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Impacts of the current economic crisis on Southeast Asian labour markets

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Southeast Asian labour markets are characterized by the diversity of the countries of which they are part and by the historical antecedents of colonialism that have largely given them their nature. Most have adopted a form of the export-oriented, import-substituting low labour cost manufacturing paradigm of economic development known as the East Asian Economic Model (EAEM). Having already passed through the Asian Financial Crisis of 1997 and its disruptive effects, workers in the region are facing a different set of challenges as a result of the present ongoing crisis: these include structural changes to the EAEM and the possibility of public unrest in the continuing absence of genuine democratization across most of the region. These factors add some distinctive features to regional labour markets which, nevertheless, consist of people with the same aspirations and desires as those of workers throughout the world.

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Introduction

While it is dangerous to generalize about a region as diverse as Southeast Asia, it is possible to observe that its countries have followed certain routes towards economic development in the sixty years since the Second World War. This included an East Asian Economic Model (EAEM), which is based on import-substituting, export-promoting manufacturing with competitiveness based on low labour costs. Labour costs have been kept low, in general terms, by moving people from agriculture into industry, accepting inward flows of legal and illegal migrant workers and the use of the police and military to suppress workers' rights, freedom of association and freedom of speech. As Studwell has observed:

“The great discovery of south-east Asian governments in the late 1960s was that their diverse populations (contrary to colonial myth) were rather uniformly hard-working and would happily toil through the day and night in factories making clothing, shoes, appliances and electronics. Government needed only to woo investment - most of it foreign - with full ownership rights for production facilities, tax breaks and central bank intervention to keep local currencies undervalued and hence exports cheap. The proposition was irresistible for cost-cutting multinationals and spawned globally competitive, but small-scale local businesses to provide components and contract manufacturing and support services: anything from making models for toy moulds to packaging semiconductors to cleaning multinationals' factories (Studwell, 2007, p.xxiii).”

Even the Communist and former Communist members of Southeast Asia, Vietnam, Laos and Cambodia, have now embraced their own versions of the EAEM. The kinds of manufacturing industries involved have included garments and shoes, processed agricultural products and seafood, electronic components, automotive and semiconductors. In general terms, the technology for this kind of manufacturing is quite widely diffused around the world and the need for skilled workers limited. Commodity labour

prices, in other words, have remained of the greatest importance. To support labour markets of this nature, it has been necessary for states to maintain educational systems that, for the working classes at least, promote rote learning, discipline (i.e. obedience) and the advancement of 'traditional cultural norms' such as deference to authority figures, willingness to accept injustice mutely and self-abnegation in the light of state development goals. The results of the education system are reinforced by additional aspects of the East Asian Development Model (EADM), which include limitations on democracy, censorship, self-censorship, promotion of national ideologies and, again, the need for obedience. The EADM routinely includes, therefore, a compliant pro-establishment media, patronage systems, neutered labour movements and a culture of antipathy towards politicians who might represent a genuine threat to the status quo. One aspect of the ideological state apparatus that has been employed to buttress the model is the discourse of 'Asian values.' Originally accredited to the founder of modern Singapore, Lee Kuan Yew, Asian values draw upon paternalistic Confucianism (labeled 'neo-Confucianism' when it is used for plainly political ends) and the imposition of deference and obedience to authority. However, the reality is that there is nothing essential about the nature of workers in Southeast Asia, who are just as interested in securing better futures and economic opportunities, as well as quality of life, for themselves and their families as are workers in any other part of the world.

All economic activities eventually become obsolete, of course, usually after having first passed through a period of decreasing relevance. This process is accelerated or intensified by the onset of an economic crisis such as that which began in 2008. The questions this paper tries to answer include the extent to which the crisis has hastened the end of the EAEM and the EADM, as well as the impact that it has had upon the labour markets of Southeast Asia and what policy recommendations may be drawn to address the emergent and the more long-term problems.

Historical antecedents of contemporary Southeast Asian labour markets

In understanding the contemporary nature and structure of Southeast Asian labour markets, the importance of the period of European colonization can scarcely be over-emphasized. There are two dominant elements brought about by this period. First, the states of the region were brought firmly into the system of international capitalism that was the principal impact of globalization as brought about by imperialism. This had the effect of transforming the nature and purpose of production in the region and, concurrently, transformed the land cover and geography of much of the region. Mining was opened on a much more intensive level (often unsuccessfully), while rubber plantations spread across the lands, supplanting the forests that had previously held sway. The changes in focus of production were determined by international events far away from and beyond the knowledge of those most directly affected by them: the demand for tin to can food to sustain armies in the American Civil War, for example, and the demand for rubber for the tyres needed by increasing numbers of road vehicles (Hiebert, 1999). Working these new industries was only partly the responsibility of local people. Instead, large numbers of workers were recruited internationally from neighbouring Southeast Asian countries and, more significantly perhaps, from India and China. Workers arrived in large numbers, in a variety of schemes ranging from coolie semi-slavery basis to adventurous volunteers. The sheer extent of Indian and Chinese arrivals prior to WWII appears to bear out the Lewisian model of limitless supply of labour (Huff and Caggiano, 2007). Not every newly-installed industry was successful and international market conditions could render even intensive local efforts profitless (e.g. Slocomb, 2007). Nor was the experience of the workers always tolerable. Concentrating people together under conditions of some misery proved to be a means of fomenting revolutionary aspirations (e.g. Trinh, 1985).

The end of WWII may have signaled the beginning of the end of the period of colonization but there remained, for many, decades of armed struggle before

independence could be seized. Post-independence regimes were, for various reasons, not the utopias that many had hoped for and resulted in various instances of collectivization, re-education, expropriation of the property of imperialists and pogroms aimed at some ethnic groups, particularly the Chinese. In states which did not undergo Communist revolution, the imperative for rapid economic development led to a variety of approaches towards the East Asian Economic Model (EAEM), which featured import-substituting, export-oriented low labour-cost manufacturing. Competitiveness was achieved through the low labour costs that were, in turn, managed by means of moving people from the agricultural sector to the industrial sector so that continual expansion of supply of labour depressed wages, together with the judicious use of state violence and suppression of workers' rights in the name of national unity and the fight against Communism. Meaningful democratization was largely held at bay by the 'Asian Values' argument and the creation of state-private sector patronage networks that are also labeled 'crony capitalism.'

The 1997 Asian Economic Crisis revealed many of the weaknesses of these systems but, in the wake of the IMF-sanctioned predations on local economies, denied states the means of restructuring their economies with a view to dealing with vulnerability to external environmental shocks and adjusting their versions of the EAEM to a world in which new threats were emerging (e.g. the rise of China) and resurgent calls for democracy and freedom of expression. Owing to the fall of the Soviet system and the 1997 crisis, all Southeast Asian states have entered transitional periods which were yet to be resolved by the time the 2008 crisis broke.

The nature of the crisis in Southeast Asia

Southeast Asia is defined here as the countries of Brunei, Burma [Myanmar], Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam. These are very varied countries in terms of size, economic and social development, political regime and distribution of comparative advantages. One factor that does unite the majority of the countries is the high level of economic growth that has been experienced over recent years (Table 1).

TABLE 1. GROWTH RATES, 2004-2010

	2004	2005	2006	2007	2008	2009	2010
Southeast Asia	6.5	5.7	6.0	6.4	4.3	0.7	4.2
Brunei Darussalam	0.5	0.4	4.4	0.6	-2.7	-0.4	2.3
Cambodia	10.3	13.3	10.8	10.2	6.5	2.5	4.0
Indonesia	5.0	5.7	5.5	6.3	6.1	3.6	5.0
Lao People's Dem. Rep.	7.0	6.8	8.3	7.8	7.2	5.5	5.7
Malaysia	6.8	5.3	5.8	6.3	4.6	-0.2	4.4
Myanmar	13.6	13.6	13.1	11.9	-	-	-
Philippines	6.4	5.0	5.4	7.2	4.6	2.5	3.5
Singapore	9.3	7.3	8.4	7.8	1.1	-5.0	3.5
Thailand	6.3	4.6	5.2	4.9	2.6	-2.0	3.0
Viet Nam	7.8	8.4	8.2	8.5	6.2	4.5	6.5

Source: ADB, Asian Development Outlook 2009, Appendix, p.296.

Since Southeast Asian governments were obliged to weather the Asian Financial Crisis of 1997, many of the corrective steps needed to rein in banks and financial institutions that were so signally not taken in the USA and Europe had already been taken in this region. Consequently, the major implications of the crisis were felt as secondary rather than primary effects. While there were job losses at, for example, companies linked to American and European firms forced to close doors, there were no losses of banks or finance houses. Outside of the finance sector in Singapore, therefore, few white collar job

losses have been recorded to date in Southeast Asia. As the table above indicates, it is still being projected that the recession (i.e. negative economic growth) will last just for one year (2009) and positive growth will return in 2010, although this is far from certain as the western world, the USA in particular, seems to be destined for exit from recession without job creation. The unfortunate retreat of many western European countries away from the appropriate Keynesian approach to growing out of recession, combined with the obstructive nature of the American political opposition has raised the genuine fear of a return to recession, in the form of what is being termed a ‘double-dip recession.’ If this does occur, export markets for Southeast Asian nations will again be negatively affected and the inward flows of investment capital also reduced.

There have, in addition, been significant job losses in the manufacturing industry, which has been at the heart of the EAEM, as described above, along with the tourism and related sectors. The ILO’s projection of global jobs losses is this: “The ILO projects that global unemployment is likely to rise by 39 million between 2007 and 2009, with an increase in the worst-case scenario of 61 million; the number of vulnerable workers could increase by up to 108 million people; and as many as 222 million people worldwide run the risk of joining the ranks of the working poor” (ILO, 2009). Since Southeast Asia is more vulnerable to external economic shocks because of the dependency on export activities, the region has suffered more than the average. In general, across the region, job losses have resulted in migrations in the cases of workers returning to rural homes, entrance into the informal sector and also some risk-taking behaviour. Table 2 below indicates recent unemployment figures in the region. These figures are likely to underestimate the true figures since sufficient technical capacity to make accurate counts is generally lacking and many people are involved in under-employment in rural areas or are members of the informal sector and, so, they do not appear in official unemployment registers.

TABLE 2. UNEMPLOYMENT RATES, 2004-2008

	2004	2005	2006	2007	2008
Brunei Darussalam	3.5	4.3	4.0	3.4	3.7
Cambodia	-	-	-	-	-
Indonesia	9.9	11.2	10.3	9.1	8.4
Lao People’s Democratic Republic	-	-	-	-	-
Malaysia	3.5	3.5	3.4	3.0	-
Myanmar	-	-	-	-	-
Philippines	11.8	11.5	8.0	7.3	7.4
Singapore	4.4	3.1	3.4	2.9	2.8
Thailand	2.1	1.8	1.5	1.4	1.4
Viet Nam	5.6	5.3	3.4	8.4	4.7

Source: ADB, Asian Development Outlook 2009, Appendix, p.301.

Women in particular have been vulnerable to job losses. They tend to be concentrated into a smaller number of economic sectors and to be located at the lower ends of global supply chains, more than average in casual or temporary positions. Since they tend to be paid less, they can save less and so the impact upon them resulting from job loss tends to be more severe. Further, in poorer families, the loss of a woman’s earnings tends more disproportionately affect negatively children’s health and education (Dejardin, 2009). Of course, migrant workers too have been vulnerable, especially those in unregistered or unofficial positions, since these are easily retrenched by employers. However, as Son and San Andres point out and as mentioned above, the exact impact in Asian labour markets cannot properly be known because of lack of technical capacity and because of the availability of large informal sectors:

“When formal sector employment starts shrinking due to an economic downturn, a majority of laid off workers—particularly in developing countries—take up some form of employment to offset lost income and therefore will not be counted as unemployed in labor market statistics. Instead, they are highly likely to move to the informal service sector where pay is often lower and job quality is inferior, or to migrate to rural areas to work in agriculture. While there are many speculations on the possible impacts of the crisis on labor markets, few studies provide quantitative analyses on the issue (Son and San Andres, 2009).

In terms of policy responses, as the ILO notes (ILO, 2009), state intervention in markets across the world has been on an unprecedented level. Governments have rushed to demonstrate the efficacy of Keynesian policies by pouring money into mostly infrastructural projects on a unilateral or multilateral basis. As noted above, many of the job losses have involved women but the majority of new jobs associated with construction (to build the infrastructure identified) are going to go to men. This has been witnessed in the case of Chinese labourers contracted to build infrastructure projects in countries such as Laos and Myanmar in particular. Many workers, having completed their contracts, prefer to remain in the new country to establish entrepreneurial businesses and may or may not marry local women and settle in existing communities. When this occurs on a large-scale, there is a genuine and troubling possibility of conflict.

TABLE 3. GROWTH IN MERCHANDISE EXPORTS (% PER YEAR)

	2004	2005	2006	2007	2008	2009	2010
Southeast Asia	20.0	15.7	17.1	12.2	14.5	-17.7	7.6
Brunei Darussalam	14.6	23.3	22.1	2.3	28.5	-14.5	3.3
Cambodia	24.1	12.4	26.9	10.7	-	-	-
Indonesia	10.4	22.9	19.0	14.0	18.0	-25.0	14.6
Lao PDR	8.3	88.3	67.1	5.2	21.2	-20.0	
Malaysia	21.1	12.3	12.9	9.6	12.8	-13.3	5.8
Myanmar	4.4	21.7	47.4	22.3			
Philippines	9.8	3.8	15.6	6.4	-2.6	-8.4	14.6
Singapore	23.3	16.8	18.1	10.5	13.1	-16.0	5.0
Thailand	21.6	15.2	17.0	17.3	16.8	-18.0	8.0
Viet Nam	31.4	22.5	22.7	21.9	29.1	-31.8	8.1

Source: ADB, Asian Development Outlook 2009, Appendix, p.305.

The extent of the losses in the exporting industries is revealed in Table 3. The prospects of recovery in 2010, when export growth is anticipated to be returning, remains somewhat optimistic. However, it would represent a return to the previous pattern of dynamic growth.

Industry strategy and value-added

The principal means by which countries can seek to exit or to supplement the benefits of their version of the EAEM is to increase domestic consumption. This is the approach that has been adopted by China, albeit that the sheer size of the population there means that many millions of people will still be excluded from the process. The strategy in itself is quite clear: it seeks to reduce the vulnerability of economies to external economic shocks that reduce demand for exports by finding ways to increase the income of local people, so that they can afford to buy the products themselves. This may require the opening of new markets for consumer credit to provide people with the means to buy goods on hire purchase and similar schemes rather than expecting outright cash payment. However, to achieve this, it is necessary to embark upon a rash of related policies and measures. In a

speech to the Asian Institute of Management in July, 2009, Neeraj Jain, Country Director of the Philippines at the ADB, outlined the agenda for change:

“The global economic crisis has helped highlight Asia's strengths and challenges. Export-led growth has delivered enormous benefits to the region and will continue to do so when global trade revives. But the current crisis has made the risks of excessive dependence on external demand painfully clear. Developing countries whose output greatly exceeds expenditure can correct this imbalance by altering the production structure and diversifying demand. Strengthening social safety net programs ... will help reduce precautionary savings and boost domestic consumption. Deeper financial integration and stronger and more stable regional investment climate can channel more of Asia's savings from low-yielding government bonds into productive investments within developing economies. Greater exchange rate flexibility and supply side policies that promote small and medium-sized enterprises and service industries can boost production catering to domestic and regional demand. Finally, concrete steps to expand regional trade will reduce overdependence on demand in advanced economies. Expansion of domestic demand and intraregional trade can form a mutually reinforcing virtuous cycle (Jain, 2009).”

These policies need to be conducted in conjunction with efforts to improve both competitive advantages that companies can deploy and, also, enhancing value-added in industrial activities. A substantial proportion of Southeast Asia's exports remain in the form of unprocessed or lightly processed agricultural products or similarly extracted natural resources. These exports offer little marginal profitability and demand is more elastic, since they are treated as little more than commodities; further, there is an elevated likelihood of accusations of dumping when the exports are significantly cheaper than those produced locally or for other reasons. Additional processing and branding are examples of means by which goods may be raised out of commodity status and this is required to reduce vulnerability in the exporting industries. Products with low value added or in which value adding activities are particularly difficult for technical reasons can still be sold in domestic markets, on the basis that local people will have a better understanding of the value of the products concerned. Such methods are in fact contradictory to the EAEM, which offers subsidized costs to investors and hence depresses the need for adding value. The industrial estates of Thailand, for example, are dotted with companies manufacturing goods which are only profitable because of such subsidies.

In terms of labour markets, there will be a need for workers to earn more so as to be able to afford to buy more consumer goods and also to be better skilled so as to participate in value-adding activities. The means by which skills are introduced into the labour market will depend to a considerable extent on the type of labour market model employed in the country concerned. Those states which maintain an authoritarian approach can simply instruct intermediary institutions to change their priorities with a view to producing the kinds of workers required. In other cases, it will be necessary to create a series of incentives and motivations aimed at guiding requisite individuals into the desired career paths. Clearly, this will also have significant impacts on educational systems, which will require more than just rote learning for people to be able to use creativity and innovation in their work. The willingness of certain states to inflict educational regimes of limited efficacy as a means of restricting the ability of the working classes to contemplate radical political change might be compromised by this and states will need to consider (preferably transparently and on a democratic basis) whether they are willing and capable of leaving the EADM as well as the EAEM. Indications at the current time about this willingness are that most states are not prepared to take this step. Where such steps are being taken, this is often being conducted at a (necessarily) basic level and with external assistance. In Vietnam, for example, the Asian Development Bank (ADB) has provided assistance for the government to overhaul the quality of the secondary schools and the tuition offered

there, as well as to improve skills in workers entering the labour market (ADB, 2009b; ADB, 2010). These programs are to be welcomed at the operational level but do have the effect of binding local labour markets and production systems more closely to the vagaries and vicissitudes of global markets.

Migration flows

According to the International Organization on Migration (IOM), negative impacts on international migrant workers as a result of the crisis are likely to include loss of jobs in migrant-concentrated sectors, reductions in wages and conditions, discrimination and xenophobia, return of migrants to difficult home conditions, decline in remittances, more restrictive immigration policies, increase in trafficking and, as discussed above, differential impacts based on gender (IOM, 2009). In order to deal with these issues, the IOM recommends measures taken by governments to monitor the situation and ensure that discrimination or xenophobia is not expressed, that the rule of law remains in force, that regular channels remain open, that remittance flows are maintained as much as possible and that the consensus that has been achieved between receiving and domestic countries in recent years not be adversely affected (*ibid.*). This situation is somewhat complicated by the presence of increasing numbers of mainland Chinese workers arriving in most if not all of the Southeast Asian nations. Resistance to such workers has been seen clearly in Vietnam, where forcible relocation of labourers whose contracts have terminated has been threatened (Brown, 2009). In Laos, people expressed widespread discomfort over the prospect of up to a million Chinese workers arriving to create and live in a Chinatown district near to the capital city of Vientiane, although large amounts of Chinese investment have helped the development of that country (e.g. Pham, 2008). Resistance to migrant workers have been experienced in Malaysia as well (Heong, 2009). Meanwhile, in Singapore, some disquiet has been expressed over newly arrived Chinese workers headed for the service sector who have limited English skills and whose motives are suspected. Singapore, of course, is already making efforts to reintegrate retired workers into its mainstream labour force through the AdvantAge!

By contrast, the generally reduced global economic conditions have encouraged a number of professional expatriates to reduce their expectations in terms of salary and conditions, at least until conditions might be expected to recover. Further, as other research has indicated, economic crisis can act as a spur to some to create their own, perhaps successful entrepreneurial businesses (e.g. Maneepong and Walsh, 2009). Success in entrepreneurialism helps to stimulate reverse flows of migration, as people earn sufficient income for their remittances to be accompanied by their own return. In fact, in a number of migration situations, Cambodian or Myanmar migrants might choose to enter Thailand numerous times on a daily, weekly or less regular basis depending on the availability of substitute work at home and the seasonality of employment in the agricultural sector.

Public order and democracy

In the early stages of the global economic crisis, there were many suggestions that it would be accompanied by widespread riots and outbreaks of public disorder. To date, this has yet to occur (although that does not mean that it will not occur in the future). In the countries in which public disorder has taken place over the last year, Thailand and Malaysia in particular, that disorder has been fuelled primarily by other causes, even when economic problems might have exacerbated feelings in some cases. Further, as an essential element of the EADM, as mentioned above, labour unionism and labour disputes have been routinely suppressed. This is notable in two recent strikes in Thailand, involving the Triumph International clothing manufacturing company and the union of the State Railways of Thailand (SRT). In the first case, workers were laid off and complained (over an extended period of time) that they had not been treated according to the law

(Chuachang and Yingyongpattana, 2009) - and received no support from the government. In the second case, drivers in the southern region took industrial action because of safety concerns about the trains they were expected to drive and because, following a series of derailments including some fatal accidents, driver error was routinely ascribed as the cause by the SRT management and then reported in the press (Wongruang, 2009).

One proxy variable for the degree of personal liberty and freedom is the degree of press freedom as measured by Reporters sans Frontières (Table 4).

TABLE 4. PRESS FREEDOM INDICES IN SOUTHEAST ASIA, 2002 AND 2009

Country	Position 2002 ^a	position 2009
Indonesia	57	100
Cambodia	71	117
Philippines	89	122
Thailand	65	130
Malaysia	110	131
Singapore	-	133
Brunei	111	155
Vietnam	131	166
Laos	133	169
Burma	137	171
Malaysia	110	131

Source: Reporters sans Frontières, Press Freedom Index, available at: <http://www.rsf.org/en-classement298-2002.html> and <http://www.rsf.org/en-classement1003-2009.html>.

Note (*): The 2002 index included 139 countries while the 2009 index included 175 countries.

It is always possible to criticize figures such as these on a variety of grounds, especially when qualitative judgments are used instead of or in combination with quantitative measures, no matter how well chosen they might be. However, it is clear that Southeast Asian nations have generally gone backwards in terms of press freedoms based on these results. In part, this is a result of other countries having improved their positions but some countries have certainly gone backwards. Thailand, notably, has endured increasingly tight (and destructive) levels of censorship since the military coup of 2006 and the appointment of the Abhisit regime in 2008.

New divisions and spatialities of labour

The EAEM, however configured, clusters workers and supporting infrastructure in specific, mandated locations, such as industrial estates, as well as the urban centers where economic activities are most conveniently located. Certain types of work are privileged above others in terms of status and remuneration and types of work are regularly allocated on the basis of gender. All of these factors are subject to change in the transition from EAEM to a different approach to economic growth. In addition, there are numerous ways in which the EAEM has had an impact, usually negative, on the natural environment. Further, projected climate change will also have large but mostly unpredictable impacts upon the organization of the labour markets in Southeast Asia in the future.

These different factors may have contradictory trajectories of change. The inseparability of most service-sector offerings, for example, implies that workers and family members will continue to wish to migrate to the urban centers where the demand for these services is greatest. Yet these urban centers are not always well placed to deal with an increase in size. Singapore might embrace the knowledge economy but is limited in space for housing and critical resources such as water to the extent that rapid influx of new workers is problematic. Cities such as Bangkok, Manila and Jakarta, on the other hand, are already

challenged by the need to sustain their roles as ‘primate cities’ (McGee, 1967) and the provision of public services and infrastructure that status dictates. Economic activities in the peri-urban areas around these cities and others affect the footprint of the city as it links rural and urban areas in a variety of ways. These peri-urban areas seemingly expand in size and scope continuously and, as Davis observes (2007), lead to a situation in which “glurbanization” produces massive zones or corridors of semi-dense urban areas which are difficult to differentiate.

It is in the periphery of urban areas that Southeast Asian labour markets are least likely to be appropriately regulated and protected. The informal sector proliferates where small-scale entrepreneurs identify opportunities but their ability to build their businesses to the extent that they can escape from poverty is limited. They may lack entrepreneurial ability (Walsh, 2010a) or the required support from the government or NGO services (e.g. Southiseng and Walsh, 2010a; Ty et al., 2009). Even so, the 1997 crisis produced a set of individuals who, having lost white-collar jobs in Bangkok, declined the opportunity to return to rural under-employment (which was the most commonly available alternative) and decided instead to leverage their knowledge to establish street-vending businesses featuring advanced brand creation, customized batch manufacturing and international sourcing (e.g. Walsh, 2010b). The current crisis is encouraging others to follow suit.

Infrastructure and integration

Led by multinational organizations such as the Asian Development Bank (ADB) and the Association of Southeast Asian Nations (ASEAN), Southeast Asian states have been moving towards the vision of an economically-integrated area which offers minimal levels of tariff and non-tariff barriers to the exports of member nations and to trade with ASEAN partners such as Australia, China and South Korea. This is being enacted through a variety of multilateral and bilateral Free Trade Agreements. To bind the region more closely into international trading and production networks, significant expansion of the Asian Highway Network (AHN) is planned, much of which is to be underwritten by Chinese capital and built by Chinese companies using Chinese labour. The AHN includes both road and rail networks and is to be supplemented by continued development of riverine transportation, particularly along the River Mekong. The road network is the most advanced and the north-south component linking the region with Kunming in the north (and thence to Shanghai and Beijing) and to Bangkok in the south (thence to Kuala Lumpur and Singapore) is already complete. The east-west component is less advanced, partly because of political issues involved in crossing Myanmar and because of a lack of financial support because of concerns of lack of future market demand. Nevertheless, the East-West Economic Corridor is progressing and is being complemented by the opening of some stretches of railways. One route, linking Cambodia with Vietnam to the east, was recently opened and has become symbolic of economic development and infrastructural construction returning the country to the comparative wealth of the pre-genocide period (Rush, 2010). These changes, and others like them, have had a variety of impacts upon the labour markets of the region. First, there has been a boost to both direct employment (from constructing the projects) and indirect employment (from taking advantage of new opportunities emerging thereafter). Second, there are changes to the pattern of comparative and competitive advantages across the region and this impacts upon the nature of the EAEM as enacted in Southeast Asia and manifested in the form of opening and closing of facilities and changing migration patterns resulting from them. At a micro-scale, for example, it has been found that the opening of the 2nd Friendship Bridge across the Mekong linking Savannakhet in Laos with Mukdahan in Laos has interrupted the local patterns of entrepreneurial activity and made it now profitable for traders from further afield with the ability to deploy economies of scale to take advantage of the changed nature of local conditions (Southiseng and Walsh, 2010b). This finding follows the general principle that big capital drives out small capital when infrastructure improves.

Conclusion

There will clearly be a moment at which countries should exit the EAEM and seek new ways to promote economic development. Conversely, it is evident that the EAEM will continue to offer employment and profitable exporting for some years more. States will need to balance their own distributions of comparative and competitive advantages and determine when they wish to move towards a new form of activity. External economic shocks represent threats to and opportunities for states to determine whether or not it is necessary to adjust their position with respect to developmental strategies. However, when the shock is global in nature and systematically undermines confidence in the sustainability of the overall capitalist paradigm, then it is understandable that states will shy away from making significant changes without first establishing how the rest of the world is going to respond. This is particularly true in the Southeast Asian region because there are few, if any, states that have fully embraced democratization, freedom of speech and freedom of association. This is very evidently the case in the authoritarian states but also true of the apparently non-authoritarian states: in Malaysia, for example, the potential for racial or ethnic conflict (as has often been witnessed in the region in the past) has led to a series of laws and taboos that enable ethnic groups to recruit internally and to circumvent the equality agenda that has been enacted in most western societies. Malaysia and Singapore have reserved extensive powers for the state through the use of internal security orders and, particularly in the case of Singapore, through maintaining control of distribution of key state resources such as public housing. These are all methods by which state control over individuals is maintained and this directly impacts upon the willingness of individuals to challenge the state by joining discouraged trade union organizations or political parties (beyond those which are sanctioned as being acceptable). Gangsterism is also evident in a number of states aimed at neutralizing voices for change on behalf of workers.

In terms of policy recommendations with respect to the economic crisis, it is apparent that there will be negative impacts to ameliorate and positive impacts to accentuate. Negative impacts involve those affecting migrant workers, women, the poor and the vulnerable. People in these categories tend to suffer disproportionately in conditions of economic crisis in countries in which volatile export markets with extensive informal sectors are important factors in the economy. Redistribution of resources is likely to be necessary to protect these people in the form of unemployment benefits or some other form of passive labour market policy. Active labour market policies may be used to try to match emergent supply and demand in economic conditions in which some of the least competitive industries and companies are among the first to be bankrupted or otherwise suffer distress. Entrepreneurs may be provided with incentives to invest (perhaps in partnership with government agencies) in industries and activities which have been identified as offering sunrise opportunities for the future. This may take place in conjunction with the rapid and large-scale distribution of stimulus packages aimed at improving enabling technologies (i.e. the physical and virtual infrastructure, broadly defined) which will assist all organizations in the efficiency of their operations. These technologies should be aimed, where possible, at making previously unprofitable activities profitable through greater efficiency. For example, for most of Southeast Asia, bandwidth problems mean that opening creative computer-based companies would be impractical; consequently, a government that expended resources on providing better internet services for all (perhaps even for free) would benefit the entire economy in many ways.

Gender issues, in addition to equity issues more broadly, have also been brought to the fore by the crisis. As capitalism proceeds through Schumpeterian creative destruction, the winners may be left to their success but the losers are disproportionately drawn from the ranks of the vulnerable. The more turbulent the environment becomes, the more that states will need to address the needs of the vulnerable and identify the ways in which they might have been negatively affected.

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