Asian Drama Revisited: Myrdal's Insight in the Development of Southeast Asia

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Abstract

Gunner Myrdal's *Asian Drama* was the first serious and somehow pessimistic study, about half-century ago, on the postcolonial development prospect of newly independent Asian countries. And at current critical juncture of global pandemic and mishaps of global supply chains, it is noteworthy to reflect on *Asian Drama* and rediscover some of its insights. Rapid growth, especially from the beginning of 21st century, of the Southeast Asian countries may have proved Myrdal wrong, but the latter's concern over the balance between state and market may have occurred to us that countries of the area should be more cautious in pursuing their current industrial policies. And when Keynesian foresight is taken note of, the precariousness of the area's development prospect seems even more pronounced.

Keywords: postcolonial development, supply chains, income distribution, Gunner Myrdal, global labor market

Southeast Asian countries are deemed golden boys as we entered the 21st Century. However, the memory of 1997-98 Asian financial crisis, just a few years after the World Bank published the controversial *The East Asian Miracle* (World Bank 1993), is still vividly stuck in our minds. Furthermore, recent troubles in global supply chains, pandemic driven shortages in world market, also reveal a warning sign, not only for advanced countries but especially also for Southeast Asian countries, who are playing active roles in global as well as regional supply chains. These all point to the crucialness of reassessing development experiences in the area. And what would be more appealing than to recall the first serious attempt to assess the development prospect, in the postcolonial era, of the newly independent Asian countries, i.e., Gunner Myrdal's *Asian Drama* project (Myrdal 1968)?

Whereas Myrdal was a Multhusian who thought that population growth in Asia would stunt economic growth, the early 21st century has shown that many Asian countries have experienced both population growth and economic growth. But when we let most labors of the area to be involved in the so-called "global labor market" (e.g. Farrel 2006), we could not help to wonder what would be their fate. Myrdal had long realized the crucial role played by government in promoting prosperity of the economy and, therefore, welfare of the people, which was affirmed by *The East Asian Miracle* report. But he also raised the worry concerning the balance between government and market.

Viewed from the experiences of the past half century, this paper tried to rediscover what insights *The Asian Drama* could have rendered us concerning development prospect of Southeast Asian countries. We also ventured to devise a sequel to the *Asian Drama*, supposing a long-living Myrdal want to prolong his brave project, presumably with the help of Maynard Keynes who, I believe, would be actively involved in the debate on development if he was as long-lived as Myrdal.

The paper first takes a brief overview of the progress of development, especially the export-and-investment driven growth, in the post-War Southeast Asia. Then the implications of Myrdal's *Asian Drama* on these development phenomena are enunciated in the second section, wherewith a presumed *Asian Drama* sequel is attempted in the third section. It ends with a concluding remark.

Postcolonial Economic Development in Southeast Asia

When I first took a trip to Barru, South Sulawesi, Indonesia about fifteen years ago, to attend the *La Galigo* festival of the Bugis people, I happened to meet a young man who guided me to the chief's house of a local tribe. They have shown me some video recordings of wedding and burial rituals which are famous for their particular proceedings and mortuary practices. Afterwards they told me that they were so worried that the sacred places, where ceremonies were taken place, could be ruined as a government sponsored cement factory, at that time, was digging the hills close to their sacred places which could have devastated the site. This incident revealed a conundrum for local people. On one hand, they were appreciated for the government effort to advance their development levels by encouraging all sorts of productive activities but, on the other hand, they were reluctant to reap the fruit of development which could have hampered their culture and customs.

In colonial period, subsistence agriculture was gradually constrained by increasing population growth and concentration of land ownership. As frontier areas were fully occupied and as the pressure grew on fertile land, the landowner could squeeze more and more from peasants, or provide fewer services, in return for smaller and smaller subsistence tenancies. Subsistence agriculture could never assure a livelihood, but, after all, its established pattern of cultivation was able to meet basic caloric needs of a population. A subsistence farmer at least knew that a successful crop could generally sustain the family until the next harvest. However, cultivation for the market as brought in by colonial powers made no such assurances any longer. The price of the crop may have stumbled when a farmer has produced a cash crop, or the price of food and necessities may have risen when he must purchase with the proceeds.

In either case, the size of the crop would not ever determine the farmer's real income. Prices mattered more as they increasingly produced for the market, partly due to their responsibility to tenancy and indebtedness, and as they increasingly need to pay taxes and debts and to buy food and clothing. It was especially obvious for those who produce export crops such as rubber which could not be consumed when the price fell. The price of daily necessities, therefore, became crucial for their welfare given their steady employment. A small price change often culminated in a major disaster for the peasants who lived at or near subsistence. Despite phenomenal growth of production in the export sector, the level of welfare among peasants may have declined in colonial period, as evidenced in large parts of Vietnam and Burma (Ngô 1973; Sansom 1970; Furninall 1948). It is insecurity experienced by the peasant in the commercialized sector in his access to subsistence resources as well as in the level of his real income that is crucial. The increasing uncertainty in his continued access to land or employment and the real value of his crop or wage made him feel out of control.

About a half century later, the peasant again faced the same conundrum in the Asian financial crisis of 1997-1998. From the perspective of hindsight, changes in trade fundamentals were underplayed as determinants of the crisis, as the public almost single-mindedly focused on changes in prices of financial assets at the time. But if we look at Table

1, we could see that basic trade trends were already changing significantly in many parts of Asia by 1995-1996. Indonesia's export growth had stalled in 1995 while Thai export growth suffered a large reversal (-9.4% in volume terms) in 1996. The sectors most affected were textiles, clothing and footwear, the traditional ones. Malaysia's export growth also dropped in 1995, although not so dramatic, from 12.6% to 3.9%. The Philippines and Korea seemed to be the exceptions of this slowdown but we could not ignore the large absolute declines in export prices in the case of Korea. The other indicator in the export sector of these economies which were suffering in the 1990s is the terms of trade (see Figure 1).

Table 1 Asia-5 Countries: Export Values, Prices and Volumes, 1994-99

	1994	1995	1996	1997	1998	1999
Export Values ($ billions)						
Indonesia	40.0	45.4	49.8	53.4	48.8	48.7
Korea	96.0	125.0	129.7	136.1	132.3	143.7
Malaysia	58.7	70.4	78.3	78.7	73.3	84.4
Philippines	13.3	17.5	20.4	25.1	29.4	34.2
Thailand	45.3	56.4	55.7	57.5	54.5	58.4
Total	253.3	318.3	333.9	350.8	338.3	369.4
Export Values (% change)						
Indonesia	8.7	13.5	9.7	7.2	-8.6	0.0
Korea	16.8	30.2	3.8	4.9	-2.8	8.7
Malaysia	24.6	26.1	5.8	0.5	-6.9	15.1
Philippines	19.8	31.6	16.6	23.0	17.1	16.3
Thailand	23.1	24.5	-1.2	3.2	-5.2	7.2
Total	18.4	25.7	4.9	5.1	-3.6	9.2
Export Unit Values (% change)						
Indonesia	0.9	14.1	5.8	-5.0	-22.0	-7.5
Korea	1.7	5.0	-13.4	-15.9	-16.0	18.5
Malaysia	3.0	16.3	1.8	-8.0	-6.0	5.0
Philippines	4.0	10.6	6.0	3.8	8.2	10.1
Thailand	3.5	9.2	8.9	-3.7	-13.1	-3.8
Total[1]	2.3	8.8	-2.3	-8.6	-11.3	7.8
Export Volumes (% change)						
Indonesia	8.0	-0.7	3.7	12.7	17.1	8.1
Korea	14.8	24.0	19.8	24.8	12.2	-12.6
Malaysia	21.7	12.6	3.9	9.2	-1.1	9.7
Philippines	14.8	19.0	9.7	18.8	8.3	13.1
Thailand	19.0	13.9	-9.4	7.2	9.1	11.4
Total[2]	15.9	15.3	8.1	16.7	9.6	-1.3
(Total - Korea)	(16.5)	(9.5)	(0.5)	(10.5)	(7.3)	(9.1)

Notes:
[1] Calculated on the basis of 1995 weights (export shares).
[2] Calculated as the sum of the export volumes of each country.

Source: IMF, *International Financial Statistics*, and national sources.
*Adapted from Grilli (2002, Table 1).

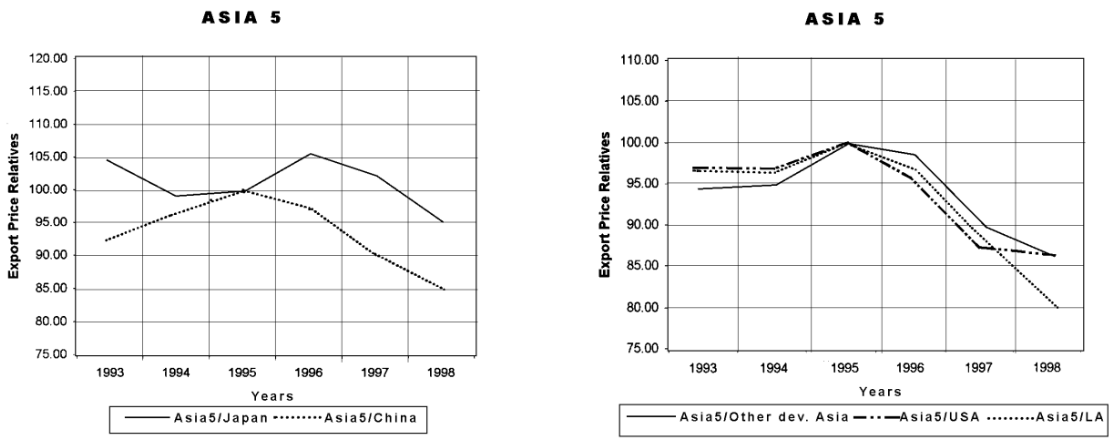

Figure 1 Export Price Competitiveness, 1993-98

*Asia 5: Indonesia, Korea, Malaysia, the Philippines, and Thailand.
Source: Grilli (2002, Figure 2).

Of course, at this juncture of time, the afore-mentioned peasants were not only those who produced economic agricultural products, they also included workers in export manufacturing sectors, mostly light industries as well as electronics. As shown in Figure 1, the financial fragility of corporate sector of Thailand, Korea and Indonesia became apparent in 1997 and 1998, which was due to loss of price competitiveness as against other Asian countries such as Japan, China and Taiwan, as well as the inability to expand export market shares especially in North America and European Unions. Corporate fragility was further exacerbated by such price response as large discounts to importers in the hope to turn around the market condition.

The financial crisis is a good reminder but also a turning point in adjusting production and export behavior. It was ensued by the trend of supply chains, which takes advantage of fragmentation in production induced from technological development in dividing production procedures into many small parts so that they can be produced in large scales and more specialized. A prominent example is the research and development of digital chips, which not only accelerated data computing speed but also evolved into many new and different functions so that producers of computers and cell phones do not have to engage in their own R&D and just import chips from specialized manufacturers and assemble them into final products (e.g. Arndt and Kierzkowski 2001).

Ther more specialized parts and components and more diversified products also drastically changed today’s international trade patterns. The conventional explanations of trade patterns based on Heckscher-Ohlin theorem of resource endowment differentials may have to be modified. Countries of low-level development may not possess enough capital and technologies, but now they can also produce many high-tech components in large scales if only multinational companies (MNCs) are willing to invest and produce there and export to other countries, even to highly developed ones. Their advantage of exports is mainly from infusion of capital from MNCs and the scale economies from profuse and highly specialized productions which allow them to export relatively low-priced and high value-added components. This is the so-called “trade-investment nexus” (Chow 2012), starting to grow pronouncedly, especially from the mid-1980s, concurrent with the time when the four Asian tigers like Taiwan and Korea began to develop successfully skill-intensive export-oriented models (Bende-Nabende et al. 2003).

This is the beginning of supply chains, or outsourcing, which could be construed as benefiting from fragmentation in production. The other phenomenon arising from this development is the so-called "global labor market" which is intimately relevant for Southeast Asian countries. The concept could be simply stated as: most labors in every country are not employed to engage in domestic productions, no matter they work for domestic or foreign enterprises, but rather in global productions. This concerns with the debates on basic characteristics of capitalism, whether it began when capital started to be put into production process, or when it started to be used in distributing products. Traditional explanations on the rise of capitalism were majorly based on Eurocentric theses, which posited that the industrial revolution as initiated in Europe started to concentrate capital into industrial productions, helped by the development of western capital and financial markets, culminating in the appearance of capitalism.

This argument was countered, rather lately, by a thesis which claims that capitalism did not necessarily first arise in Europe. If its appearance was due to the development of financial markets or tools, then Asian businesspeople could have prospered very early in circulating various goods to different places, using all sorts of capital and financial tools. This kind of capitalism, popularized early in the East, was focused on circulation, rather than on production. Especially for China and India, the most populated economies in current world, some people began to suspect that they might not have been following the models of western capitalism, but, on the contrary, pursuing their own particular models of capitalism focusing on distribution and sales (Liu 2019).

The fact that China has become a world factory implies that its huge labor forces should not only be regarded as belong to its domestic labor market, but also an important part of global labor market. The endogenous growth theory, as developed by Paul Romer, was the foundation of knowledge economy which posited that knowledge and technologies are embedded in labors who could have worked effectively in anywhere and not confined by exogenous technologies, such as the machines they operate, because of the endogenous knowledge and technologies (Romer 1986; 1994). Furthermore, this endogenous knowledge could be applied to global production, rather than in domestic production activities. In other words, the specific technologies embedded in labors could be used to satisfy market demands arising from productions in different places of the world, in accord with differences in product distribution and markets, which could also include family and flexible production models in Japan, China, Korea and Taiwan (Sugihara 2007).

If we compare the United States of the 1950-60s and China of the 21st century, we can find a few cruxes of the above-mentioned global labor market. The U.S. and China are the largest economies of the world, which means that they are large enough to produce nearly everything as they have ample human resources to develop any particular industrial technologies. This is consistent with the hypothesis of global labor market which posited that their labors are employed to engage in production for the global market. The United States could still be able to engage in development and production of nearly every product and exported to all over the world, even at the time, roughly before the 1980s, when fragmentation was not so prominent. Taking advantage of more fragmented production process, China now is capable of collecting output produced in various countries and reassembling into final products for exporting to all over the world.

If we look at Figures 2 to 4, we can see that China had gradually consolidated its status as the hub of Asian supply chain after the Asian financial crisis. As of the year of 2000, China, Taiwan, Japan and Korea jointly played the role of trade hub in East Asia, while Singapore and Malysia established their role as the trade hub in Southeast Asia, and Japan acted as the bridge between East Asia and Southeast Asia (Figure 2). In 2010, as East Asian trade hub grew, China swelled to be the dominant player in Asia and started to form links directly with Southeast Asia and India, while intra-ASEAN trade had diversified and formed many linkages with each other (Figure 3). And in 2019, just before the outbreak of COVID-19, Korae had eclipsed Japan as the 2nd largest hub and Vietnam had surpassed India as an important supply-chain player in the region, while bilateral trade between ASEAN and China grew and intra-ASEAN trade linkages had declined (Figure 4). During the pandemic period, we have witnessed that Indonesia, with a population of 267 million, still needs to increase its productivity and efficiency of supply chain which were hampered by underdeveloped infrastructure (Okubo and Turkki 2021).

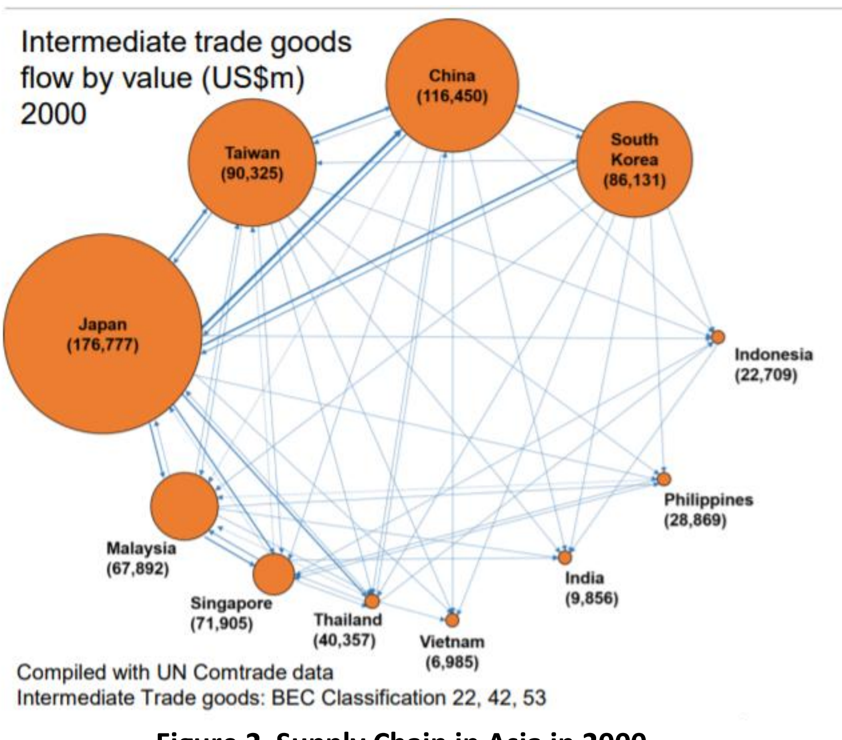

Figure 2 Supply Chain in Asia in 2000

Source: Okubo and Turkki (2021).

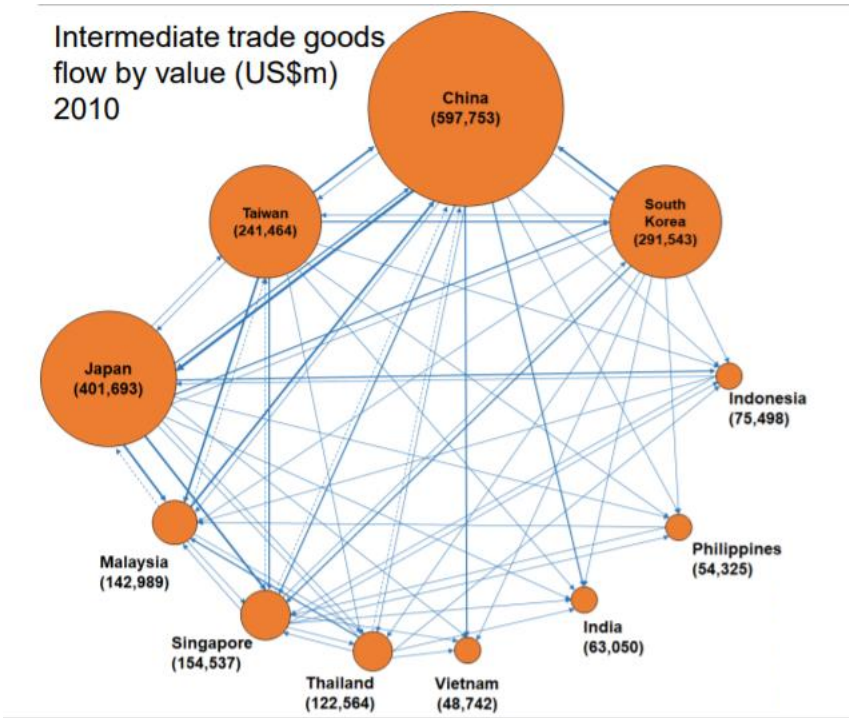

Figure 3 Supply Chain in Asia in 2010
Source: Same as Figure 2.

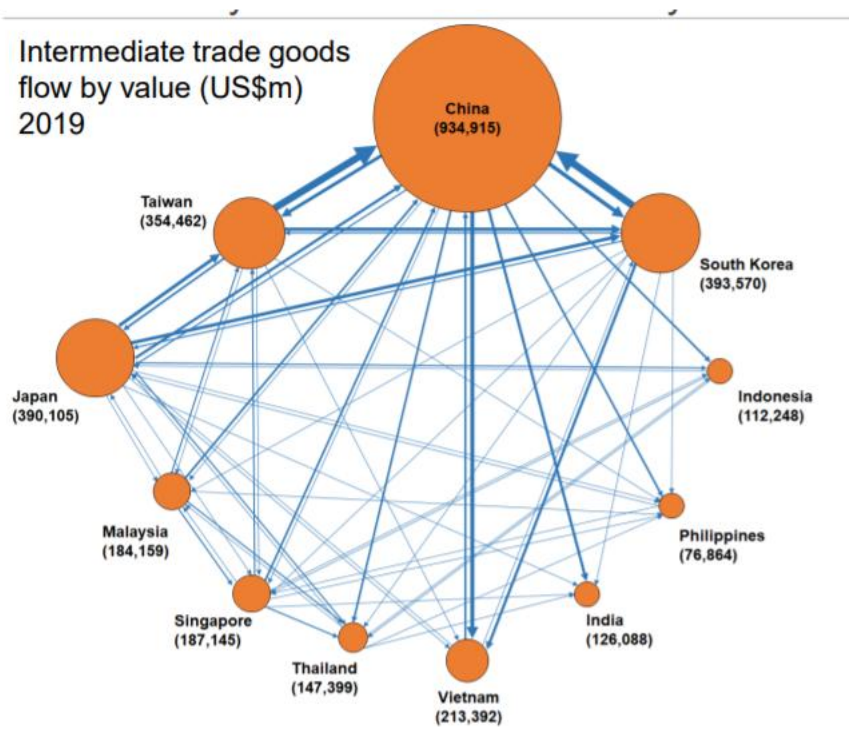

Figure 4 Supply Chain in Asia in 2019
Source: Same as Figure 2.

Gunnar Myrdal served as the Executive Secretary of the United Nations Economic Commission for Europe (ECE) from 1947 to 1957. Similar commissions were set up for Latin America and for Asia at the same time, headed by Paul Prebisch and P. Lokanathan respectively. Myrdal's formal focus was on the war-torn economies of Europe and, increasingly in the 1950s, the East-West divide across the Iron Curtain. What have aroused our interest, though, is that the ECE period also witnessed an increasing engagement with the problem of development in general, initially in the international context. In 1955, Myrdal delivered the Anniversary Commemoration Lectures at the National Bank of Egypt, entitled "Development and Underdevelopment: A Note on the Mechanism of National and International Economic Inequality". These Cairo lectures led to his book, *Economic Theory and Underdeveloped Regions* (Myrdal 1957), which further led to his leadership of the team working on Asian Drama, a project supported by the Twentieth Century fund.

The developing world in the 1950s presented a sharp contrast in the thinking of development. Myrdal had stated very clearly in *Underdeveloped Regions*, "… more than two-thirds of the people in the non-Soviet world live in countries where real income per head is only a very tiny fraction of what it is in the highly developed countries and, indeed, in most cases is much smaller than it was in those countries before they started to develop rapidly a century or more ago" (Myrdal 1957, 3). And in the former group "progress is slower, as many countries re in constant danger of not being able to lift themselves out of stagnation or even of losing ground so far as average income levels are concerned…" (Myrdal 1957, 6).

These words do not, of course, reflect the real world today as we have witnessed the dramatic growth of many Asian economies in the last three decades. And many countries seem not in "constant danger of not being able to lift themselves out of stagnation" even during the time of Asian financial crisis. Those development theses were also a doctrine of history, as the world had just gone through a deep depression in the 1930s and faith in the efficacy of public sectors was high. There was no doubt in expansion of the welfare state as Keynesianism was ruling the day. The discourse on development withing countries, in mid twentieth century, focused on the need for the state as evidenced by market failures of different types which had held back economic growth. The context of *Asian Drama* emphasized a strong conclusion on the role of state intervention in accelerating industrialization. Throughout the 1940s, Arthur Lewis, a Nobel laureate in Economics, fought a battle with market-oriented development specialists, especially on the Colonial Economic Advisory Committee.

However, the lack of balance between free market and over-interventionist state was always puzzling Lewis, especially when he moved in 1957 to the resident adviser to Kwame Nkumah, leader of the newly independent Ghana. He was annoyed by the Prime Minister's insistence on according the highest priority to a number of pet plans of second importance while making inadequate provision for some essential services such as water supplies, health centers, technical schools, roads, etc. (Tignor 2020, 167), similar to the above-mentioned worries of Bugis people. Lewis's struggles in balancing state and market were also seen in Myrdal's *Underdeveloped Regions* and *Asian Drama*.

Another, and not unrelated, trend of development thinking in the mid-twentieth century was the thesis of "big push" for industrialization, of which Rosenstein-Rodan, among others, is commonly cited as the originator of the idea (Rosenstein-Rodan 1943). According to Rosenstein-Rodan, "if various sectors of the economy adopted increasing returns technologies simultaneously, they could each create income that becomes a source of demand for goods in other sectors, and so enlarge their markets and make industrialization profitable" (Murphy, Shleifer and Vishny 1989). Hence, the belief that growth and industrialization were intimately linked, and that industrialization required significant state intervention, was deeply ingrained in the development discourse in the 1940s and 1950s. This idea was present in Myrdal's *Underdeveloped Regions* which, for him, was the result of lifetime thinking about economic processes and engagement with creation of the Swedish Welfare State.

Hence, when the *Asian Drama* came out in 1968, it received various appraising reviews as Kenneth E. Boulding, President of the American Economic Association, spoke approvingly of the "unsparing … criticism of those Western economists and social scientists who think that development is equivalent to technology and who are unable to recognize the obstacles created by ancient tradition, class structures and especially by the existing power structures of society." Writing in the *American Economic Review*, George Rosen, then with the Asian Development Bank, though the prognosis to be "Gloomier … than justified." He drew attention to prospects for increasing exports and "increase in farm output with new technologies, especially with new varieties of seeds…," and noted that "some of these technological breakthroughs have only begun to have their effects since the book went to press in 1966" (Barber 2008, 141-42).

However, only after his death in 1987, three decades after he started the *Asian Drama* project, some big turnaround, or at least the big questioning of his decade long project, might have come to him. As we noted in the above, he had signaled his dire prediction of the poor countries of the world in *Underdeveloped Regions*, as being "in constant danger of not being able to lift themselves out of stagnation or even losing ground so far as average income levels are concerned", as the starting point he brought to *Asian Drama*. He attempted to answer, in much of the thrust of *Asian Drama*, why this was the case, why these countries of the bulk of the world's population were not able to break out of low income, low growth, trap. And he used an institutionalist framework which was beyond conventional economic thinking. What would now face Myrdal is the remarkable growth in the region *Asian Drama* tried to focus. The growth performance of China, followed by economies such as India, Vietnam, Bangladesh, Indonesia, the Philippines and even Pakistan and Sri Lanka. Inequality in these countries has increased along with economic growth, but poverty, as conventionally measured, has declined in Asia as a whole as well as global inequality, as conventionally measured (e.g. Asian Development Bank 2012).

The growth performance of Asia was neither predicted nor expected in *Asian Drama*. On the other hand, the social structures and constraints as emphasized by Myrdal did not change dramatically two decades after the publication of *Asian Drama* and the take-off of Asian economic growth. However, Asian countries did take advantage of rising openness and trade by exporting to fulfill rising demands as global incomes grew and, therefore, to raise their own levels of living. Inequality in these countries rises as a reflection of structural inequalities highlighted by Myrdal in *Asian Drama*. What would Myrdal respond to these growth turnarounds in Asia in his, imagined, sequel to *Asian Drama*?

The Presumed *Asian Drama* Sequel

If Gunnar Myrdal wanted to resume his investigation of current situation of development in Southeast Asian, he might want to consult Meynard Keynes because, as we mentioned above, his *Asian Drama* project was incentivized by Keynesianism. Keynes was 15 years senior to Myrdal, but had died too soon in 1946, nearly 40 years earlier relative to Myrdal, and did not have chance to catch up with the post-war trend in engaging in development problems, especially for newly independent underdeveloped countries. Even though Keynes was not a conventional development economist, his theoretical theses and thinking about capitalist economies, especially those contained in his *The General Theory of Employment, Interest and Money* (1936), and his proposals at the Bretton Woods Conference in 1944 for a new international monetary order, which were largely ignored, did have significant relevance for the debate in current development economics. Therefore, Myrdal would want to talk to him and find out what he might have anything to say and suggest on some of the pressing issues facing developing countries, especially of the Southeast Asian region.

For the past several decades, international capitalists all endeavored to use abundant labors in Asia, as global labor market in East Asia and Southeast Asia, to do outsourcing production to fulfill global demands for intermediate products, the global and regional supply chains. For most less-developed countries, especially in Southeast Asia, labor-force growth is high, and labor productivity is also high, but because they usually are short of capital so that there is serious imbalance between the growth of the effective labor force and the rate of capital growth. Keynes would have recognized this as a major cause, or source, of unemployment and underemployment in LDCs, not the involuntary variety as defined in *The General Theory*, but the structural variety caused by a lack of capital for labor to work with, given no technological change. This could be witnessed by how those newly graduated from Thai colleges all longed to work in auto industry, which is actively supported by Thai government (e.g. ASEAN n.d.).

Keynesian growth theory departed from orthodox growth theory in its emphasis on demand side. In orthodox theory for the closed economy (Solow 1956), supply creates its own demand. Because of the neoclassical assumption of diminishing returns to capital, investment does not contribute to long-run growth, and there are no demand constraints either. In (new) endogenous growth theory, as mentioned above, the assumption of diminishing returns to capital is relaxed and, therefore, investment does contribute to long-run growth. Growth is endogenous in the sense that it is not simply determined exogenously by the effective labor supply, but, if viewed from the perspective of above-mentioned global labor market, is determined by the division of labor in global or regional production through supply chains. In an open economy, unlike orthodox trade theory, foreign exchange is a major constraint on the growth of output. There are not many developing countries, apart from China and those flushed with oil, that could grow faster without greater availability of foreign exchange (Thirlwall 2006).

It is interesting to note that how little there was in *Asian Drama* on global questions, despite, in Part Three of Volume 1, Chapter 13 has been addressing "Foreign Trade and

Capital Flows," which made similar arguments from *Underdeveloped Regions* and *An International Economy*. There were long forays into colonialism and its influences, but there was not systematical inquisition in inequities of the global system as a whole, more focused on intra-country issues. However, in the rest of his life, Myrdal returned with great effort to pursue on the global issue, in particular in his Nobel Prize Lecture, "The Equality Issue in World Development," which had specifically focused on development assistance (Myrdal 1975). Development assistance, especially from those former colonizing countries, was meant to relieve balance of payments constraints faced by developing countries, which, in post-war period, often were caused by lack of capital flows and deteriorating terms of trade.

Led by the United States, the developed world tried to increase the growth of exports of less-developed countries, especially after the 1960s, driven by world output growth and the income elasticity of demand for exports. As Thirlwall and others had laboriously verified, the growth performance of nations could be predicted by the rate of growth of exports with respect to the income elasticity of demand for imports (e.g. Thirlwall and Nureldin-Hussain 1982); McCombie and Thirlwall 1994; 2004). This is a dynamic analogue of the static Harrod trade multiplier that, given long-run balance of payments equilibrium on current account and constant real terms of trade or exchange rate, national income is a linear multiple of the level of exports relative to the marginal propensity to import (Harrod 1933). However, in an open economy, demand fluctuates and is constrained by different forms within a balance of payments framework, driven by different factors. One is terms of trade fluctuations which affect the balance of payments directly, and the other is government revenue and private investment. Keynes was so annoyed by the detrimental effects on the world economy of commodity price fluctuations that he had remarked in a Memorandum in 1942, "one of the greatest evils in international trade before the war was the wide and rapid fluctuations in the world price of primary commodities – it must be the prime purpose of control to prevent these wide fluctuations" (Moggridge 1980, 121).

Thus, not only Keynes, but Myrdal also had noticed those factors that affect demand fluctuations, leading to terms of trade fluctuations and changes in private investment. The prevalence of supply chains in recent decades, as described in the first section, seemed to provide a solution to alleviate the problem of demand fluctuations and to reduce the cost of transnational productions. But just as Myrdal had noted, in his 1975 Nobel lecture, that rational international equalization program through capital aid for development of underdeveloped countries "is both impossible and, I am inclined to believe, an unimportant objective" (Myrdal 1975), he might also raise similar doubt on supply chains.

As we mentioned above, fragmentation and outsourcing productions all tend to shift comparative advantage of trade from resource endowment to scale economies in specialized production. Furthermore, as trade barriers in terms of tariffs had already been largely eliminated since WTO was established and the effects of many bilateral and regional trade agreements in recent years, non-tariff trade barriers, deliberately ignored by RCEP and other bilateral trade agreement in Asia Pacific, have become the major issue in hampering regional trade (e.g. UNCTAD 2019). These all cause a deterioration in terms of trade for developing countries in the region. Terms of trade are a kind of relative prices which reflect the rise and fall of export and import prices internationally, and the rise and fall of labor wages relative to capital returns. MNEs are obvious winners as they benefited from division of labor in cross-country productions through supply-chain arrangement and, therefore, labors, especially those work in international production, are the losers.

Daniel Bell noted in 1973 that, in the capitalist world, knowledge, science and technology were causing a transformation to a "post-industrial society" (Bell 1976). In a post-industrial, knowledge-based economy, the production of goods depended more on technological inputs than on the skills of the workers who actually built and assembled the goods. This means a relative decline in the need for and economic value of skilled and semi-skilled factory workers. The revolution in information economy in recent decades has only exacerbated these trends (Muller 2013).

As we mentioned above, Myrdal was struggling in balancing state and market. One needs to be careful about drawing conclusions concerning causality. Globalization, as manifested by supply chains strategically manipulated by MNEs, was alluded by some people to be promoting and supporting positive changes such as economic growth and reduced inequality while poverty and increased inequality are the fault of "domestic education, taxes, and social policies" (Dollar and Kraay 2004). However, one cannot have it both ways. Governments, who decide on trade and investment policies as well as on social policies, deserve for their economic successes as much as they deserve criticism for their failures. Increased international integration might be as much a result of economic growth as its cause. Therefore, global trade and investment may produce some positive as well as some negative effects which neither should simply be resorted to reduced poverty or increased inequality (Wells-Dang 2002).

In modern times, when Indonesia has been independent for nearly 70 years, the situation faced by workers is not much different. Workers on plantations, as seen in a film "*Suara dari Perkebunan Sawit* (Voices from Palm Plantations)"[1] only were paid Rp. 600 thousand (about US$ 41.7) per month.[2] "My work hours are from 6am to 6pm," said a worker interviewed in the film. Twelve hours of work, starting from cleaning the garden, fertilizing plants, harvesting oil palm bunches, and carrying oil palm to trucks, are not light works at all. Low wages often force workers to take *brondol* (fall of palm bunches) that fell. But this is risky as security guards often complained to police about the workers who have picked up the *brondol* and usually were accused of stealing oil palm belonging to the plantation (Sawit Watch and Tempo Institute 2012, 33-36).

Therefore, what is the difference in current situation of development in Asia from that of colonial period? This is a question worth pondering upon.

Conclusion

Myrdal's *Asian Drama* was the first study that seriously looked into the postcolonial Asian economic development situations and tried to peek into their future prospects. He foresaw

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[1] https://www.lifemosaic.net/ind/sumber-daya/video/suara-dari-perkebunan-sawit/

[2] Monthly average wage in Indonesian agriculture, forestry and fishing was Rp. 1,409,656 (about US$ 98.0 at current exchange rate) in 2018. See CEIC Data (https://www.ceicdata.com/en/indicator/indonesia/monthly-earnings).

presciently the crucial role played by the governments who have somehow inherited legacies from their colonial countries to promote levels of development of the newly independent economies. He did not, however, foresee the rapid growth of some Asian economies who have helpfully pulled themselves out of poverty trap through trade and investment as verified by Keynes' disciples. But his concern about the balance between state and market, along with others, was well-founded and prescient especially for the general labors who have not only toiled in colonial period but also in current situations.

The problem of lack of capital for labor to work with, as worried by Keynes, has been solved by infusion of foreign investment, no matter from their ex-colonizing countries or other resourceful economies. The nexus of trade and investment has culminated in current growth of supply chains, together with just-in-time productions, that have taken advantage of economies of scale from segmented and specialized production, drastically decreased the cost and increased global competitiveness. Economic growth has been increased in many Asian countries whose governments were eager to take credit in promoting living standards and reducing poverty rates. But the spirit of Swedish model, as embraced by Myrdal, which emphasized the importance of education and taxes, has sometimes taken the blame for resulting increases in many hardships and inequalities.

The South Sulawesi incident I encountered, as described in the beginning, has witnessed the development conundrum in Southeast Asia. South Sulawesi is one of the regions in Indonesia which have been unscathed from the 1997-98 Asian financial crisis thanks to its tradition of non-industrial production, chiefly in agriculture such as rice production, which was prosperous during the period. It is able to keep on sustainable development because it has not been affected by the trend of deskilling. Myrdal might have not foreseen the rapid economic growth driven by capital investment, especially from abroad, in southern countries, but his concern on the sustainability of development in Asia, especially for the basic labors, could somewhat be warranted.

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