

31/05/1997

East-Asian NIC lessons

iewed by Jomo K.S.

PROFESSOR Sanjaya Lall of Oxford University has long been an original and perceptive analyst of foreign investment and industrialisation in developing countries with a long string of diverse publications, which would put most scholars to shame.

He has also worked on Malaysia since the 1970s, and recently wrote the lead chapter for the World Bank's yet unpublished study on technology development in the country.

His latest volume contains his recent papers on industrial, technology and foreign investment policies in the four first-generation East Asian newly industrialising economies (EANIEs), namely South Korea, Taiwan, Hong Kong and Singapore, as well as similar articles on Malaysia, Africa and Ghana in particular.

Malaysians involved in related policy-making and implementation as well as others interested in Prime Minister Datuk Seri Dr Mahathir Mohamad's initiatives on these fronts should all read the book. While the African chapters are probably less crucial for us, there seems to be some redundancy, if not repetition, in Lall's arguments, this is inevitable given the inter-relatedness of the relevant policies.

Lall offers a subtle, careful and balanced evaluation of the evolution of these policies in the four EANIEs as well as Malaysia.

While being in this region has probably helped all five economies, Lall emphasises the diversity of "functional" (or generic) and "selective" (or strategic) interventions undertaken by the various governments, reflecting differences in their conditions, political economy and ambitions.

Hence, while it is not meaningful to speak of a single East Asian model of development or late industrialisation, it is clear that with the exception of Hong Kong (due to its unique circumstances), all late industrialisers in the region have involved significant, though varying degrees and types of, state intervention.

This clearly contradicts the simplistic ideologically-driven claims that the EANIEs' successes have been due to their adoption of laissez faire policies, of leaving things to the market to achieve static allocative efficiency "by getting prices right".

The evidence does not even support the World Bank's new (1993) 'compromise' position endorsing "market-friendly" functional but not strategic or selective interventions.

However, Lall does not go to the other 'statist' extreme of advocating or depending on all kinds of government intervention regardless of circumstances.

Instead, while rejecting both the "market-fundamentalist" and "market-friendly" approaches as inadequate and inappropriate, Lall is wary of the conditions in which government interventions will succeed.

Lall warns generally against inappropriate interventions as well as those motivated by corrupt and other similar intentions, though these concerns do not figure very much in his essentially laudatory discussion of the Malaysian experience.

As Malaysia continues to actively pursue industrial and technology policies, for example, with the Second Industrial Master Plan (IMP2) and the Multimedia Super Corridor (MSC), careful reading of Lall's latest book will be invaluable for appropriate policy formulation, effective implementation and informed debate.

(END)