SOME PATTERNS OF POLITICAL AND ECONOMIC DEVELOPMENTS IN THE ASEAN

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Introduction: An Overview

The condition of the ASEAN countries[1] exemplifies the general features and trends of politico-economic developments in the Third World, reflecting at the same time the position of the developing countries in the present stage of world capitalism. Overall, amidst the crisis of the global economy, the Third World is experiencing a rapid pace of differentiation, resulting from the efforts of the developing countries to find a viable direction in their economic and social development as old and emergent contradictions are aggravated. In certain cases, the movement for independent development has veered towards non-capitalist or socialist orientation as in Algeria, Angola, Ethiopia, Iraq, and Mozambique. Side by side with this trend, nascent capitalist development in many developing countries has accelerated, characterized by the dismantling of feudal or other precapitalist structures which obstruct their industrial integration to the Western economy and Japan.

On the whole, the ASEAN countries are objectively united by their past as defined by colonial relationships, four of them having been the object of direct colonial rule. They find common cause in overcoming their dependence on an essentially monocultural economy, dominated by a few primary export commodities, which formed part of the colonial international division of labor. In this colonial specialization, they share common roots of underdevelopment with the rest of the Third World, implanted by the international movement of capital during that period. Even after political independence, the economic development of the ASEAN countries had been distorted by the colonial division of labor, which, in view of falling export prices and export proceeds, had distorted their patterns of investment and consumption and jeopardized the wherewithal of capital formation.

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[1] Established on August 8, 1967, the Association of Southeast Asian Nations (ASEAN) is composed of Indonesia, Malaysia, Philippines, Singapore, and Thailand. It covers a land area of about 3,050,000 sq. kms, more than two-thirds of the land area of Southeast Asia. Three-fourths of the Southeast Asian population are in the ASEAN countries.

The acceleration of capitalist development in the ASEAN region assumed more rapid pace in the late sixties. This coincided with the significant changes in the policies of the ASEAN countries on the entry of private foreign investments, accompanied generally by the advent of militarized political structures which have provided the basis of political stability for foreign monopoly capital. By the first half of the seventies, the ASEAN economies had achieved considerable re-structuring from singular dependence on export of primary products to the expansion of their facilities for export of labour-intensive manufactures and semi-manufactures.[2] The character of this export industrialization, determined now by the demands of an emergent new international division of labor, is profoundly transforming the form and level of dependence of the ASEAN countries to the industrial systems of the United States, Western Europe and Japan.

The ASEAN countries are now in the throes of transition from the colonial division of labor based on raw materials-finished products exchange, to a neo-colonial division of labor which is transforming them into industrial appendages of transnational corporations based in the leading capitalist countries, for the manufacture of labour-intensive products, parts and components and for resource-intensive processing. Their economic growth still weighed down by dependence on primary export commodities, from which they are emerging, the ASEAN economies are entering a new stage in which they forge their technological links of integration to the internationalized assembly-line manufacturing of transnational corporations. This new level of economic integration is forming a new international division of labor in which the ASEAN countries assume a specialized role in the production cycle of transnational corporations through a fuller exploitation of their cheap labor power in labour-intensive industrialization and in the processing of their own raw materials for worldwide-based production facilities of transnational corporations.

This condition of the ASEAN economies does not arise from temporary adjustments nor is it the result of pragmatic policies in meeting concrete economic problems. Rather, it is a new feature of the internationalization of productive processes under the control

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[2] This changing situation may be summarized thus:

Merchandise Trade
(%)

	Primary Commodities		*Manufactures*	
	1960	*1975*	*1960*	*1975*
Indonesia	100	99	0	1
Thailand	98	77	2	23
Philippines	93	83	7	17
Malaysia	94	82	6	18
Singapore	74	54	26	43

Source: World Bank, *World Development Report,* 1978.

of transnational corporations as a medium of capitalist appropriation. This situation expresses the concrete forms of capitalist development which organically link the ASEAN economies to the demands of transnational corporations. In this respect, the problems of the ASEAN countries are integral to the present stage of the world capitalist economy. The crisis of the ASEAN economies in this sense becomes a component of the general crisis of world capitalism. It is not a situation from which they can escape by some convenient policy manuever. The direction of change lies in structural transformation, in which the inter-relationship of the external and internal factors can be seen in proper light: the ASEAN countries can only succeed in de-linking themselves from the oppressive patterns of international economic relations if necessary structural changes in their internal economy can be significantly achieved. More perceptively now, the crisis of the ASEAN countries increasingly relates itself into the basic question as to whether they would continue to pursue capitalist development under powerful external pressure, or, on the basis of popular forces, muster sufficient political will towards independent development that may broaden into non-capitalist or socialist orientation.

Moribund for about a decade after its formation in 1967, the ASEAN underwent a virtual revival in the wake of the American debacle in Vietnam. The quickened pace of ASEAN developments after 1975 was propelled by strong politico-ideological considerations on the part of the United States which regards the ASEAN as a regional buffer against a socialist Indochina and as a major base of its forward defense perimeter. The victory of the Vietnamese liberation forces in 1975 provided the decisive impetus for the United States to build up an anti-communist regional base to restore the balance of power to its favor in Southeast Asia. Seen in this light, it is important for the United States to prevent the consolidation of political power in Kampuchea in the present Heng Samrin government and to direct the ASEAN countries, in collaboration with China, to the necessity of effecting at best a pro-West Kampuchea or at the least a neutral government in that country.[3]

The object of U.S. apprehension in Southeast Asia has recently come to light: the last congress of the People's Revolutionary Party of Kampuchea announced an Indochinese Federation of which Kampuchea forms part together with Laos and Vietnam.[4] The irreversibility of political developments in Kampuchea—which the United States, the ASEAN countries and China are attempting to reverse—points to

[3] How the United States destroyed the neutrality of Cambodia under Norodom Sihanouk and turned it into a puppet state is detailed in W. Shawcross, *Sideshow: Kissinger, Nixon and the Destruction of Cambodia* (1980).

[4] *Bulletin Today* (Manila), 31 May 1981, p. 3.

the consolidation of socialism in Southeast Asia, and the prospect of strengthening the forces of liberation from neo-colonial domination in the region. The recent policy pronouncement of U.S. Secretary of State Alexander M. Haig that the United States would give "top priority" to ASEAN and the assurance of U.S. Deputy Secretary of State for Security James Buckley to significantly increase U.S. military assistance to the ASEAN countries,[5] indicate clearly the role of the ASEAN in relation to the political trends in Indochina. The dialectics of struggle and cooperation between Indochina and the ASEAN will continue to be one of the focal points of Southeast Asian developments.

ASEAN's political orientation within the U.S. policy framework also assumes importance side by side with the operations of the World Bank, the International Monetary Fund (IMF), and the Asian Development Bank in deliberately structuring the ASEAN economies along capitalist development. The basic assumption of the aid program of these international financial institutions is that the recipient countries maintain an economy open to private foreign investments, which in contemporary terms mean the transnational corporations. The general purpose of the World Bank "to promote private foreign investments"[6] operates as a high-powered instrument to reinforce capitalist structures in the ASEAN. Its decisive role is to spearhead the "modernization" of ASEAN economies, which would be realized in their transformation into thorough-going capitalist economies. In reality, this is actualized by the efforts of the World Bank and the IMF in dismantling political and economic obstacles in the ASEAN countries for the new international division of labor of the transnational corporations. Complementary to this political function of the World Bank and the IMF is the principal foreign-policy objective of the United States to spread the "free-enterprise system" and to "export that philosophy to other nations."

Thus, profoundly underlying the economic and political developments in the ASEAN is the antagonism between the two world systems of capitalism and socialism. As a result of revolutionary changes in the last twenty years, the broadening of non-capitalist or socialist-oriented development in the Third World marks a new stage in the transition of the world from capitalism to socialism. Emerging as one of the last frontiers of foreign monopoly capital, the ASEAN countries are under tremendous pressure from external sources to speed up their capitalist development and to secure themselves against

[5] *Times Journal* (Manila), 18 June 1981, p. 1; *Times Journal,* 21 Aug. 1981, p. 2.

[6] Articles of Agreement of the World Bank, Art. 1(i) and (ii).

the erosion of socialist influences. These inter-related politico-economic considerations are served by the militarized political structures of the ASEAN countries, in line with the McNamara principle that "security is development."[7] They are speeding up their capitalist development at the time of general decline of world capitalism and at a particular stage of capitalist development when its structures are proving to be fetters to the social progress ushered in by the scientific and technological revolution of the last three decades.

Pattern of Japanese Neocolonialism

Pressured by rising labor costs, labor shortage and lack of industrial sites, Japan's crisis was aggravated by the demand of U.S. foreign monopoly capital to gain entry into Japan. The increasing flow of foreign capital has set off a thrust for a more rapid internationalization of Japanese capital, as a means of coping with competition from non-Japanese transnational corporations. Thus, the internationalization of the productive processes (which means a broader inflow of transnationals' capital into Japan) has intensified inter-capitalist contradiction, compelling Japan to accelerate capital export as a measure to cut down production cost in order to remain competitive. One such measure is to segment the production cycle and relocate the facilities for the labor-intensive phases to low-wage areas, such as the ASEAN countries. Accordingly, the ASEAN economies are in the process of being organized around the Japanese problem.

Japan is now undergoing industrial reorganization, which involves a gradual phasing out of labor-intensive industries and their relocation to cheap-labor countries, such as the ASEAN countries, which can then be developed to set up such industries with the assistance of Japanese capital. Logically, such industries as relocated in the ASEAN countries have to be export-oriented since their whole rationale is to produce for the Japanese market or for the world market of Japanese transnational corporations. As Japan promotes the specialization of the ASEAN economies in the low-technology, labor-intensive production, it also increasingly concentrates in high-technology or science-intensive industries.

In a survey conducted in 1970 by the Export-Import Bank of Japan, covering 234 Japanese manufacturing enterprises, it is shown that about 31 per cent moved their investments abroad to develop export-oriented industries in the host countries as a source of manufactures or semi-manufactures for Japan or for their market in other

[7] R. McNamara, *The Essence of Security* (1968), p. 149.

countries.[8] Taking place in the Philippines is the relocation of Japanese small- and medium-scale industries to manufacture textile, garments, chemicals and plastic products, machinery parts, motor vehicle components, electronic and electric equipment.[9] This neo-colonial industrialization integrates the ASEAN economies to Japan's economy and its labor-intensive requirements, with the result that the mobilization of natural, manpower, and financial resources in the ASEAN is geared to the profit demand of Japanese big business, not to the basic needs of the ASEAN peoples. The proliferation of Japanese dominated joint-ventures in the manufacturing sector of the ASEAN countries manifests the development of labor-intensive industries in this region as part of Japan's industrial system. *Such industries in fact form an extension of the Japanese economy; they constitute the labor-intensive sector of Japan's industrial system, geographically located in the ASEAN countries.* In this light, Japan's development aid to the ASEAN countries appears as the financing of its own industrial relocation.

The relocation of Japanese labor-intensive industries to the ASEAN countries is now a matter of official policy. During the ASEAN summit meeting at Kuala Lumpur in 1977, Japan and the ASEAN countries reached a "political understanding" on this question. In June this year, during the ASEAN foreign ministers' meeting, the ASEAN countries renewed their interest in this policy, with a reminder to Japan of the political understanding reached in 1977.[10] Japan's interest now includes the relocation of its energy-intensive industries, for which Prime Minister Suzuki has offered the ASEAN countries energy development assistance.[11]

The far-reaching significance of Japan's industrial-relocation policy is that it is emerging as a main thrust in the development strategy of the World Bank. In its *World Development Report* for 1978, the World Bank approvingly viewed the relationship of some developing countries with Japan:

> Some developing countries are following in Japan's path, expanding exports of labour-intensive manufactures as Japan moves out of them because of rising labour cost. Their opportunities for expanding exports will depend on further shifts by Japan into exports of more sophisticated products and on the extent to which protectionist measures will be moderated by a more liberal import policy in Japan.[12]

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[8] See G. Adam, "Multinational Corporations and Worldwide Sourcing", in Radice (ed.), *International Firms and Modern Imperialism*, p. 98 (1975).

[9] See *Business Day*, 31 May 1978, "Special Report: The Sogo-Shosa", pp. 10-21.

[10] *Times Journal*, 12 Aug. 1981, p. 11. See also "Japan shifts industries to ASEAN", *Times Journal*, 9 Jan. 1981, p. 1.

[12] *Op. cit.*, p. 18.

In his address at the 1979 UNCTAD Session in Manila, Robert McNamara, as president of the World Bank, singled out Japan as an appropriate example of a developed country which "has been particularly successful in making adjustments well ahead of time and thereby securing its overall momentum of trade and economic activity, rather than delaying and relying on protection to save industries that have already become troubled and inefficient".

The special features of Japan's economic relations with the ASEAN, as surveyed above, expand its sphere of national interest and bring within its own concept of "self-defense" the security of this larger area. Self-defense is assuming an offensive thrust, extending its reach to Southeast Asia, towards the Indian Ocean and Japan's definition of the "Pacific Community". Ominous are the military-strategic implications of the policy pronouncement of Foreign Minister Sunai Sonoda in late 1980, *viz.* that the security and protection of Japan were impossible without the security and stability of the ASEAN countries, which are now the organic base of its labor-intensive sector. Shaping up as a security component of the Japanese-initiated "Pacific Community" is an anticipated Japanese participation in the military alliance of Australia, New Zealand, and the United States (ANZUS). On the occasion of Foreign Minister Okita's visit to Australia early last year, the study committee on Japanese-Australian relations, headed by Okita himself, issued its report which openly advocated that the security of the Asian-Pacific region should be based on the US-Japanese Security Treaty and the ANZUS military alliance.[13]

In 1978, Japan's Self-Defense Forces Navy extended its patrol area to as far as Guam and Taiwan to protect sea communications. In November of that year the US-Japanese Consultative Committee on Security adopted guidelines for closer US-Japanese military cooperation, particularly with respect to joint military operations. The new feature of this alliance is Japan's acceptance of the responsibility to deal with emergency situations in the Far East, confirming Japan's new role as the gendarme of the region,[14] in keeping with its neocolonial industrial expansionism.

Changing Strategy of Foreign Monopoly Capital

The rise of revolutionary democratic regimes in the Third World carries with it a wave of nationalization as a means for the recovery

13 *Asahi Evening News,* 14 Jan. 1980.

14 See R. Constantino, *Second Invasion: Japan in the Philippines,* citing Y. Akio, "Japan's Shift to the Right Gathers Momentum", *Japan-Asian Quarterly Review,* No. 3, 1978, p. 3.

of national wealth from the plunder of foreign monopoly capital. The expansion of socialist influence and the accelerated pace of national liberation in that part of the world have significantly increased the political risks of private foreign investments. In the period 1960-76, 1,369 cases of nationalization or takeover of foreign enterprises were registered in 71 developing countries.[15] The rate of nationalization in the first four years of the seventies doubled that of the sixties.[16] The annual average of the number of nationalization cases increased from 47 in the sixties to 140 in the seventies.[17] As in the case of the oil-producing countries in the developing world, nationalization has proved to be a step toward economic independence. It has also become a major point of confrontation with the forces of foreign monopoly capital. Already, the three centers of world capitalism — the United States, Western Europe and Japan — have established a higher level of consultation and coordination in the Trilateral Commission, which is now exploring ways of countering the nationalization trend in the Third World.[18]

Revolutionary transformations in the developing world have so disrupted the traditional conditions for private foreign investments that political stability of the host country now has become the central concern of transnational corporations in investment decision-making. In response, international monopoly capital has mobilized a broad range of approaches in dealing with the problem of political risks to foreign investments in the Third World. Reversal of political developments has taken the form of destabilization leading to the destruction of a duly instituted government and the re-establishment of an "open economy" through a dictatorial regime, as in Chile and Indonesia. Destabilization may create conditions for political and economic changes necessary in shifting a developing economy from its colonial fulcrum to its new base in the neo-colonial division of labor, as the declaration of martial law in the Philippines illustrates. The transformative process of national liberation was characterized by former US Secretary of State Robert McNamara as "incidents of violence" for which as president of the World Bank he later devised a development strategy aimed at reinforcing the political stability of countries where transnational corporations are heavy investors. Un-

[15] UN Commission on Transnational Corporations, *Transnational Corporations in World Development: A Re-examination* (E/C. 10/38, 20 March 1978, pp. 64-65, Tables III-28 and III-29.

[16] UN General Assembly, *Permanent Sovereignty over Natural* (A/9716, 20 Sept. 1974, Annex 10.

[17] *Supra,* note 15.

[18] See Karganov, *The Trilateral Coordination Centre for Imperialist Policy,* 1978 International Affairs, No. 10, pp. 106, 108-109 (Moscow), citing reports of the Trilateral Commission: "The Reform of International Institutions", Triangle Papers, No. 11 (1976) and "Seeking New Accommodation on World Commodity Markets", Triangle Papers, No. 10 (1976).

der the Reagan administration, it has become "international terrorism" to be countered by outright military containment.

In the last decade, transnational corporations have taken advantage of technological and institutional devices calculated to minimize financial or economic losses in case of adverse political changes in the host countries. Among those are industrial complementation, establishment of export free trade zones, and international subcontracting.

A. *Industrial complementation.* The internationalization of production taking place within the framework of transnational corporations has assumed a particular character, resulting from the refinement of technology in the segmentation of the production cycle. They have utilized the strategy of industrial complementation by which developing economies are tailored to specialize in the production of specific parts or components, intermediate products or in a particular stage of production. This is exemplified in the Ford plan for an "Asian regional car", by which

> . . . . A stamping or car-body plant will be set up here [in the Philippines] to complement the axle and transmission plant to be set up in Indonesia, the engine-block plant to be set up in Thailand, and the electrical-parts plant to be set up in Malaysia, and other parts and accessories plant to be set up in Singapore.[19]

Thus, in the making of one whole major product line, such as motor vehicles, electronic products or data processing equipment, the ASEAN countries would be integrated into the assembly line of one transnational corporation, each specializing on one component or intermediate product. Aside from the cost-cutting benefits resulting from subcontracting of labor-intensive processes and the non-disclosure of the complete patent-protected technological package, industrial complementation, as Meier has noted, "reduce[s] the risk of investing in any one developing country".[20]

The development of the electronic industry in the ASEAN typifies the pattern of industrialization in which the member countries would become merely the geographical site of "offshore" operations of transnational corporations. The industry consists of "expatriate" plants, located in the Philippines, Singapore, and Malaysia, which are integral to the manufacturing facilities of these corporations located in the United States, Japan, and West Germany. The segments of the whole technological process which are labor-intensive are operated by the "feeder plants" in the Philippines, Singapore and Malaysia.

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19 Editorial, *Financial Journal* (Manila), 26 July 1971.

20 See G. Meier, *New Possibilities for Foreign Enterprises,* Modern Gov't., p. 32 (June-July 1971).

Intermediate components and devices are "exported" by the global corporations of the United States, Japan or West Germany to their "feeder plants" in the ASEAN countries, and are "imported" back by the same corporations after the labor-intensive assembly-testing operations. In this context, the "electronic industry" located in the ASEAN consists merely of certain segments of the whole production cycle.

As in the case of the electronic industry, the car manufacturing complementation has developed in the ASEAN countries on the initiative of the transnational corporations. Ford, General Motors, Mitsubishi, Toyota and other transnationals which now manufacture car parts or components in the ASEAN countries are the first beneficiaries of the ASEAN industrial complementation program. Their products are included in the "product coverage of the first package of existing AIC products", as approved by the 11th meeting of the ASEAN Economic Ministers in May 1981.[21]

Under the Basic Agreement on ASEAN Industrial Complementation,[22] an industrial product manufactured or to be manufactured in an ASEAN country may be allocated to that country as its participation in the ASEAN Industrial Complementation (AIC) package. Normally, such product may be identified for inclusion in the AIC package by the ASEAN Chambers of Commerce and Industry — which emphasizes the private-enterprise character of the ASEAN economies. A product thus included shall enjoy trade preferences in the other ASEAN countries and generally "such countries cannot set up new production facilities or expand existing ones to make the same product as that country for which such product was allocated unless 75% of its production is for export outside of the ASEAN region".[23]

It is anticipated that the AIC will consist of major product lines of the transnationals, the parts or components of which would be identified for inclusion in the AIC package. The result is the industrial or technological integration of the ASEAN economies on the basis of the assembly-line manufacturing of the transnationals. The terms of the Basic Agreement on AIC are so broad as to cover every conceivable industrial product, and accordingly such integration will have an expanding base in the industrial requirements of the transnationals. Each relevant industrial sector of every ASEAN economy holds the prospect of being converted into a product division of the manufacturing complex of a transnational.

21 ASEAN Standing Committee, Annual Report, 1980-81, pp. 24-25.

22 Approved and Initialed by the 11th meeting of the ASEAN economic Ministers on 30 May 1981.

23 Article IV, paras. 4 and 5, Basic Agreement on AIC.

Hence, the problem of political stability ceases to be an independent matter on the part of an ASEAN country. It would become in fact a collective concern. Each ASEAN country assumes real interest in the political conditions obtaining in the others. A collective security arrangement becomes an organic necessity. The collective nature of their security becomes the basis of political stability for the ASEAN as the regional industrial base of the transnationals.

B. *Export free-trade zones.* The development thrust of the ASEAN countries has a feature they share in common: they maintain free-trade zones for the exploitation of cheap labor for the export interests of foreign monopoly capital.[24] Oppressive conditions of works at exploitative wages inhere in the nature of free-trade zones. Since manufacturing is geared to export, the rationale of productive activity in these zones is not defined by the basic needs of the people, but by the demand of profitability for foreign monopoly capital in the export market.

What needs to be emphasized here is that free-trade zones are designed for manufacturing by foreign capital at the lowest cost possible with the least possible political risks. In addition to cheap labor and a package of investment incentives, the host government provides a complete physical plant, together with power and communication installations and other accessories, to achieve a minimum financial or capital exposure on the part of the investors. Whatever light machinery or equipment that may be brought in by the foreign investor enjoys accelerated depreciation. Hence, any adverse political change or upheaval in the host country would entail, if at all, a negligible loss on the part of the foreign investor.

C. *International Subcontracting.* The ASEAN economies are on the way to being developed as suppliers and subcontractors of transnational corporations. This trend is exemplified in the effort of the World Bank in re-organizing the Philippine economy along the strategy of foreign sourcing on the part of the transnationals.

[24] *Free trade zones in Thailand:* Zones 1—Chiang-mai, Lampuhn, Lampang; Zones 2—Phitsanoluk, Sukhotai; Zonge 3—Udon Thani, Khon Kaen; Zone 4—Ubon Ratchathani; Zone 5—Nakhon Ratchasima; Zone 6—Saraburi; Zones 7—Nakhon Pathom, Samut Songkram, Ratchaburi, Kanchanaburi; Zones 8—Chaochangsao, Chon Buri, Rayon; Zones 9—Phukat, Phangnga, Krabi; and Zones 10—Songkhla. *Free trade zones in Malaysia:* Prai, Bayan Lepas, Sungai Way, Ulu Klang, Telok Panglima, Datu Berandam,Tanjong Kling, Pasir Gudang, and Senai. *Free trade zones in Singapore:* Bukit Timah, Jurong, St. Michaels, Tiong Bahru, Red Hill, Ayer Rajah, Tanglin Halt, Kallang Basin, Tao Payoh, Ang Mio Kio, Chai Chee, Bedok, Indus Roard, and Woodlands. *Free trade zones in Indonesia:* Batam Island, Pulau Gadung, and Surabaya. *Free trade zones in the Philippines:* Mariveles in Bataan Province, Baguio City, Mactan Island in Cebu Province, Cavite, and Phividec. See *Business Review* (Bangkok), April 1978, pp. 196-98; *Far Eastern Economic Review,* May 18, 1979, p. 77. Twelve other free trade zones are being planned in the Philippines.

The World Bank is promoting the development of small-and medium-scale enterprises which can manufacture parts, components and sub-assemblies to be incorporated into the products of a contracting international company. The survey mission of the Bank which visited the Philippines last year saw the bright prospect of international subcontracting for Philippine enterprises.[25] As in other parts of the ASEAN, various sectors of foreign monopoly capital are moving into the Philippines in search of Filipino manufacturers for the production of parts and components. General Electric has offered about 1,000 parts and sub-assemblies of home appliances, electronics and other electrical products to Filipino manufacturers under long-term subcontracting arrangements. Siemens of West Germany has also confirmed its plans to have subcontracting projects in the Philippines. The United Kingdom Trade Agency is in search of Filipino manufacturers for the production of camera, television, electronic and electrical components and parts.[26] Already the manufacture of Ford's Fiera vehicle alone has given rise to about 33 Filipino supplier enterprises which subsist on Ford procurement. General Motors has announced the expansion of manufacture of components and parts for its diesel engine manufacturing program in the Philippines.[27]

It should be stressed that as a result of the reorganization of its whole financial sector on recommendation of the World Bank, tremendous capital resources in the Philippines are now being mobilized for the establishment of small-and medium-scale industries to meet the "supplier and subcontracting" demand of international companies. These industries are wholly owned and operated by the "natives" themselves.

This industrialization pattern signifies a departure from the traditional movement of capital in terms of direct equity investments by foreign capital. It thus marks a shift from equity control to market and technological control on the part of foreign monopoly capital. Obviously, international subcontracting, which may minimize the dominance of equity investment in the ASEAN countries, avoids effectively the problem of nationalization. But it assumes as well an effective domination of the politico-economic processes of a given developing country by foreign monopoly capital.

The overall result of these readjustments on the part of foreign monopoly capital is reflected in the World Bank's *World Development Report* for 1979 thus:

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25 "Subcontracting jobs advised for small firms", *Phil. Daily Express* (Manila), 6 Oct. 1979, p. 9.

26 *Times Journal,* 4 Nov. 1980, p. 10; *Times Journal,* 18 Nov. 1980, p. 10; *Phi. Daily Express,* 14 Jan. 1979, p. 14.

27 *Phil. Daily Express,* 16 Oct. 1979, p. 16; *Phil. Daily Express,* 8 Dec. 1978, p. 10; *Phil. Daily Express,* 9 Aug. 1979, p. 10.

> The character of links between private transnational firms and developing countries has been changing in recent years. First, equity participation is being gradually replaced by the use of loans and suppliers' credits. Second, direct managerial control by the parent company is being superseded by management participation, technical assistance agreements, production sharing and supply contracts. These changes have resulted partly as a response of multinational corporations to host country controls on foreign investment, and partly from the growth of competition from new suppliers, who are increasingly willing to design arrangements to suit host country requirements. The term "private direct investment" as it is currently understood — equity participation by a foreign firm with an effective voice in the management of the enterprise — does not encompass these shifts. Consequently, the information based on traditional definitions of equity participation tends to underestimate the role of transnational firms in capital flows to developing nations in recent years. More important, policies based on the traditional concepts would not address the new economic realities.[28]

Over the past two decades, there have been changing forms of control by the transnationals over export of primary commodities, with the emergence of joint ventures, licensing agreements, and management contracts. This has been interpreted as a decline of that control.[29] The nationals of host developing countries have gained increasing equity participation in resource-based projects.[30] Governments in the ASEAN countries are attempting to increase the degree of local participation in the processing of raw materials or primary commodities, as indicated by the proposed copper smelting project in the Philippines, the timber contracts in Indonesia, and the processing of tobacco and pineapple in Thailand.[31] However, increased local participation in the processing of raw materials is also precipitated by the desire of developed countries, such as Japan, to avoid the adverse environmental consequences of basic processing or to relocate their energy-intensive industries to the developing countries. At any rate, as noted in one study, "the mere fact that TNCs [transnationals] are not involved in the ownership of the production phase does not, by itself, ensure either a lessening of ultimate TNC control or better distribution of gains".[32] As shown above, TNC control or appropriation of economic surplus does not necessarily depend on ownership of the productive facilities.

[28] At p. 34.

[29] Joint CTC/ESCAP Unit on TNCs, *Transnational Corporations in Export Oriental Primary Commodities: A General Conceptual Framework for Case Studies,* Working Paper No. 1 (Bangkok, 1978), pp. 5-6.

[30] *Id.,* p. 3.

[31] See Joint CTC/ESCAP Unit on TNCs, *An Overview of Case Studies on Transnational Corporations in Primary Commcdities in the ESCAP Region* (Bangkok, Oct. 1979), p. 4.

[32] *Id.,* p. 7.

While on the whole the stock of foreign investments in the extractive industry and primary commodity sector has declined, there has been a marked increase of foreign capital in the manufacturing sector. In Malaysia, the "Malaysianization" trend in rubber production operations is paralleled by the rapid movement of transnationals' companies into the rubber goods manufacturing industries.[33] The decline of foreign capital in the extractive and plantation sectors is clear; on the other hand, foreign investments in manufacturing had increased from 60% of the total investments in this sector in 1960 to 72% in 1979.[34] As a general trend in the rubber industry in Asia, it may be said that the transnationals have been playing "an ever-diminishing role in the actual cultivation of natural rubber", with considerable reduction of foreign landholdings; however, TNC activities have increased in domestic rubber goods manufacturing.[35] Significant in this respect is the recent integration of the Philippine coconut industry in the hands of a high-placed local financial group, resulting in the phasing out of the transnationals' control over processing and export of this commodity.

By Way of a Conclusion

The Annual Report of the ASEAN Standing Committee for 1980-81 puts forward an impressive role for the Association: "ASEAN constitutes the cohesive center, the stable core which is helping to hold Southeast Asia together. It is emerging as one of the potential cornerstones of the proposed New International Economic Order." The patterns of development surveyed above hardly supports this aspiration. In fact, the main trends in the ASEAN, propelled by foreign monopoly capital, appear to be a reversal of the directions drawn by the United Nations' *Declaration on the Establishment of a New International Economic Order*.[36] This historic document expresses the collective consciousness of the developing countries that "the remaining vestiges of alien and colonial domination, foreign occupation, racial discrimination, *apartheid* and neo-colonialism in all its forms continue to be the greatest obstacles to the full emancipation and progress of the developing countries and all peoples

[33] Joint CTC/ESCAP Unit on TNCs, *Transnational Corporation and the Rubber Industry of Malaysia: Patterns of Control and the Distribution of Net Benefits,* Working Paper No. 6 (Bangkok, Oct. 1979), p. 6-7, 53.

[34] Lim Mah-Hui, *Capitalism and Industrialization in Malaysia* (mimeo), p. 17. Paper presented at the International Conference on Alternative Development Strategies and the Future of Asia, New Delhi, March 11-17, 1980, sponsored by the United Nations Institute for Training and Research.

[35] Joint CTC/ESCAP Unit on TNCs, *The Rubber Industry in Asia: Transnational Corporations and the Distribution of Gains,* Working Paper No. 4 (Bangkok, June 1979), pp. 66-67.

[36] UN General Assembly resolution 3201 (S-VI), adopted on May 1, 1974.

involved."[37] The essence of the New International Economic Order (NIEO) lies in the structural transition of the developing countries to economic self-determination and liberation. It transcends a "new order" which merely provides for the transition of the classical methods of colonial exploitation to a neo-colonial international division of labor that now entraps the ASEAN countries. NIEO is a program of action for a new alternative in (1) centralizing the integration of the national economy on the basic needs and social progress of the people themselves, (2) strengthening the permanent sovereignty over natural resources, (3) phasing out the TNC domination over the national economy, and (4) reinforcing the State sector as the main basis of the economy.

In the developments reviewed above, the impact of industrial complementation, free-trade zones industrial allocation, and international subcontracting would inevitably result in the disintegration of the national economies in the ASEAN; each sector or industry in an ASEAN national economy, directly involved in the neo-colonial division of labor, becomes integral to the assembly-line manufacturing of the TNCs. The economy ceases to be national; it is transformed into an internationalized segment of the TNCs' production cycle. Thereby, the main motive force of the economy will not be the inner mechanism of the people's decision-making, but the financial and economic imperatives of international monopoly capital. On the basic level of decision-making, the World Bank and the IMF, in behalf of international monopoly capital, have taken charge of the main directions of the ASEAN economies, derogating the ASEAN governments to the role of mere implementing agencies of their "recommendations".

A close study of ASEAN trends will disclose a general pattern of development designed by international monopoly capital, as a response to the demand of the developing countries for the NIEO. It is in this light that the new international division of labor appears as a NIEO version of the transnational corporations—a New Imperialist Economic Order.

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[37] *Ibid.*