

## *The Philippines in the Economy of Southeast Asia*

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**Southeast Asia is fragmented not only by geography but also by history. Countries in the region are separated by jungles and seas and by their different colonial backgrounds. This is why there has been little economic cooperation between the Philippines and other countries in the area.**

The Philippine involvement in the economy of Southeast Asia—non-involvement as many would describe it—stems from facts of history, geography and politics. Frequently inter-related, these facts have shaped a present which is characterized by limited intra-area trade and commerce, a near complete absence of regional economic institutions or trade agreements, and almost no significant regional self-identification. In a future where both national and regional development (and perhaps survival of particular national economies within the region) will depend more and more on internal material and personnel resources, these facts are a useful background against which the potential and the problems of the area can be seen and evaluated.

Southeast Asia occupies an area roughly 2,500 miles by 2,000 miles, but only 1,700,000 square miles of this area is land. Within this land area approximately a quarter of a million people live alongside a disproportionately large share of the world's known natural wealth. Eleven separate political entities, and a profusion of cultural aggrupation that are only partially represented by the nation-states of Indonesia, Philippines, Burma, Thailand, North Vietnam, South Vietnam, Cambodia, Laos, Malaysia, Singapore and Brunei, divide the area.

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Although Southeast Asia is now one of the most heavily populated land areas of the world, settlement patterns are very uneven and reflect a high degree of spatial, political, cultural and economic fragmentation. Each of the countries of the region is dominated by a primate city, invariably the capital city, which is usually many times larger than the next nearest size settlement and always far more important. Large distances separate almost all these major settlements. Manila, for example, is over 1,500 air miles from the Indonesian capital city of Jakarta and a thousand miles from any other Southeast Asian capital. (By contrast, no European Economic Community capital is separated by more than 750 miles and many major cities are within a hundred miles of each other). Distances between extreme settlements in the Southeast Asian region are far greater: over 3,300 miles separate some settled areas of Burma and Indonesia. Compounding the problem of long distances is the absence of a well developed transportation grid. Scheduled commercial transportation in the region is usually severely limited outside major cities. Air travel is increasing steadily and does provide a means of travel for a limited number of people in areas near airports. Roadbuilding is also proceeding rapidly and promises to change the picture in the future. However, as late as 1960, over 70 per cent of the land area of Southeast Asia was at least ten miles distant from a road or a railroad line, and perhaps a higher percentage from a commercial airport.

#### Internal Fragmentation

In addition to distances, a number of natural barriers have played an important role in the internal fragmentation of Southeast Asia. Burma and Thailand, and Laos and the Vietnams have extensive mountain barriers limiting easy surface contacts; Malaysia and Thailand have dense jungles limiting movements between the two bordering countries; and the seas separate Indonesia and the Philippines from each other and mainland Southeast Asia. (Although the seas have been an important natural barrier for many Southeast Asians, many of the contemporary settlements were established after sea voyage migration, a fact reflected in population concentration near sea and river mouth sites. Of greater significance is the fact that the seas were the avenues by which the more advanced maritime powers of Europe moved into Southeast Asian to establish their colonial domination.)

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An increasing amount of pre- and proto-historical evidence of developments in the arts, sciences and in commerce is now emerging within Southeast Asia, yet the inherent disunity of the region suggested

by the area's geography is confirmed in contemporary facts of life and in history. The lack of extensive trade and commerce among the countries of the region (less than seven per cent of the international trade of the countries of Southeast Asia is within Southeast Asia), is paralleled by a significant lack of commonality in the way of political values and institutions. And much of the political and economic integration that is found stems from external forces, not the least of which was colonialism.

The forces of history in Southeast Asia have changed but the pattern has remained constant. One is thus faced with the impossibility of writing an adequate history of the area's development without going outside to seek the most significant forces that shaped the past and the present. The involvement of American policy in the contemporary Southeast Asian picture is clear; but it is equally clear that the influence of the Indian sub-continent and the Arabic world was critical in the first millenium of the Christian era, as was the subsequent influence of China and the more recent influence of the European colonial powers.

#### Southeast Asia Defined

It is not without significance that the very term "Southeast Asia" originated outside the region, and is of recent dating. Prior to the Second World War, the nations we now identify as Southeast Asian were included in a general designation of "Asian" or "Oriental" or "Far Eastern." The terms South Seas, Nan Yang or South Asia also included some, but not all Southeast Asian countries — or included others not in the region. The most significant common denominator of the area was its colonial subservience. With the *de jure* exception of Thailand, the entire area was under some type of colonial administration for almost a century, and the term "Colonial Asia" was an increasingly used 20th century reference to the area now designated Southeast Asia. This fact, plus the geographic and cultural apartness of Southeast Asia from the major Indian, Chinese and Australian war theaters during the Second World War brought the term into widespread use in the United States and eventually throughout the world.

Geographic identity is one thing; cultural identity another. Southeast Asia has been accurately described as the world's most important cultural crossroads; certainly it represents one of the world's most culturally diverse areas within which the major cultural traditions of China, India, the Arabic world and Euro-America intermingle with a multiplicity of Malayo-Polynesian cultures. To speak of the culture of Southeast Asia, therefore, is to speak of cultural richness rather than uniformity.

Ironically, improvement in communication techniques in the past have usually strengthened diversity by increasing extra-regional contacts. This fact was exemplified several years ago by the fact that Indonesian President Sukarno was forced to propose a toast to Southeast Asian regionalism among Southeast Asian leaders in English. Although a relatively new language to the area, English, for better or worse, was the only practical language of communication between the political and economic leaders of Southeast Asia.

Demographic factors are also a relevant factor in the region's low level of integration. Until the middle of the 19th century, Southeast Asia was sparsely populated and lacked any significant indigenous cities. (Almost without exception, the largest population centers were port and administrative settlements of a distinctly foreign cast). Although we cannot be certain of exact figures, the total population of the area was certainly not more than 20 to 30 million, significantly less than the present day population of the Philippines alone; this population was widely scattered over the entire region. Contemporaneously, Europe and China had reached population densities that were far greater. China, for example, had probably reached a population level of 300 million in the same period; and the middle 19th century population of Europe was close to 100 million. Southeast Asia's population did not reach one-tenth of China's population or a third of Europe's population until the early 1800's.

#### Reasons for Lack of Internal Trade

In addition to a limited population in the pre-colonial period, the lack of internal area trade can be further explained by the lack of significant economic specialization and the slow development of the maritime arts. When the colonial powers moved into the region, however, the picture changed. Economic specialization rapidly emerged, population growth became more rapid and the technical level of shipping and navigation equipment and skills available advanced to the highest world standards. The significant point about the changes, however, was that they were accomplished as part of colonial pattern of development that was geared to the outside world rather than to internal needs or opportunities. As a result, production and trade of specific colonies were integrated into a Euro-American based and dominated economic system. The classic pattern of economic dualism described by Boeke and Furnivall thus emerged wherein the dramatic changes that did take place had only a minimal impact on the great majority of individuals living in the area—but the changes that did take place—and they were dramatic—represented functional adjuncts to the industrialized Euro-American economies rather than regionally significant structural changes.

The contemporary dependence on external trade relationships for the modern sectors of the economies of the region remain critical; despite a number of fundamental political and social changes in the area, the external dependency has not changed to any significant degree. Thus, the major exports of rubber, tin, oil, timber, copra and minerals which developed in response to demands outside the region continue to dominate the capital investment patterns despite their vulnerability to extraneous influences. Post colonial politics have found no significant counterpart in the field of economic relationships in the region to this day.

Whether economic changes precede or follow political shifts and with what time lags, is an interesting question which we will not seek to answer in this paper. Rather, we might note the fact that both economic and political objectives have been basic to the involvement of outside interest in the region over a long period of time. The original objectives of colonization of the area was for the economic gain of the metropolitan powers of Europe. Japan's interest in Southeast Asia before the Second World War stemmed from a desire to control the rubber, oil and tin resources of Southeast Asia. The current involvement of the United States in the Vietnam War might have little relationship to specific natural resources or markets—but the result is the same: external needs, wishes or events continue to dominate internal developments.

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All that has been said so far has been largely negative with regards to Southeast Asian regional unity or integration. The Philippine role in the region has continued to reflect this despite an increasing number of recent attempts to establish regional economic ties. Yet the contemporary picture would not be complete if it excluded a number of new facts and changing attitudes which suggest a less divided future.

The first facts are those of international politics. Britain's withdrawal from Asia "East of the Suez" and the desire of the Americans to lower their posture in the area (if not to disengage almost completely except on the basis of economic contacts) will lead to a changing set of political alignments in the area over the next several decades. China and Japan are the obvious alternative major powers that have a strong vested interest in the area—but both nations are less than welcome in direct political alignment roles. The obvious need for increasing internal political ties is now receiving increasing and more serious consideration than ever before because all alternatives are less promising.

The second set of facts are those of increasing self-awareness and knowledge of complementarity by many of the nations within the region.

Cultural and political diversity are more and more accepted as a basic starting point rather than as an irreconcilable set of impediments to regionality. Once this base is accepted, the economic potential of the area provides opportunities for development that have not been recognized or exploited in the past.

Natural resources in themselves are useless without the administrative and technical skills to make them economically viable. Nevertheless, a strong and diversified resource base makes the problem of development less difficult. In the case of Southeast Asia, this resource base is both extensive and intensive, and offers many opportunities for far greater regional development.

#### Area's Resources

A cursory survey of the region's resources is suggestive. Agricultural land potential for producing food is frequently considered basic in any assessment of developmental potential. Although individual countries have specific food deficiencies, the Southeast Asian region as a whole is a net exporter of both proteins and carbohydrates. In this realm, the Philippines contributes a substantial surplus with its exports of sugar and copra as does Thailand and Burma with rice and corn exports.

Energy resources of the area are varied and extensive. The hydroelectric potential has been barely tapped in the past. Although not a major source of coal, the known oil gas reserves of Indonesia and Brunei are not only of high quality but also far more extensive than originally thought. Proven reserves in the area have already reached a level sufficient for supplying the entire needs of the region for several decades to come.

The wealth of mineralization in Southeast Asia is well known. Almost all the major minerals are found in commercial minable quantities and qualities in the area at present. Over three quarters of the world's current production of tin comes from Southeast Asia; a significant percentage of the world's manganese, chromite and copper are also produced. In addition, iron, silver, gold, mercury bauxite and several other minerals are in current production in various parts of the region; and two of the world's largest nickel deposits are scheduled to come into production within the next several years.

Timber is another resource of the Southeast Asian region. Although overcutting in many areas has caused serious problems and the future status of a country like the Philippines as a major source of timber is in question, Southeast Asia today stands as a major supplier of hard woods to the world. With proper control of cuttings, the long-term picture is still promising.

Resources are but one side of the economic developments equation. What about markets? For the basic raw material exports like ores, copra, logs, and rubber, internal regional markets cannot be expected to absorb any significant amount in the foreseeable future. In all such cases production is so far greater than any reasonable expectation of regional consumption that dependence on external markets will continue indefinitely. For manufactured goods, however, the picture is different; yet one must note that the Southeast Asian market as such is non-existent. Instead, one finds a multiplicity of small and usually unsophisticated market areas with widely differing quality standards and units of measurement and traditional brand preferences and supply sources. Even in the aggregate, however, demand for commodities other than the basic essentials of livelihood are severely limited outside the primate cities.

#### Problem of Intra-regional Marketing

Further complicating and exacerbating the problem of intra-regional marketing are the existing distribution systems and the freight rate structures. Typically, it is cheaper to move freight on a schedule between major European, American and Japanese ports and any of the major Southeast Asian ports than it is to ship between any two regional outports. Once in a port, distribution of the Euro-American and Japanese goods can usually be accomplished with a minimum of delay through the established credit, insurance, warehousing and sales organizations, almost all of which are Euro-American, Chinese or Japanese controlled. For the manufactured goods of a Southeast Asian country to be distributed in another Southeast Asian country requires a whole set of new contacts, skills and service facilities—in addition to a new set of attitudes. Attempts at nationalizing trade internal to many countries and the large number of legal sanctions that have been applied against non-nationals in the trading sectors of most Southeast Asian countries only serve to underline the fact the trade has been traditionally—and still remains in large part—dominated by groups alien to the Southeast Asian area in allegiance or culture.

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Balancing the positive and the negative factors relating to Southeast Asian economic regionalism still does not give us any indication of the area's economic future or the Philippine involvement in it. There are few things more certain in Southeast Asia than uncertainty; yet I would like to venture some predictions. First, I think it is unreasonable to expect any dramatic disappearance of the significant political and cultural divisions within the area in the foreseeable future. Yet, I also

expect that they will play a decreasing role in the evolving economic order as time goes on, and as national economic development opens up new opportunities and generates greater knowledge of regionally-based economic options.

Secondly, both demographic and technical changes are going to either lead or force the economies of the region into new relationships and goals. It is already apparent that a rapid movement of the population out of the agricultural countryside into urban centers is taking place and the pace is accelerating. Within the next several decades, the agricultural and extractive mining and forestry sectors of the region's economies will decrease in importance as populations and labor force growth continue to outstrip these sectors' capacity to absorb. With technical changes now taking place, it is possible that farm employment will decrease not only relatively but also absolutely in the years to come.

### Industrialization As A Way Out

Industrialization, under such circumstances, offers the only way out, whether it is desired as an end in itself or not. And once industrial production increases in the area, the need, desire for and likelihood of expanding regional trade and commerce will be much greater.

A third change that is likely to stem from technical development is shipping and communications. Regional economic integration will be made more likely by the new means of moving cargo including various types of containerization, the LASH system and similar innovations that are permitting the movement of many types of commodities outside the traditional channels. Of equal importance is the extensions of communication grids that will permit direct and fast communication between various parts of Southeast Asia, paralleling communication grids that already permit rapid communication from the region to the important external economic centers.

Last and perhaps the most important of my predictions is a change in the attitudes and goals of an increasing number of Southeast Asian leaders and policy makers. Euro-American colonialism is dead regardless of the survival of anti-imperialistic sloganizing one still finds. The reason for the death of colonialism might be the unidealistic fact that it didn't pay any more—but the reality of the situation cannot be disputed. At the same time, the vacuum left by the decolonization process will lead to a growing sense of mutual self-interest among the national leadership of Southeast Asia as well as growing regional self-identity. The timing and forms of regional institutionalization will depend on many factors; but the movement in the direction of stronger economic regional ties would seem inevitable.