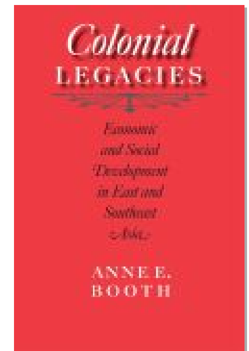
1. Introduction



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CHAPTER 1

Introduction

This book attempts a comparative study of the economic and social development of colonial territories in East and Southeast Asia in the first four decades of the twentieth century and of the consequences of that development for the transition to independence after 1945. At the beginning of the twentieth century, five colonial powers were active in East and Southeast Asia. Three were European. The British controlled from Delhi the vast South Asian subcontinent that extended from the Khyber Pass in the west to the borders of Burma with China, and with the independent Kingdom of Thailand in the east. In Southeast Asia, they controlled most of the Malayan peninsula, including the strategic port of Singapore, which was developed into an important British naval base. The Dutch governed the huge Indonesian archipelago, from Sumatra to New Guinea, and the French controlled the contiguous territories of Vietnam, Cambodia, and Laos, a region known as French Indochina.

After the defeat of Spain by American forces in 1898, President McKinley decided to impose an American administration on the Philippine islands. After a bloody struggle with Philippine nationalists, William Howard Taft was dispatched in 1900 to form a civilian government. McKinley instructed Taft to promote the "happiness, peace and prosperity of the people of the Philippine Islands" (Hutchcroft 2000: 277). This reflected the strongly moralistic view that the administration took of its new colonial mission. Although Taft and several other supporters of the American occupation of the Philippines thought that the Americans could learn from both British and Dutch colonial policies in Asia, especially as they related to the development of infrastructure and commerce, by the 1920s the idea of the "exceptionalism" of American colonialism was widely held (Adas 1998: 46–50). Unlike the policies of the Europeans, who (according to many Americans) viewed their colonies as economic assets to be exploited mainly for the benefit of the metropolitan power, American policy in the Philippines was dominated by the need to prepare the population of the Philippines for self-government and ultimate independence. Crucial to this strategy was mass education. In 1935, substantial self-

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government was granted to the Philippines, with a promise of complete independence after a further ten years.

The fifth colonial power in Asia in 1900 was Japan. As the only Asian country to acquire colonial possessions in the twentieth century, Japan was an “anomaly” in the history of colonial Asia (Peattie 1984: 6). Japan’s empire in East Asia was created between 1895 and 1913, largely as a result of military victories over two decaying imperial states, China and Czarist Russia. The island of Taiwan (or Formosa, as it was known during the Japanese period) was annexed from China under the Treaty of Shimonoseki, and an administration was established under a Japanese governor-general in March 1896. The military pacification of the island in the latter part of the 1890s was not unlike similar exercises carried out by the French in Tonkin, the Americans in the Philippines, or the Dutch in northern Sumatra at about the same time and was probably no more ruthless than these other military campaigns (ibid.: 19). By 1900, the island was largely under Japanese control. The Treaty of Portsmouth, signed in the wake of the Russo-Japanese conflict, gave Japan control over the Liaotung peninsula, which became known as the Kwantung Leased Territory. Finally in 1910, Japanese control over the Korean peninsula was consolidated in its formal annexation. Unlike in Taiwan, colonial status was fiercely resented and resisted by Korean nationalists, but their opposition was put down by massive and often brutal police and military force.

Japanese military strength in the first decade of the twentieth century was based on its growing economic and industrial might. But Japan at that time was still very much a developing economy. Its per capita national income was well below that of the European colonial powers in Asia, and little more than a quarter of that of the United States (Table 1.1). By 1910, American national income per capita had overtaken that of the United Kingdom, while the total size of the American economy exceeded that of the United Kingdom and Germany combined (Maddison 2003: tables 1a, 1b, 2a, 2b, and 5b). Compared with the economic might of the United States at this time, Japan was still a minnow.

Because Japan’s per capita national income was still quite low, the economic gap between Japan and its colonies was much narrower than was the case with the other colonial powers in Asia. In 1913, per capita GDP in Taiwan and Korea was between 50 and 60 percent of that in Japan, according to Maddison (Table 1.2). Other estimates suggest that the gap was even smaller, especially for Taiwan, where per capita GDP in 1915 may well have been almost 80 percent of that in Japan, once appropriate adjustment is made for differences in the prices of goods and services in the two economies (Fukao, Ma, and Yuan 2005: table 6). This can be compared with the Philippines, which by 1913 had recovered from the devastation of war and conquest, but its per capita national income was only about 20 percent of that in the United States. A similar gap could be found between the Netherlands and Indonesia in 1913, and an even larger one existed between Britain and Burma (Table 1.2).

Table 1.1. Per Capita GDP in East and Southeast Asia as a Percentage of Per Capita GDP in the United States, 1913–2000

Year	China	India	Burma	Taiwan	South Korea	Thailand
1913	10.4	12.7	12.9	14.1	15.5	15.9
1929	8.1	10.6	n.a.	16.6	14.7	11.5
1938	9.2	10.9	12.1	21.3	23.8	13.5
1950	4.6	6.5	4.1	9.7	8.1	8.5
1960	5.9	6.6	5.0	13.2	9.8	9.5
1970	5.2	5.8	3.8	19.8	13.0	11.3
1980	5.7	5.0	4.4	31.6	22.1	13.7
1990	8.0	5.6	3.4	42.6	37.5	20.0
2000	12.2	6.8	4.8	59.2	51.0	22.5

	Malaysia	Indonesia	Philippines	Hong Kong	Singapore	Japan
1913	17.0	17.1	19.9	24.1	24.1	26.2
1929	24.4	17.0	21.8	n.a.	n.a.	29.4
1938	22.2	19.2	24.8	n.a.	n.a.	40.0
1950	16.3	8.8	11.2	23.2	23.2	20.1
1960	13.5	9.0	13.0	27.7	20.4	35.2
1970	13.8	7.9	11.7	37.9	29.5	64.6
1980	19.7	10.1	12.8	56.5	48.8	72.3
1990	22.1	10.8	9.6	75.6	61.9	81.0
2000	28.0	11.4	8.5	76.4	78.9	74.9

Source: Maddison 2003.

Note: n.a. = data not available in the source document.

Thus Japan in the early twentieth century was a colonizing power whose economic strength, while growing, was still quite restricted relative to the other colonial powers in Asia and to the regions it was controlling. This was both an advantage and a disadvantage. The main advantage was that, with the memories of its own “superbly successful modernization efforts” in the decades after the Meiji Restoration still fresh in their minds, the Japanese colonial administrators (several of whom had played key policy roles in Japan after 1870) could implement the same kind of developmental policies in the colonial territories, especially in the agricultural sector (Peattie 1984: 23). The disadvantage was that the Japanese inevitably tended to view their colonial territories as assets to be exploited in their own race to catch up with the top industrial powers. This attitude became more pronounced over the 1930s, as the Japanese state shifted to a war economy footing with inevitable consequences for its colonial territories.

The French, Dutch, and British colonies also faced different, and changing, demands from the metropolitan powers during the first four decades of

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Table 1.2. Per Capita GDP in East and Southeast Asia as a Percentage of Per Capita GDP in the Metropolitan Power, 1913–2000

	British Colonies				
Year	India	Burma	Malaysia	Hong Kong	Singapore
1913	13.7	13.9	18.3	26.0	26.0
1929	13.2	n.a.	30.6	n.a.	n.a.
1938	10.7	11.8	21.7	n.a.	n.a.
1950	8.9	5.7	22.5	32.0	32.0
1960	8.7	6.5	17.7	36.3	26.7
1970	8.1	5.2	19.3	52.9	41.2
1980	7.3	6.4	28.3	81.2	70.0
1990	8.0	4.9	31.2	106.8	87.4
2000	9.6	6.8	39.7	108.5	112.1

	Japanese Colonies			Dutch	US
	China	Taiwan	South Korea	Indonesia	Philippines
1913	39.8	53.9	59.1	22.3	19.9
1929	27.7	56.6	50.0	20.6	21.8
1938	22.9	53.2	59.6	22.4	24.8
1950	22.9	48.1	40.1	14.0	11.2
1960	16.9	37.4	27.7	12.3	13.0
1970	8.1	30.7	20.1	10.0	11.7
1980	7.9	43.7	30.6	12.7	12.8
1990	9.9	52.6	46.3	14.6	9.6
2000	16.3	79.0	68.1	14.8	8.5

Source: Maddison 2003.

Note: n.a. = not available.

the twentieth century. The United Kingdom, the Netherlands, and France all underwent considerable political and social change over these decades, with consequences for colonial policies. A particularly important trend after 1900 was the granting of the franchise to groups previously disempowered, including working-class men and eventually women. Related to this was the increased demand for government social spending on unemployment and sickness benefits, pensions, health, and housing. In all three countries, government social spending more than doubled relative to GDP between 1900 and 1930 (Lindert 2004: table 1.2). Faced with increasing demands from the home electorates, European governments were under great pressure to make their imperial possessions financially self-sufficient. This implied using a minimum of force; British colonial administrators in both Africa and Asia were expected to operate with quite small military establishments, paid for out of local budgets (Gann 1984: 510). Pride in imperial possessions undoubtedly existed among

the British, the French, and the Dutch public, but increasingly after 1900, home populations wanted governments to spend more on their welfare rather than on the governance of Asians living thousands of miles away.

Assembling and Governing Empires in Southeast Asia

Japan's colonial empire was only acquired in the late nineteenth century, and Japan was deprived of all its colonial territories after defeat in 1945. Thus its colonial experience in Asia was relatively short, at most six decades. America's full colonial control of the Philippines was even shorter, from 1900 to 1935. By contrast, European colonial control over Southeast Asia was imposed in stages from the sixteenth to the nineteenth centuries, although in many parts of the region effective colonial administrative systems were only established in the late nineteenth and early twentieth centuries. In all cases, colonial governments after 1900 adopted new approaches to taxation and revenue policy, to budgetary expenditures, and to the role of government in directing economic activity (Elson 1992: 149–154).

By the late nineteenth century, probably the most dense and intrusive system of colonial governance in Southeast Asia was that built up by the Dutch in Java, although more liberal economic policies favoring private enterprise had been adopted after 1870, when the system of coercive cultivation of export crops was officially terminated. But Dutch control, both economic and political, over the other parts of the vast Indonesian archipelago was at best patchy. Lindblad has pointed out that, during the nineteenth century, many of the islands outside Java were still integrated into the wider Southeast Asian trading system and only very loosely under Dutch control (Dick, Houben, Lindblad, and Thee 2002: 82). It was only after 1900 that Dutch colony policy in Indonesia became characterized by a "systematic *mise en valeur* and an active role on the part of the state" (Wesseling 1988: 68). As the new century dawned, Dutch colonial officials were determined to transform their huge Southeast Asian colony into something more than just a loosely integrated free trade area, even if that meant disrupting traditional flows of goods, money, and people to and from regions outside Dutch control. They also became increasingly concerned about improving "native welfare," a concern that was in part prompted by a realization that a poverty-stricken colony could become a serious economic liability for the mother country (Booth 1998: 2–6).

By 1900, the phrase *mise en valeur* had also become the watchword of French officials in Indochina, who viewed ambitious infrastructure development as the main means of developing their Southeast Asian colonial possessions (Doumer 1902: 24). Although French Indochina consisted of contiguous territories in mainland Southeast Asia, rather than a chain of islands, it shared one crucial characteristic with Indonesia. Population densities varied considerably; in much of northern and central Vietnam, the pressure of people on land was as great as in Java, but southern Vietnam, Cambodia, and Laos

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were more lightly populated and still had considerable land available for more intensive agricultural cultivation. Like the Dutch, the French saw population movement as one way of dealing with problems of overpopulation, on the one hand, and underutilized agricultural resources on the other. For much of the period from 1900 to 1940, French officials studied Dutch colonial policies in Indonesia closely; they also examined policies relating to agriculture and public works in the Philippines, British Malaya, and India. French officials published the results of these studies in official outlets such as the *Bulletin économique de l'Indochine*.

In several respects, the two British colonies in Southeast Asia, Burma and British Malaya, had very different experiences from other parts of region, and from each other, during the first part of the twentieth century. British control over Burma was established in a series of punitive expeditions through the nineteenth century, culminating in the deportation of King Thibaw in late 1885 and the subsequent establishment of Upper Burma as a province of the British Indian Empire. For the next five decades, Burma was ruled from Delhi; it was only in April 1937 that Burma was made a crown colony in its own right, with some degree of self-government.

British Malaya by contrast was never governed as a single colony before 1942. The British established a settlement in Penang in the late eighteenth century, and in 1819, Stamford Raffles acquired the island of Singapore for the East India Company. In 1867, Singapore, Malacca, Penang, and some territory close to Penang on the mainland of peninsular Malaya were formed into a colony known as the Straits Settlements. In 1896, four Malay states in the center of the peninsula, which had come under British control between 1874 and 1889, and had accepted the presence of British advisers, were formed into the Federated Malay States (FMS), with an administrative center in Kuala Lumpur. Other parts of the peninsula, including the northern states of Trengganu, Perak, Perlis, and Kelantan and the southern state of Johore became the Unfederated Malay States (UMS) in the early part of the twentieth century. These states were more independent of British control, although government of both the FMS and the UMS was at first rather indirect, with the British administrators operating through traditional rulers. White has pointed out that Malaya was not expected to fulfill any grand imperial economic role and was indeed an "afterthought of empire," a territory that the British acquired mainly in order to protect vital sea-lanes (1999: 176). But gradually the official British attitude toward its possessions on the Malayan peninsula began to change. These changes were related to a growing awareness of the potential of the region as a producer of strategic raw materials, increasingly in demand by the rapidly industrializing economies of Europe and North America.

This growing awareness was also shared by the Dutch and the French and to an increasing extent by the Americans in the Philippines. By the late nineteenth century, it was clear that the economic future of many tropical

regions lay not so much in export of foodstuffs such as rice, sugar, coffee, cocoa, tea, and spices but in new crops, such as rubber and vegetable oils, and in mineral products including tin, bauxite, and petroleum, which were crucial inputs into new and rapidly growing industries in Europe and North America. The traditional food exports remained important, but everywhere in Southeast Asia, colonial officialdom became more concerned with promoting "new exports," which would be produced by capitalist companies, usually incorporated in the metropole, using modern, large-scale production technologies. The agricultural estate, which had not, with the partial exception of Java, been widely found in Southeast Asia in the nineteenth century, became the favored vehicle for the production of new crops such as rubber and palm oil (neither indigenous to Southeast Asia), while mining companies were established to exploit reserves of minerals and petroleum.

As the production of new export commodities accelerated, colonial governments also became much more aware of the need for better infrastructure and for a disciplined labor force prepared to work long hours under arduous conditions. Ports, roads, and railways were increasingly provided by governments, using revenues raised locally through taxes and monopolies and also from foreign loans. The problem of securing a labor force was more difficult to solve, as in regions where land was abundant, local populations were understandably reluctant to abandon traditional farming activities for a harsh life as wage laborers. Increasingly labor was brought into export-producing regions in Southeast Asia from India and China, or from labor-surplus regions within the colonies; in Indonesia the Dutch encouraged Javanese workers to move to Sumatra, while the estates in Cochinchina used migrants from central and northern Vietnam.

The rapid growth of both traditional and new export industries in the decades from 1870 to 1930 transformed the economies of several regions of Southeast Asia. But although these transformations involved large flows of capital and people, their impact on the economic and social status of indigenous peoples was limited. To a considerable extent, this was the result of deliberate policies on the part of colonial officials anxious to protect local populations from what they viewed as the ill effects of exposure to "high capitalism." Urbanization in much of the region was limited, and although port cities grew, their populations were often dominated by migrants from other parts of Asia as well as from the metropoles and other parts of the world. It has been argued that Southeast Asia in 1900 was less urbanized than in the sixteenth century:

> The colonial regimes believed that they were "opening" Southeast Asian economies and societies to the world by exporting their produce and building infrastructure. In social and cultural terms the reverse was more nearly the case. As never before Southeast Asians became a peasant people

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> living in rural villages insulated by paternalistic officials and culturally distant traders from the changes that were transforming the world outside. (Reid 2001: 59)

This argument has important implications for the models of colonial economic development in East and Southeast Asia drawn up by economists in the postcolonial era.

How Did Colonial Economies Function? Vent for Surplus Theory and the Open Dualistic Model of Colonial Development

Although British, Dutch, and French scholars made important contributions to the study of the precolonial history of Southeast Asia, including the study of precolonial economic systems, their work seems to have had very little impact on postcolonial studies of economic development in East and Southeast Asia. Instead most scholars who have written on the economic development of East and Southeast Asia in the second part of the twentieth century have used analytical tools drawn from Western classical and neoclassical economic theory. One influential concept, particularly associated with the work of the Burmese economist Hla Myint (1958, 1987), is that of "vent for surplus." In developing this concept, Myint drew on the work of the classical economists, especially Adam Smith.

Myint argued that many underdeveloped economies in Asia and Africa had responded to the challenges of international trade, especially after 1870, by drawing on previously underutilized resources of land and labor to produce crops such as rice, coffee, cocoa, and spices, and after 1910 new crops such as rubber for the world market. In contrast to conventional comparative advantage theory, in which producers operating in an economy where all resources are already fully employed respond to international trade by reallocating factors of production away from home goods and toward exportables, the vent for surplus approach assumes that in developing economies there are idle resources of both land and labor that can be put to work to produce more exportables without necessarily reducing output of home goods such as food and clothing. According to Myint:

> The vent for surplus theory was particularly suited to explain the rapid expansion of agricultural exports from the relatively sparsely populated countries of Southeast Asia and West Africa. After the initial opening up of these countries in the late nineteenth and early twentieth centuries, agricultural exports grew typically about 5 per cent a year for many decades. This happened without any important change in agricultural techniques, simply by bringing more land under cultivation. The additional labour was drawn from the subsistence sector. (1987: 121)

Over the years, attempts have been made to integrate the vent for surplus approach with other theories of export-led development, including the staples theory developed by Canadian economic historians. However, economic historians have not found it easy to explain why countries with apparently similar factor endowments in the late nineteenth century have evolved so differently during the twentieth century (Findlay and Lundhal 1994: 90). Why, at the end of the century, did Ghana and Burma have a much lower per capita GDP than Malaysia? Why has Argentina performed less well than Canada or Australia? According to Findlay and Lundhal, much of the explanation lies in political economy factors, including ownership patterns and the distribution of productive assets and incomes.

As is clear from the above quotation, Myint argued that the vent for surplus theory was only applicable to sparsely populated regions with considerable land resources. As we will see, several parts of East and Southeast Asia by the early twentieth century did not really fit this description. Myint's analysis has also been criticized for not taking into account the full range of products produced by the pretrade, subsistence economy, especially handicrafts. Hymer and Resnick have pointed out that the process of opening up to trade would involve not just more production for export, but also inward flows of imported manufactures that would compete down labor-intensive handicrafts produced by the subsistence sector (1971: 484–486). The extended vent for surplus model developed by Smith (1976) allows for the partial demise of the handicraft sector and also examines the implications of the failure to bring about significant technological progress in the food-crop sector.

Another analytical framework that has gained attention in the Asian context is that of the open dualistic colonial economy, developed by Hicks and McNicoll (1971) in their study of the Philippines, and Paauw and Fei (1973), who examined the economic transition from colonial to postcolonial economies in Taiwan, the Philippines, Malaysia, and Thailand. It has also been used by Ho to analyze the impact of Japanese colonialism in East Asia (1984: 380–386). In developing the model, these scholars drew on much previous work on economic development by W. Arthur Lewis, Hla Myint, Albert Hirschman, Paul Baran, Richard Caves, and Robert Baldwin, and also on a number of empirical studies of economic development in East and Southeast Asia. Variants of the model have also been used to analyze the impact of export-processing zones in Asia (Warr 1989).

At the core of the open dualistic framework are flows of commodities, labor, technology, and capital between the modern and traditional sectors of the economy, and between both these sectors and the rest of the world. In the basic version of the model, used by Paauw and Fei to describe the operation of the colony economy (1973: 4–5), the traditional sector was largely insulated from both the modern enclave and the foreign sector. The modern enclave comprises both export agriculture and the nonagricultural sector, which imports manufactures from abroad. There is also a domestic market

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within the enclave, where purchasing power is generated by primary exports. To complete the triangularism, the nonagricultural sector sells goods and services to the domestic market serving commercial agriculture.

> This triangular mode of the economy's operation serves to achieve colonialism's fundamental goal, the realization of profits through production and exports of primary products. Export surplus may be defined as the surplus from exports over and above imports required to maintain the existing level of production. . . . The economic goal of colonialism was to extract from the colony a tangible gain in the form of this export surplus. (Paauw and Fei 1973: 5)

Paauw and Fei argued that one of the main legacies of this "triangular mode" was that the domestic economy of the colony was compartmentalized into two largely insulated parts: a modern, export-oriented enclave and a large, backward, and stagnant agricultural sector. It was implicit in the model that investment would be concentrated in the export sector and that the pace of investment would be a function of foreign demand for the colony's exports. It was also assumed that very few "inter-industry or commercial linkages take place between the enclave and the hinterland, so the economic growth experienced by the enclave is never transmitted to the hinterland, where most of the native population reside." Furthermore the colony's exports and imports would be tightly tied to the requirements of the metropole so that bilateralism would be a strong feature of colonial trade flows (Ho 1984: 382). Thus the industrial and modern service sector, including financial services, "developed no internal momentum" of their own (Paauw and Fei 1973: 7).

Several aspects of this model seem unrealistic in the context of colonies in East and Southeast Asia in the early decades of the twentieth century. Perhaps the most serious drawback is that, unlike the vent for surplus approach, it treats the "traditional" sector as largely cut off from both the modern enclave and the foreign sector. The model thus seems to make no provision for the direct involvement of indigenous agricultural producers in the export economy. Nor is there any provision for movement of goods, labor, capital, or technologies between the traditional economy and the modern enclave. As Ho points out, the Japanese did try, with considerable success, to disseminate new technologies in the rice sector to farmers in both Taiwan and Korea. The role of government is also largely ignored, and there is no discussion of either the impact of taxation on the traditional sector or the effect of government expenditures on, for example, infrastructure development.

In their exposition of the open, dualistic model, Hicks and McNicoll abandon the assumption of a completely closed traditional sector and allow for export flows from the traditional sector and also flows of commodities such as food between the traditional sector and the modern enclave (1971: 35–37). But for a fuller exposition of both the positive and negative consequences of

flows between the traditional sector and the modern enclave, we should turn to Lewis (1976: 26–30). Lewis lists a number of benefits that can accrue to the traditional sector from the development of an export enclave:

1 Payments for commodities such as food and raw materials sold to the modern enclave;
2 Payments for labor services supplied by workers from the traditional sector, some of which are likely to be remitted back to households in the sector;
3 Provision of goods and services from the modern enclave, including imported inputs and possibly credit, at cheaper prices than prevailed previously;
4 Provision of infrastructure services such as ports, railways and roads, water supplies, and health facilities, that may have been built for enterprises and residents in the modern enclave but could be also used by the population of the traditional sector, often at prices below average cost;
5 Provision of public services, including roads, irrigation, health, and education, paid for out of tax revenues that may accrue partly from the traditional sector and partly from the modern sector;
6 Provision of new crops and technologies including new agricultural staples (such as rubber) and also new public health technologies (such as smallpox vaccination) that can have important demographic implications;
7 Provision of new institutions in (for example) land and property rights or an enhanced role for local government.

To offset these possible benefits, Lewis lists a number of negative effects that the development of the modern enclave might have on the traditional sector:

1 The enclave may be predatory on the traditional sector through the enforced provision of labor, the compulsory acquisition of their lands at low or zero prices, or the compulsory provision of food and other commodities;
2 The products produced by the enclave or imported from abroad may destroy traditional handicraft industries and traditional services (e.g., railways or trucking displacing porters);
3 The above argument can be extended into the "Dutch disease" analysis of the negative impact of a booming export enclave—producing, for example, minerals—on producers of traditional traded goods through the effect of a real appreciation of the exchange rate. While in theory the negative effects can be offset by government taxation of the booming sector and use of the revenues to create jobs in nontraded goods and services, this in practice may not happen in a colonial economy where mining

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and estate companies have considerable influence with the metropolitan government;

4 The development of the enclave will attract the brightest and most ambitious among the indigenous population leading to a brain drain from the traditional sector and increased polarization of the national economy;
5 It is also likely that the provision of a limited number of highly paid jobs in the modern enclave for people from the traditional sector will induce large-scale migration to and unemployment in the modern enclave;
6 The gradual dissemination of modern health technologies from the enclave to the traditional sector will lead to falling mortality and faster population growth in the traditional sector, which in turn could lead to pressure on available land and growing landlessness and rural impoverishment;
7 Although not specifically mentioned by Lewis, it is implicit in the open dualistic model that export surpluses sustained over long periods of time will reduce the growth of gross national income (as distinct from gross domestic product) and thus resources available to the domestic economy for both investment and consumption.

The above list of possible negative effects is indeed a formidable one, as Lewis acknowledged (1976: 29). It is true that these negative effects might accrue from any process of economic growth based on a dynamic export enclave and not just one taking place under a colonial government. According to Lewis, whether the net impact of the export enclave on the traditional sector is positive or negative depends crucially on whether the government "coerces or helps the traditional sectors, and on the nature of the enclaves" (ibid.). The so-called staple theory of development as well as the linkage concept stress that some export staples appear to have had a more positive effect on broad-based economic development than others, with sugar often appearing to be the "development villain" (Hirschman 1977: 92). But as Hanson has pointed out, the problem with these arguments is that the growth experience of economies producing the same staples is often very different, owing sometimes to the role of government and sometimes to the emergence of private entrepreneurs (1980: 46–50).

Questions Addressed in This Study

The debates triggered by both the vent for surplus and the open dualistic models have raised a complex set of questions that continue to be analyzed in the context of many former colonial territories, in Asia and elsewhere. Answers to these questions can in turn help us to explain the very different postcolonial outcomes that we observe in the second part of the twentieth century. That these outcomes have varied considerably in East and Southeast Asia is obvious from Tables 1.1 and 1.2. By 2000, the two former Japanese colonies of Taiwan

and Korea (the Republic of Korea or South Korea) had achieved a substantial measure of "catch-up" both with the United States and with Japan. This was also true of the two city-states, one of which (Hong Kong) remained a British colony until 1997, while Singapore became an independent republic after it withdrew from the Federation of Malaysia in 1965. Of the other former colonies in Asia, India, Indonesia, Burma, and the Philippines all had lower per capita GDP, relative to the United States, in 2000 than in 1913. In other words, per capita GDP growth was slower during the twentieth century in these economies than in the United States. Far from catching up with the world's leading economy, these countries were falling further behind. Even in Malaysia, widely considered to be among the more successful economies in Southeast Asia in recent decades, per capita GDP relative to that of the United States was only slightly higher in 2000 than in 1929.

Confronted with the evidence on growth of GDP in the twentieth century, several scholars have claimed that because the two former Japanese colonies have performed better since 1950 than the former British, Dutch, French, or American colonies in Asia, or indeed than Thailand, which was never formally a colony, Japanese colonialism was exceptional, especially in its emphasis on economic development. For example, Reynolds, in a survey of economic growth in the third world since 1850, argued that "Japan has always been growth-oriented, in colonial areas as well as at home; and it is clear that Japanese rule helped to initiate intensive growth in both Korea and Taiwan" (1983: 956). Maddison argued that "Japanese colonialism was more developmental than that of other countries, because it involved a greater effort to transfer and develop technology, higher physical investment and better development of local development and human capital" (1990: 365). Similar claims for the developmental impact of Japanese colonialism in Korea have been made by Kohli (1994) and Cumings (1984a: 481).

It is possible that these writers have fallen into the trap of writing history backward and have simply concluded that because the postcolonial performance of Taiwan and South Korea has been better than elsewhere in Asia (including the independent state of Thailand), Japanese colonialism must have been more developmental. But this would be unfair to scholars with a deep knowledge of processes of economic growth and structural change in Asia and elsewhere. This study will argue that there is evidence that the Japanese approached their colonial mission in both Taiwan and Korea with different goals from those of the European colonial powers and that these goals did make a difference to the policies they adopted. But as we have seen, the Americans also believed that their colonial policies were different and were more concerned with fostering the capacity of Filipinos to govern themselves. Why then has the economic performance of the Philippines been so different from the performances of Taiwan and South Korea after 1960?

To answer this question, it is necessary to go back to the early decades of the twentieth century and to look in detail at economic trends during these

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decades, and then to review a number of economic and social indicators for all the colonial territories in East and Southeast Asia in the 1930s. If indeed the difference between the Japanese colonies and the rest was sufficiently striking on the eve of the Pacific War to give a clear indication of their post-1950 trajectories, then the case for Japanese developmental colonialism would seem to be confirmed. But if the differences were not obvious, then that would strengthen the case of those who argue that it was the process of decolonization itself and the policies adopted by independent regimes, some of which were intended to reverse colonial polices, that were decisive in putting the former Japanese colonies on a different development trajectory after 1945.

Chapters 2 and 3 present a review of the evidence on economic and demographic growth and structural change across East and Southeast Asia from the late nineteenth century to 1940. To what extent was agricultural growth driven by exports rather than home consumption? How important were new technologies in agricultural growth? How much industrial growth took place, and what were the effects of industrial growth on employment? And how much growth occurred in services? To the extent that growing populations were largely accommodated in agriculture, what were the implications for access to land? Was economic growth accompanied by a growing polarization of the agricultural population into landlords, tenants, and landless laborers? Or did a robust landowning peasantry manage to coexist with the large-scale estates owned by both foreign and domestic interests?

Lewis (1976) stressed that the role of government is crucial in determining the impact of enclave development on the traditional economy. Other scholars of colonial development have also stressed that colonial governments, through both taxation and expenditure policies, have played a crucial role in shaping the development environment, and that to ignore the role of government is to "omit crucial economic linkages in the development process" (Birnberg and Resnick 1975: 250). It is implicit in most criticisms of colonial economic policies, in Asia and elsewhere, that governments either had little effect at all on the economy, beyond the "nightwatchman role" of raising enough revenues to run a minimalist administration and maintain law and order, or favored the modern enclave in creating infrastructure and were coercive or even predatory in their treatment of the traditional sector. The concept of the colonial state as the precursor of the developmental state has had very little currency in Asia beyond the work of Kohli (1994) on Korea. But it is arguable that this concept has wider applicability in at least parts of Southeast Asia. The role of government in colonial East and Southeast Asia is discussed further in Chapter 4.

An important consequence of the open dualistic model, as expounded by Paauw and Fei, is that colonial economies will run large export surpluses that are used to finance remittances abroad, on either government or private account. It is also widely argued by postcolonial critics of colonial policies in East and Southeast Asia that most of these remittances went to governments

or corporate enterprises, or to private citizens in the metropolitan country. A number of studies have shown that colonial trade and investment flows were usually biased in the direction of the metropolitan power (Kleiman 1976; Svedberg 1981). These arguments are reviewed in Chapter 5, which also examines the evolution of both trade and exchange rate policies in the various colonies in East and Southeast Asia in the period from 1900 to 1940 and the consequences of these policies for economic growth and structural change.

Another important strand in the postcolonial literature concerns the impact of colonial policies on the development of entrepreneurship. In the Southeast Asian context, an important concept is that of the "plural economy," which is associated with the work of Furnivall (1948, 1957). His argument was that, throughout much of the region, colonial policies encouraged in-migration from both China and India, and these migrants, together with the usually quite small European populations, mixed but did not combine with the many different indigenous groups that peopled Burma, Thailand, Malaya, Indonesia, the Philippines, and Indochina. According to Furnivall, the division of labor along ethnic lines became especially rigid in the European colonies, with each racial group performing different economic functions with little or no mobility between occupations. It has been argued that this rigidity contrasted with both the Philippines and Taiwan and Korea, where American and Japanese policies were more supportive of the development of a robust class of indigenous entrepreneurs. These arguments are evaluated in Chapter 6.

Another issue that has occasioned much debate and controversy concerns the impact of colonial economic policies on living standards of the indigenous populations. A frequent criticism is that such economic growth as occurred in the colonial era did not benefit the great majority of the population. Even while exports were booming, it is argued, food consumption per capita was stagnant or actually falling, and social indicators such as mortality rates, literacy, and educational enrollments showed little improvement. On the one hand, arguments about the "pauperization" of colonial populations have been made in the context of Korea as well as several Southeast Asian colonies. On the other hand, it has also been argued that, especially in Taiwan and the Philippines, Japanese and American policies led to improvements not just in incomes, but also in health and educational indicators. Using a range of economic and social indicators, Chapter 7 attempts to evaluate the impact of colonialism on living standards in East and Southeast Asia during the first four decades of the twentieth century.

By the late 1930s, the evidence reviewed in Chapter 7 suggests, there were significant differences between the various colonies in incomes and living standards. After the bombing of Pearl Harbor and the rapid conquest by the Japanese Imperial Army of Burma, Malaya, Indonesia, and the Philippines, together with the strengthening of Japanese control over cooperating regimes in Thailand and French Indochina, the Japanese were able to impose tight economic control over much of East and Southeast Asia. The Greater East Asian

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Co-Prosperity Sphere was intended not just to destroy all vestiges of European and American control over Southeast Asia, but also to integrate both the Japanese colonies and the conquered territories of East and Southeast Asia into a huge single market, centered on Japan. Many Japanese sincerely believed this would lead to faster economic development and higher living standards throughout the region.

But in fact the years of the Japanese occupation were both an economic disaster and a political watershed for all the territories that fell under Japanese control. The reasons for this are examined in Chapter 8. It is probable that, by August 1945, when the Japanese were forced into an unconditional surrender, the lives of at least five million people in Southeast Asia had been brought to a premature end through starvation and disease. In addition, heavy Allied bombing had destroyed infrastructure and productive enterprises throughout Southeast Asia, and also in Taiwan and Korea. Virtually everywhere in the region, as well as in Japan itself, per capita domestic output was well below prewar levels, and most experts thought that the recovery period would be prolonged.

In fact there was considerable variation in the economic strategies adopted by the various governments in the region in the years after 1945, which affected both the speed of recovery and the prospects for continued economic growth and structural change. Much of the explanation for the differences lies with the very different processes of decolonization that took place after 1945. Chapter 9 examines these differences and the consequences for economic policy making in the fifteen years from 1945 to 1960. During these years several countries in Southeast Asia adopted what Myint (1967) termed inward-looking policies, which stressed national self-reliance rather than continued reliance on exports as an engine of growth. Others adopted more outward-looking policies that encouraged both the rehabilitation and expansion of traditional exports and diversification away from primary products and toward manufactures. While there is a strong consensus in the literature that countries that implemented outward-looking policies achieved faster economic growth, it is argued in Chapter 9 that other initiatives were also crucial in laying the foundations for accelerated growth after 1960. Of particular importance were policies directed toward the reform of agrarian systems and toward the elimination of the legacies of the plural economy.

To what extent do the different colonial legacies explain the different policies adopted by postindependence governments? Or were the differences in policies mainly the result of the different regimes that emerged as a result of the post-1945 decolonization process? That these regimes differed widely can hardly be disputed. By the late 1960s, many countries in Asia were ruled by regimes in which the military played a dominant role and that had little or no democratic legitimacy. This was true of South Korea and Taiwan as well as Burma, Thailand, Indonesia, and South Vietnam. But economic policies and

outcomes varied considerably among these countries, in spite of the apparent similarities in the political regimes. In the Philippines and the Federation of Malaysia, from which Singapore broke away in 1965, the military had a much lower profile in government, and the political leadership was largely civilian and had greater popular support, although this hardly meant economic policies were similar in the Philippines, Malaysia, and Singapore. What explained these differences? The final chapter concludes by drawing together the main themes and arguments of the book and tries to provide some answers to the above questions.