating the Federation of Malasia.

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France's first efforts to form an Asian Union of the Indochinese states failed in 1947 and South Vietnam and Cambodia both elected to forego membership in the French Union when they attained independence in 1954. Laotian membership still remains a moral rather than a material satisfaction for France. And the French have been too occupied with Algeria and other problems since 1954 to reinforce their waning Southeast Asian influence. Cultural ties still exist between France and her former possessions, but the economic relations of South Vietnam, Cambodia, and Laos are now closely tied to the United States.⁹⁸

Dutch plans to retain political influence in Indonesia were quashed following the archipelago's independence although some economic interests remain in the area. But the Indonesian government is making a conscious effort to eliminate the last vestiges of Dutch economic control.⁹⁹ In view of the present tense relations between the two nations, any Indonesian decision on integration would quite probably be reached without regard for Dutch wishes.

Support or acquiescence of the United States and the Soviet Union, due to their immense political and economic influence throughout the world, would be a prerequisite for initiating an economic union in Southeast Asia. These nations have the potential to prevent or sabotage a planned or existing union among Southeast Asians. And these richer

98Fifield, op. cit., pp. 311 and 313-314.

⁹⁹J. A. C. Mackie, "The Political Economy of Guided Democracy," Australian Outlook, 13(December 1959)289.

nations have the resources to reduce persisting balance of payments deficits of Southeast Asia.¹⁰⁰ The reduction or elimination of these payments deficits would go a long way in assuring the success of integration.

The United States has never openly opposed regional organization in Southeast Asia and in fact has encouraged regionalism for security reasons. But the American position regarding Southeast Asian economic regionalism is not so clearly stated; the stress has more often been upon security than trade and upon bilateral rather than multilateral relations in this region.¹⁰¹ United States policy with regard to the formation of a European economic union was. however. clear and positive. In Latin America, too, this favorable approach has been pledged.¹⁰² So it is probable that. judging from examples of two previous experiences and American interests in developing Southeast Asia economically, support for any economic union that appears viable will be forthcoming. But this support, if given openly and bilaterally. might antagonize some Southeast Asian nations. Too much encouragement by the United States might bring cries of imperialism from Burma, Indonesia, and Cambodia, alienating

100Vu Quoc Thuc, op. cit., p. 29. 101_{Wilfred Malenbaum}, "United States Economic Policy in South and South East Asia," India Quarterly, (April-June 1956)107-116.

102 A 10-Year 'Marshall Plan' to Build up Latin America," U.S. News and World Report, 50(27 March 1961)100-102. Full text of a speech by President Kennedy at a White House reception for Latin American diplomats on 13 March The United States also provided \$10 million for 1961. development of the Central American Free Trade Association. New York Times, (4 November 1960).

these nations, and perhaps others, from their neighbors.

Soviet support for an economic union in Southeast Asia cannot be guaranteed though acquiescence might be secured. The Soviet Union pursues ideological rather than trade objectives in Southeast Asia; increasing economic or political stability of existing governments within the region is not a goal of Communist ideology. The growth of strong institutions in the region has been obstructed both through Communist party organizations and by direct Soviet intervention in these nations' affairs. During the middle 1950's. the Soviet Union dumped large amounts of tin on the world market, undercutting Malayan prices and piling up surpluses in Malaya that threatened to wreck that nation's economic stability.¹⁰³ Soviet shipments of manufactured goods to Burma in exchange for rice were too slow and of such poor quality that economic development there could not proceed according to plan.¹⁰⁴ Burma subsequently turned to the United States for development capital But the Soviet Union has been responsive to world opinion in the past¹⁰⁶ and probably would not risk incurring the resentment of Southeast Asia and other nations by openly opposing

103Hanna, op. cit., No. 8, Part II, p. 6.

104_A. Z. Bubinstein, "Soviet Policy in South Asia," Current History, 32(February 1957), as quoted in Peffer, <u>op.</u> <u>Cit.</u>, pp. 202-205.

105Butwell, op. cit., p. 160.

106Ernst B. Haas, "Regionalism, Functionalism, and Universal International Organization," World Politics, 8 (January 1956)257. Susan Strange, ""The Commonwealth and the Sterling Area," Yearbook of World Affairs, 13(1959), p. 43, says, "And the Soviet Union which has presented itself so often as the friend, champion and savior of underdeveloped countries, would surely hesitate to upset prices otherwise stable and so incur the whole blame."

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an economic union.

Southeast Asian relations with Nationalist and Communist China, India, and Japan would also influence the form regional integration would take. Even though the Philippines, Thailand, and South Vietnam recognize Nationalist China, only the latter is on good terms with the Formosa regime.¹⁰⁷ And Communist China opposes any measures that would strengthen these governments. The Chinese have expansionist aims and covet Southeast Asia as a population outlet and a source of food, raw materials, and market for future manufactures. The Chinese are generally more militant and revolution-oriented than the Soviets in underdeveloped areas¹⁰⁸ and are actively assisting in subversion and overthrow of governments in South Vietnam and Laos.¹⁰⁹ Pressure against integration would no doubt be exerted by China through direct threats against these nations and through overseas Chinese in these nations.

India does not conceive of Southeast Asia as a region with a destiny distinct from that of South Asia. The spiritual ties between these nations have been stressed in the past and Nehru seeks to cultivate their common interests. Burma often follows India's foreign policy lead and has suggested that India take the initiative for forming an

107Butwell, op. cit., pp. 144-146.

108_{Thornton}, <u>op. cit.</u>, pp. 491-504.

Butwell, op. cit., pp. 153-154. The Soviet Union is supplying the major support for the Pathet Lao.

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economic union.¹¹⁰ Indonesia, too, maintains close cultural, economic, and foreign policy relations with the sub-continent. But India has been lukewarm about economic regionalism in South and Southeast Asia,¹¹¹ especially when Commonwealth nations are involved.

The Japanese also have interests in Southeast Asia. They are providing technical assistance and development funds in connection with reparation payments and they do a significant amount of trading with several of these nations. One Japanese economist envisions that these mutual trading ties will "beyond doubt, assist in forming an Asian Common Market in the very near future."¹¹² Exclusion from a regional market would be serious for Japan and perhaps for Southeast Asia as well. Boyd estimates that trade interdependence of the Philippines, Malaya, and Japan will increase 150% by 1975.¹¹³ The Philippines is pressing for Japan's inclusion in ASAS and Boyd goes on to say that the Association

may depend very much on the attitude of Japan who . . . will probably be the Association's main trading partner among the industrial nations, and who is well placed to serve as the Association's main source of capital goods . . .114

110R. G. Boyd, "The Association of South East Asian States," Australian Outlook, 14(December 1960)247.

Lincoln Gordon, "Economic Regionalism Reconsidered," World Politics, 13(January 1961)235.

112_{Hayato} Ikeda, "Japan's Share in Economic Co-operation," Contemporary Japan, 26(August 1959)31.

> 113<u>0p. cit.</u>, p. 251. 114Ibid, p. 252.

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The relationships of Southeast Asian nations with those mentioned above are primarily bilateral and operate, as do existing regional associations and organizations, as a centrifugal force pulling Southeast Asians outward and toward other alignments. And an economic case can be made for including several other nations such as Japan India, and even Australia in a Southeast Asian union.¹¹⁵ Overt governmental opposition to an economic union can be expected only from Communist China and perhaps the Soviet Union. But private business interests engaging in international trade may also find obstruction of a union favorable to their immediate, if not their long-run interests. And business interests, particularly American ones, have frustrated regional stabilization agreements even when these were supported by the United States government.

Attitudes of ECAFE and GATT

All Southeast Asian nations except South Vietnam are members of the United Nations and all participate in at least some of its specialized agencies. Two of these agencies, ECAFE and GATT, are intimately involved with economic integration. They might provide a way of circumventing explosive issues surrounding integration which affront sensitive national feelings in Southeast Asia.

The United Nations Charter makes no attempt to circumscribe economic unions as it does security pacts and military

but not a full membership for Australia in ASAS.

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alliances.¹¹⁶ Although some persons maintain that regional economic unions obstruct the flow of international trade and defeat the purpose of the UN economic agencies,¹¹⁷ activities of the regional UN Economic Commissions of the Economic and Social Council do not indicate that any important incompatibilities between these unions and UN objectives exist. The Economic Commission for Europe cooperated freely with both ECSC and EEC; the Economic Commission for Latin America was instrumental in creating the Central American and the Latin American free trade associations;¹¹⁸ and, ECAFE has devoted several publications to studies of the feasibility of integrating Southeast Asian economies.¹¹⁹

The activities of the General Agreement on Tariffs and Trade(GATT), have not been so clear-cut nor so positive in support of regional economic groupings. GATT permits full customs unions and free trade areas, but has been reluctant to grant the concessions needed for initiation of these unions.¹²⁰ Despite this generally unsympathetic attitude

120Gordon, op. cit., p. 231. Silcock, op. cit., p.181.

¹¹⁶Articles 51, 52, and 68 of the Charter deal with regional agreements.

¹¹⁷ These views are discussed in: Inis L. Claude, Swords Into Plowshares, (New York, 1959), pp. 111-118.

^{118&}quot;Progress Towards the Latin American Common Market," Report of the Working Group on the Latin American Regional Market, Economic Bulletin for Latin America, 4(March 1959), pp. 1-12.

¹²⁹ Regional Co-operation," Interim Report by the Executive Secretary, ECAFE, (New Delhi, 31 January 1961); Economic Survey for Asia and the Far East, (New York, 1959); Economic Bulletin for Asia and the Far East, 12(June 1961).

toward economic unions, GATT did accept ECSC and EEC as collective memberships, granting them 5-year waivers on obligations, and LAFTA has petitioned for similar grants.¹²¹ It is possible that GATT members unaligned with any economic union may act to prevent entry of a Southeast Asian or other union in the future. These nations fear that these unions may become exclusive clubs and discriminate needlessly against the commodities of outsiders.¹²² It is possible that they also fear admission of any more blocs or collective memberships to GATT might conceivably force a change in voting procedures that would reduce the influence of unaligned nations.

ADMINISTRATIVE CAPABILITIES

A successful economic union depends upon the existence of adequate institutions and sufficient personnel to control the organization. The five governing organs of ECSC are staffed with more than 150 top level governmental personnel and the total EEC staff runs into thousands: LAFTA requires fewer personnel, but both organizations depend upon a large, well-trained staff of administrators and technicians. There is no doubt that staffing a regional organization of this size would be a major task for Southeast Asians. The supply of top level administrators and technicians in Southeast Asia is limited because: (1) these nations lack appropriately educated and trained persons and, (2) governments are not financially able to pay for needed services and facilities. Worldmark Encyclopedia of Nations, (New York, 1960), pp. 1414-1416. 122 Myrdal, "Economic Nationalism,", op. cit., p. 7.

Silcock, op. cit., p. 175.

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Colonial backgrounds left these nations with wide variations in experience and preparation for self-government. Their administrators were trained to function under bureaucratic colonial regimes and in some cases are not able to handle the tasks of self-government. In Indonesia, where Dutch colonials staffed much of the colonial government. few indigenes were educated for positions of leadership; nationals working under the Dutch were largely distrusted after independence so the new government was staffed with veterans of the revolution as rewards for their service. And the result of using these untrained veterans as administrators was gross inefficiency and corruption.¹²³ Burma and the Philippines, although possessing an overabundance of trained and educated persons to fill administrative positions,¹²⁴ have not been able to afford their services; competent persons thus go unemployed or gravitate to private employment where salaries are higher. Persisting low wages and the necessity of employing second-rate candidates also contribute to corrupt practices that are more or less institutionalized in all of Southeast Asia. 125

In most of Southeast Asia finances are not available to provide military personnel for internal security, a task magnified in insular Indonesia and the Philippines and

¹²³Harold M. Vinacke, A History of the Far East in <u>Modern Times</u>, (New York, 1959), pp. 834-836. 124Almond and Coleman, <u>op. cit.</u>, pp. 103 and 129. 125As examples of this point, see: Fairbain, <u>op. cit.</u>, pp. 8-9; and, Corpuz, <u>op. cit.</u>, pp. 238-241.

 $\sum_{i=1}^{n} |a_i|^2 = \sum_{i=1}^{n} |a_i|^2 + \sum_{i=1}^{n} |a_i|^2$ • • • • • • • • • • ¢

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requiring large expenditures in other nations, in addition to administrative personnel. Internal control and provisions for stability are among the greatest problems to be faced by Indonesia.¹²⁶ It has been estimated that 60% of Sumatra's production of rubber finds its way to Malayan markets without payment of export duties to the Indonesian government. The Philippines has been unable to prevent(but has reduced) the flow of Indonesian Moslems into the southern islands.¹²⁷ Hukbalahaps still operate in Luzon as do other bandits in Indonesia and along the borders of mainland nations.¹²⁸ South Vietnam even lacks enough administrators to execute its economic development plans¹²⁹ while Burma has had to postpone membership in UN agencies until competent personnel became available to represent the nation.

The problem of acquiring administrators is not, however, being ignored in these nations. The Colombo Plan Technical Aid Scheme trains personnel in many nations, and some of these persons move into government positions. The Philippines government and the United States Operations Mission jointly sponsor a Southeast Asian Regional Training Program that trains Southeast Asian administrators.¹³⁰ The Eastern Regional Organization for Public Administration studies administrative problems and also anticipates spon-

126_{Kahin, <u>op. cit.</u>, pp.384-386. Silcock, <u>op.cit.</u>,p.43-44. 127_{Fifield}, <u>op. cit.</u>, p. 92. 128_{Butwell}, <u>op. cit.</u>, pp. 99-101. 129_{Hanna}, <u>op. cit.</u>, Part IV, p. 8. 130_{"Southeast Asia Regional Training Program," <u>Phil-</u> ippine Journal of Public Administration, 4(April 1960)175.}}

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soring training programs. And most of these nations have formal Public Administration Institutes conducting training programs.¹³¹ Further, if an economic union were contemplated by Southeast Asians, it is quite probable that a limited number of competent administrators could be temporarily supplied by developed nations through technical aid programs now operating. These persons would help fill the gap until a staff could be trained within the region. And Western economic aid as well as a production tax upon the integrated products of a union could provide some financial security by furnishing funds for administration, investment, research, loans, and the relocation and retraining of workers.¹³²

¹³¹A full issue of the Philippine Journal of Public Administration, 2(April 1958), is devoted to short discussions of these programs in South and Southeast Asia. 132_{Haas}, Uniting, pp. 70-71. The production tax is the major source of operating funds for ECSC and EEC.

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CHAPTER VI

LIMITATIONS OF THE STUDY, SUMMARY OF FINDINGS, AND CONCLUSIONS

LIMITATIONS OF THE STUDY

Several limitations to the preceding analysis restrict its reliability and weaken the conclusions that may be drawn from it. Analyzing several nations on a topic as broad as economic integration often required that discussion and analysis of the numerous factors be confined to general statements about similarities in the region and in the nations involved. To compensate for the necessarily short treatment of many factors important to the subject, the author footnoted in greater detail than would otherwise be necessary. Footnotes, however, were not intended to eliminate all weaknesses and when interpreting data or conclusions the following six limitations must be borne in mind by the reader.

1. The greater part of the study is a static, point-intime analysis that considers few dynamic aspects of a region undergoing rapid economic, political, and social change. It was therefore impossible, in most cases, to speak about trends in the development of these nations. Nevertheless, it is suggested that trends of economic



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development would illustrate that general welfare in the Philippines, Malaya, and Thailand is increasing at a faster rate than in Burma, Indonesia, Cambodia, South Vietnam, or Laos where development is lagging or has become stagnated.

2. The study was not confined to a full examination of pre-conditions suggested by other integration studies. Some factors that might affect integration in one way or another were not examined at all and many pre-conditions were altered by the author in the light of available resources. And so, although some of the altered preconditions are amenable to indirect verification, others only approximate those suggested by Deutsch, Haas, or the economists and the reliability of these pre-conditions remains to be tested.

3. Data in Chapter IV blur disparities in development between Westernized urban areas and rural traditional areas of these nations. Every Southeast Asian nation contains dual(or plural) economies and societies that exist side by side and often are almost separate. Westernized sectors are relatively modern while rural areas remain undeveloped. So economic growth rates, industrialization, per capita incomes, communications facilities, and other indices relate primarily to the level of development in Westernized Southeast Asia. 4. Data were either unavailable or too unreliable to permit a rigorous statistical analysis of the selected indices in Chapter IV or elsewhere. To have computed

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correlations, statistical error, or deviations would only have added to existing distortions in the data. In several instances it was even necessary to qualify the ranges of variation between nations to arrive at relationships that were logical in the light of more reliable, non-statistical information.

5. No satisfactory method exists to weigh the importance of individual indices for each nation in the overall analysis. This weighing can only be accomplished on an introspective basis. And it is well to recall that these pre-conditions are not all mutually exclusive of each other in the areas that they test. That is, economic development correlates highly with representative government, a causal relationship exists between political programs and the amount of regional interaction and, education levels govern the level of development in several other pre-conditions.

6. The inability to obtain evidence on attitudes of groups and leaders toward economic integration is a major limitation upon the thesis. Lack of interview data or other statements relating to the subject meant that general orientations toward regionalism, cooperation, or international relations had to be interpreted for their relevance to economic integration. Thus, conclusions from this evidence are somewhat impressionistic and inconclusive though not, therefore, unreliable.

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Participation in Regional Groupings

All Southeast Asian nations are members of the Colombo Plan and ECAFE so it can be said that none of them are wholly opposed to regional cooperation. They are not reluctant to cooperate in associations or organizations that make no restrictions upon national policy-making, but their unwillingness to relinquish national sovereignty to a supranational body remains a stumbling block in the path of Southeast Asian economic regionalism.

Southeast Asian participation in regional groupings may be evaluated in terms of: (1) attendance at regional conferences. (2) memberships in associations and organizations. (3) alliances under the same security pact and, (4) endorsement of economic integration plans. Of the eight nations, official cooperation has most often involved the Philippines and Thailand. They have been represented at the greatest number of conferences, are members of most assoclations and organizations, belong to the same security pact, and endorse at least one economic integration scheme. Malaya, though having attended fewer conferences, participates in most of the same groupings, is indirectly protected by SEATO, and Prime Minister Rahman has been a prime mover for Southeast Asian economic integration. South Vietnamese representatives attended more conferences than those of Malaya; South Vietnam has mutual security ties with the above nations, maintains several regional memberships, but is

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not committed to economic integration. Leaders in Indonesia, Burma, and Cambodia attended fewer conferences, share fewer regional ties and oppose, in varying degrees, all existing plans for economic integration; they wish to maintain open trading with all nations. Laotian officials, participants in several conferences, regional groupings, and economic associations, remain uncommitted upon economic integration.

It is suggested that, of all measures of regional cooperation, willingness to submit to supranational control and desires for economic integration are most significant for this study. And if this is so, then the Philippines, Malaya, and Thailand, by virtue of their supranational security ties with the United States and Great Britain and their memberships in ASAS, display more readiness for integration than other Southeast Asian nations. South Vietnam seems next best qualified although this nation has expressed only qualified desires to participate in an economic union and its security ties are not supranational. The remaining Southeast Asian nations eschew any degree of supranational control for security or other reasons and remain either uncommitted or opposed to economic integration.

Similarity of Economic Development

All of Southeast Asia remains undeveloped economically and it may be questioned whether economic integration would be immediately profitable for these nations in their present state of development. Yet it may be precisely because they are underdeveloped and economically competitive in the goods

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they produce that an economic union may be beneficial, in spite of the fact that it may not be immediately profitable. A union could permit a more rational allocation of existing resources throughout the region and provide for future complementary relationships between new industries. Economic self-sufficiency and isolation for small underdeveloped nations is not compatible with their economic development and, by acting as a larger unit, these nations are apt to increase regional economic independence and raise the region's economic bargaining power vis-a-vis richer or other nations outside the region.

The Philippines, Thailand, and Malaya are the most highly developed nations in Southeast Asia and are nearly equal in their overall level of development; they are found at the top on each of the four groups of indices(see Table 16). Burma and Indonesia form a secondary level of development and are very similar in three of the four groups while South Vietnam, Cambodia, and Laos are significantly less developed than the rest of Southeast Asia and are relatively similar to the above nations only on one group of indices.

It is suggested that the indices portraying basic social conditions and trade and industrialization are more important in determining the readiness of nations to integrate than are indices of economic prosperity or communications and transportation facilities. There are several reasons for weighing these indices in this way. First, ECSC and LAFTA

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TABLE 16

SUMMARY OF SOUTHEAST ASIAN SIMILARITY RANKINGS ON FOUR

GROUPS OF ECONOMIC DEVELOPMENT INDICES

BASIC SOCIAL CONDITIONS

Philippines Malaya Indonesia Thailand Burma ECONOMIC PROSPERITY

Malaya Philippines Thailand Burma Indonesia Cambodia S. Vietnam

TRADE AND INDUSTRIALIZATION

COMMUNICATIONS AND TRANSPORTATION

Thailand Philippines Malaya Burma Indonesia Malaya Philippines Thailand S. Vietnam

RANKINGS ON FOUR GROUPS OF INDICES

 Thailand Philippines Malaya	(These nations are included in all four groups above.)
 Burma Indonesia	(These nations are included in three of the groups above.)
 S. Vietnam Cambodia Laos	(These nations are included in two or less of the groups above.)

¹This table is a summary of all tables **contained in** Chapter IV. Under the above headings are included those nations ranking highest on the greatest number of indices of each type. The criteria for including nations in these rankings were different for each type of index and in some cases the similarity between nations under each heading in this table does not equal that of ECSC or LAFTA

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were both inaugurated despite greater dissimilarities between members on per capita incomes, coosts of living, and economic growth than exist between most Southeast Asian nations. And many of the conditions portrayed by these indices can be harmonized after the union is promulgated. Second, economic prosperity indices approximate but are not identical to those economic conditions deemed important to integration by economists. Third, communications and transportation facilities within and between these nations are at least comparable to those within and between nations involved in the early integrations studied by Karl Deutsch. And interaction between elites in Southeast Asia probably exceeds that found between elites in the successful European integrations prior to the Twentieth Century. Fourth, similar basic social conditions indicate underlying factors that will likely tend to reduce any disparities in economic development between nations that are equally urbanized and educated. Thus, facilities for interaction will tend to become more similar as the capabilities of populations to communicate increase. And fifth, indices of trading and industrialization are especially relevant to economic integration; the feasibility of a nation's membership in an economic union will undoubtedly be consciously determined by policy-makers more upon these economic indices than upon others examined.

If the foregoing proves to be true, then Malaya, the Philippines, Thailand, Indonesia, and Burma are clearly more ready to undertake integration than are South Vietnam,

Cambodia, or Laos.

Political and Other Factors Affecting

Integrative Tendencies

Discussions of political and other factors such as minority groups, historical backgrounds, and external influences has done little more than illustrate the myriad of diverse relationships among peoples and governments in Southeast Asia. However, it has been noted earlier that: (1) minority group influences upon integration will probably be indirect as they affect political and economic stability in these mations and, (2) political and economic factors will probably take precedence over historical affinities or animosities.

In all of Southeast Asia it is suggested that political ideologies as expressed by these nations' leaders are more reliable and important in ascertaining similarities between these nations and their readiness to integrate than are political institutions or other major values. These political ideologies divide Southeast Asian nations sharply into two major groups, those sharing Western alignments and free enterprise orientations and others, neutralist and socialist oriented. In the former group are the Philippines, Malaya, Thailand, and South Vietnam¹ while the unaligned

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¹South Vietnam is included in the free enterprise group because, despite substantial government control of business and equity in industry, economic competition is encouraged and a socialist state is not a goal of the Diem government.

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nations include Burma, Indonesia, and Cambodia.² Laotian political and economic orientations are as yet undetermined. Also of consequence are combinations of political and economic instability, Communist subversion, and unfavorable foreign factors that may render it extremely difficult or impossible for some nations to participate in a union at the present time, even though they might desire to do so.

Indonesia's lack of internal control and national unity are serious detriments to participation in an economic union. Any major policy to be implemented by Soekarno's government requires agreement among. Communists, Muslim political parties, regionalists, and the army. And it is unlikely that the issue of economic integration would engender enough agreement among these factions to permit the Indonesian government to make a decision. But initial success of a union among other Southeast Asian nations might serve as a sufficient example to allow Indonesia's future participation.

Communist infiltration and subversion in Laos and South Vietnam combine with other factors in these nations to impede exercise of the most basic governmental functions. Laos continues under Communist siege, and negotiations of the Geneva Agreement signatories give hint of restricting the nation's membership in any discriminatory group. All things considered, it seems clear that Laos is unable to carry out national obligations and is as yet unsuited for membership in an economic union.

²Cambodia is somewhat reluctantly under the protection of SEATO and Sihanouk maintains that his nation is neutral.

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The situation in South Vietnam is somewhat different. The Communist threat approaches the seriousness of that in Laos, but the government still functions, the nation is decidedly more developed economically, and the elite harbors desires to participate fully in regional and international activity. The question here revolves around the feasibility of including an unstable member in a union when there are no guarantees that another government coming to power(possibly Communist) would respect agreements made with other union members. It appears that integrating any sector of South Vietnam's economy with those of other Southeast Asian nations would not be feasible at present, but the nation does seem capable of cooperating economically with others to their mutual benefit.

CONCLUSIONS

Readiness for Economic Integration

The purpose of the foregoing study was to examine <u>some</u> of the pre-conditions believed by a number of students of integration and by the author to be important in determining readiness of nations to integrate. In view of the limitations imposed upon the study by the purpose and available data, major conclusions are offered as hypotheses that may or may not stand up in further analysis of additional factors affecting Southeast Asian economic integration. The four hypotheses are:

(1) the Philippines, Malaya, and Thailand fulfill most of the pre-conditions examined and are ready to

undertake regional economic integration that is confined to a few economic sectors and scheduled to deepen only as these nations' capabilities increase;

- (2) Indonesia and Burma fulfill fewer pre-conditions but, when willing to do so, could participate in an economic union that exerts no supranational control and allows increasing participation as their abilities to carry out responsibilities increase;
- (3) South Vietnam and Cambodia fulfill some pre-conditions and could, if willing, undertake limited cooperation not involving integration or supranational control, but would not benefit their nations or others much until they achieve a higher level of economic development;
- (4) Laos fulfills only a few pre-conditions, is probably cooperating economically in other groups to the extent of the nation's present capabilities, and will remain unsuited for membership in any economic union for as long as political chaos and economic stagnation continue.

The ASAS

Recent concern for economic integration in ECAFE and in Southeast Asia stems from a relatively realistic assessment of the needs and capabilities of the region. A need exists for a Southeast Asian organization that is capable of evaluating national development, planning regional resource allocation, and coordinating the many regional aid

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and assistance programs for all of these nations. And an organization performing these functions could pave the way for a more comprehensive economic union by studying and adjusting unfavorable legal restrictions, financial bottlenecks, tax policies, and trade relations.

It appears that the emerging Association of Southeast Asian States gives promise of becoming an organization suited to the present capabilities, if not yet the needs of the region. The initiative in forming ASAS has been taken by the three nations -- Malaya, the Philippines, and Thailand -that best satisfy the pre-conditions examined in this study. The members have delayed erection of a supranational body, retained emphasis upon future development, and left the door open to allow other nations to participate as they become willing and able. To erect a supranational body between the three members might solidify persistent ideological divisions between Southeast Asian nations and defeat the purpose of the union: it would without doubt alienate nations who already distrust alliances between these security partners and who are unwilling to submit their economies to any control by other nations.

Still, the problem remains of assessing how much sovereignty ASAS members and other Southeast Asian nations are willing to designate to the Association. There are too many conflicting commitments both internal and external in all of these nations to permit a comprehensive scheme of integration at the present time. Even the current members are separated by ties to different currency blocs and trading

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routes and by some political issues.

In the interests of broadening the membership and increasing its value to the region, ASAS members may profit by foregoing supranational control for the present. All economic unions entail relinquishment of some national policy-making autonomy, but a regional resource and industry development plan requires less coordination than a free trade area, customs union, or common market and resource development may be an area where the highest rewards could now be realized. A resource and industry development plan could encourage coordination of development for the benefit of all and would be less likely to alienate others during the plan's formative period. Then, too, the commodities now traded between these nations would be of little consequence in a free trade area or common market; it is the new products that will come from developing industries that need free entry into a larger market while at the same time maintaining protection against competing products from outside the region. And when these products are developed, the impetus for enlarging the scope of ASAS and converting it into a common market will be there.

Foundations for a United States Policy Toward ASAS

The United States has not openly opposed regionalism in Southeast Asia. But an almost indiscriminate support of all non-Communist regional groupings contributes to centrifugal tendencies pulling Southeast Asians toward several spheres of influence outside the region. And these

centrifugal tendencies prevent any extant associations and organizations from becoming an adequate foundation for an economic union. The historical division of the region into a multiplicity of small political units has been altered but unity has not increased. New divisions have been substituted for old and instability persists.

United States allocations of technical and financial aid to Southeast Asia since World War II attest to the former's commitment to economic development. But this aid has often fallen short of expectations of policy-makers in promoting development. United States policies in Southeast Asia have been primarily concerned with security interests and the major portion of foreign aid to the region has been military aid. While this military aid has increased the defensive capabilities of several of these nations, aid in this form has not enabled Southeast Asians to deal with the underlying causes of instability that make these large military forces necessary. United States policy-makers have not always been able to give first priority to projects promoting social and political change that would help these nations stabilize their currencies, broaden their tax base, increase their trade, and balance their payments. Nevertheless, while these economic instabilities remain, benefits of foreign aid cannot be maximized in these nations. Frequent price fluctuations or inflationary recessions mean that aid funds will necessarily be employed to cover government deficits rather than to continue work on development

projects.

It is believed that if the United States could channel aid throughout the region to provide a firmer foundation for economic growth in all of these nations, this would assist removal of the conditions conducive to Communism. And if economic and political conditions were stabilized, the need for foreign aid could eventually be decreased because more foreign and domestic investment would then become available to the region. Direct financial support of ASAS by the United States at the present time, however, is not thought to be advisable. While only three nations allied with the United States are members of ASAS, direct financial support to the Association might only serve to broaden the gap of distrust between these and other Southeast Asian nations, thus restricting future ASAS membership. And the United States as a member or associate of this or any other regional economic union would tend to make the union another sphere of influence.

Greater United States participation in United Nations aid programs would also be helpful in inducing more Southeast Asians to join ASAS. These nations might have less fear of accepting the assistance necessary for them to carry out ASAS responsibilities if this assistance were tendered through the United Nations, even though much of the aid would still have originated in the United States.

At least one crucial area: in ascertaining whether or not a viable economic union will be initiated in Southeast Asia remains for further study. Because official and unofficial leaders are able to sway opinions in all of these nations, these leaders can determine and carry out policies often without even consulting those whose interests they represent. Governmental leaders are left with a great deal of discretion in deciding national policy and there is a close interdependence between national political, social, and economic opinion leaders. Consequently, attitudes of important leaders regarding their support for or acquiescence in the initiation and operation of an economic union are of extreme importance. A study of attitudes, opinions, and beliefs of a few hundred top leaders in Southeast Asia would go a long way in determining the readiness or willingness or nations to participate in a regional economic union.

APPENDIX I

INDICES OF ECONOMIC DEVELOPMENT FOR

ECSC AND LAFTA^B

Per 1000 Persons Motor Vehicles	60	76	45	19	.20	27	50
Civil Aviation Miles Flown Per Person		1.3		0.2		4.3	1.7
Density Density	2	82	97	58	164	55 1	92
Newspaper Copies Per 1000 Person	330	281		26	てわわ	281	286
Per 1000 Persons Telephones	88.6	64.6	66.5	34.4	92.6	87.6	72.4
Per Person Per Person	8.7	7.7	0*†	3.0	12.2	8.8	8.2
xsT smoten) % - seunevel	2	8	16	ω		2	6
of GNP - %	† †		56	37	47	† †	917
Regional % - guidarT	38	17	27	21	13	36	28
Primary Export in Foreign Trade - %	22	13	27	29		32	25
Population Growth Economic Growth/	2.7	9•0	4.8	9.2	2.6	3.8	5.4
Cost of Living Index (1950 Base)	106	144	108	117	121	122	120
Per Capita Nat'l Income-US\$	1015	1046	762	744	1194	708	861
Βετωσελ Ξεμοο τε - % Ομτησεθα 2-1η τα	33	78	76	57	72	20	71
Population Literate - %	262	66	95	89	95	95	95
Population in Reficulture - %	122/797	37	22	41	26	19	26
Population &	63	56	72	41	58	55	57
• •	BELGIUM	FRANCE	GERMANY_	ITALY	LUXEM- BOURG	NETHER- LANDS	ECSC AVERAGE

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Motor Vehicles	32	12	15	19	2	10		16	been	l are
Flown Per Person Civil Aviation Miles	1.5	2.1	1.7	1.4	0.5	0.8	0.9	1.3	have	le and which
Bailroad Density	63	17	37	32	15	น	34	30	data	eliable from wh
ser 1000 Persons Per 1000 Persons	159	50	79	48	28	76	200	91	1960	r B B B B B B B B B B B B B B B B B B B
Per 1000 Persons Telephones	57	14	21	13	2		64	26	and	sou
Internat ¹ 1 Mail Flow Per Person	0.5	0.5	0.8	3.3	4 •0	0.5	2.6	1.2	1959	re not equally standard sourc
xeT 2modzud 7 - 29undv9A	4	17,	17	27		27		18	while 1	m
nigial Origin of GuP - %	26	25	31		14	29		25		ata the
Lenotzei Reging - %	12	2	10	Ч	25	10	12	11	1953	~ U
Primary Export in Foreign Trade - %	26	58	66	25	24	23	54	39	for	these
Population Growth Economic Growth/	1.7	2.0	1.5	4.4	0.5	3.0		2.2	cases,	d that on the
Cost of Living (1953 Base)	4 94	326	1043	154	240	152	744	375	ost •	utioned lesses o
Per Capita Nat'l Income - US\$	374	262	180	187	108	140	569	260	1n 31b1	88
Frimary Schools - % Children 5-14 in	68	34	56	47	57	42	45	50		reader 1s informed compiled.
Population & - Steration	32	61	80	48	69		93	72	or ECSC a whenever	
Population in %	23	58		58	54	63		51		The 1 than been (
Population - %	20	36	60	45	35	36	56	48	^a Data f . LAFTA	Note: more have b
I	ARGENTINA	BRAZIL	CHILE	MEXICO	PARAGUAY	PERU	URUGUAY	LAFTA AVERAGE	a _D used for L	No often no m flgures ha

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APPENDIX II

VOLUMES OF TOTAL TRADE IN US DOLLARS BETWEEN NATIONS

IN ECSC, LAFTA, AND SOUTHEAST ASIA^a

ECSC (in millions)	BELGTUM- LUXEMBOURG	FRANCE	GERMANY	÷	TTALY	NETHERLANDS	TOTAL TRADE	
BELGIUM- LUXENBOURG		449.2	507	.5 1	.11.1	734.8	4681.8	3р
FRANCE	405.8		595	.4 l	.93•7	181.0	7721.8	зр
GERMANY	514.4	597.1		4	70.8	693.1	8231.1	^r p
ITALY	112.6	204.8	453.	4		71.5	3927.3	^p
NETHERLANDS	723.3	186.2	664.	.6	63.2		4547.3	3p
PERCENTAGES	38	17	27		21	36		
		*	*		#			
LAFTA (in millions)	ARGENTINA	BRAZIL	CHILE	MEXICO	PARAGUAY	PERU	URUGUAY	TOTAL TRADE
ARGENTINA		146.4	53.6	1.0	17.7	7 18.2	6.6	2002.0 ^b
BRAZIL	147.4		18.5	0.8	0.9	9 1.7	22.4	2656 .5 D
CHILE	50 .6	15.4		2.6	0.	L 19.2	1.2	909•4 [°]
MEXICO	1.7	0.3	2,9		0.3	3 1.5	0.3	1609 .3^b
PARAGUAY	13.8						1.1	60 .3^b
PERU	23.7	1.6	33.9	1.4	0.]	L .	0.7	608.4 ^b
URUGUAY	3.1	24.2	1.3	0.1	1.]	1.4		257 .7^b
PERCENTAGES	12	7	10	1	25	5 10	12	



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SOUTHEAST ASIA (in millions)	BURMA	CAMBODIA	INDONESIA	LAOS	MALAYAC	PHILIPPINES	THAILAND	S. VIETNAM	TOTAL TRADE
BURMA			32.4		27.0		0.5		440 .1^b
CAMBODIA			3.1		6.4		1.2	7.0	93.2 ^b
INDONESIA	46.6				220.0	17.1	36.6	6.3	1735.1 ^b
LAOS			1.2				9.6	2.0	37.8 ^b
MALAYAC	36.4	6.1	450.3	0.4		6.2	136.0	13.6	2717.7 ^b
PHILIPPINES			22.3		15.3		1.9		943.1 ^b
THAILAND	1.2	0.8	31.5	12.3	137.5	3.1		1.2	700 . 9 ^b
S. VIETNAM		2.8	11.4	1.0	2.6	0.2	0.1		252 .7^b
PERCENTAGES	^o 14	19	19	34ª	23	4	27	7	

APPENDIX II--Continued.

^aSource: Direction of International Trade, United Nations Publication, 1954, 1958, 1959.

^bFigures must be added horizontally to obtain these totals. Discrepancies between exporting and importing totals arise from different accounting methods as well as from smuggling and oversight.

^CSingapore trade is included with Malaya totals to each of these nations.

^dThis represents a \$1 million exchange not found in other years. Discounting this exchange would reduce Laotian regional trade to 29%. .

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