A GEOGRAPHY OF TRADE AND DEVELOPMENT IN MALAYA

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Introduction

The study of the economic geography of very many parts of the tropical world frequently is concerned with three distinct economic sectors, namely a subsistence or near-subistence agricultural sector with its roots in a traditional past, an export sector concerned with the production for overseas markets of a limited range of raw materials, and a small modern industrial sector struggling, with greater or less success, to diversify the national economy and to provide additional employment for a burgeoning population. If the subsistence sector of such an economy is considered to be 'indigenous' (at least in the sense of being pre-colonial), the export sector is invariably, directly or indirectly, the result of a colonial experience, whilst industrial diversification is the consequence of deliberate measures taken politically.

This three-fold pattern is sufficiently common in the former colonial countries of the world for a generalized interpretation to be possible and this is attempted in the first chapter of this book. After the initial construction of a framework, the book is concerned with the analysis of the evolution of the economic geography of Malaya as a specific case—concentrating particularly on the growth of a regionally specialized export economy within a mainly laissez-faire economic environment, and on the modification of this specialization by the planned development of manufacturing industry in the period since the Second World War.

Emphasis on Malaya creates certain problems of terminology and it has proved necessary to adopt a series of geographical definitions in order to achieve clarity and consistency throughout a study that spans a number of political eras, with their own distinctive use of regional names. These definitions are listed in Appendix 1 but it should perhaps be emphasized at this point that the unqualified term 'Malaya' is used throughout as a geographical term conveniently to describe the entire peninsula, including the off shore islands, south of the Thai border.
In 1970 political terms, it therefore corresponds to West Malaysia and Singapore. It must be made clear that this use of the term is in no way intended to ignore or belittle the fact of the separate political existence of the Republic of Singapore.

Certain arbitrary decisions with regard to the spelling of Malay names have had to be taken. In general these follow the spelling adopted by D. G. E. Hall’s *Atlas of South-east Asia*, except that where long established familiar forms exist they are retained. It is, in the author’s opinion, excessively pedantic (as well as confusing) to prefer Melaka to Malacca, Djawa to Java or Sulawesi to Celebes.

A book of this type, which is concerned primarily with a geographical analysis of the evolution of a regional economy rather than with the publication of new material, necessarily leans heavily on the work of other writers. Of particular value have been the works of Wong Lin Ken (on the early trade of Singapore and the growth of the tin industry) J. C. Jackson (on the early commercial agriculture) and Lim Chong Yah (on the economic growth of Malaya). Malayan history, geography and economics have been well served both by expatriate and by indigenous academics, many others of whom are referred to in the references to each chapter.

The dynamic nature of economic events, especially in the developing world, condemns any piece of writing that is in any way concerned with them to be out of date before it is completed, let alone published. No one is more aware than the author that the account of industrialization in West Malaysia and in Singapore given in Chapter 5 is very incomplete, as are the accounts of the development of the three major urban complexes in Chapter 6. Nevertheless it is hoped that sufficient recent material has been incorporated to illustrate the theme and, in a small way, to be of interest in its own right.

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CHAPTER 1

International Trade & Economic Development

International trade, as a subject for economic description and analysis, has a long and respectable history. The exchange of goods and services is, of course, basic to all economic activity above the subsistence level, whilst the regional specialization of this activity that exchange makes possible is the core of economic geography. International trade, the exchange of goods and services between distinct and separate political units, has a significance more important than that arising from the fact that it often (though not invariably) takes place over longer distances than local or interregional trade. Trade which crosses national frontiers is particularly amenable to control and taxation by governments. Not only can it therefore be forced to yield revenue, but by its judicious regulation governments are able directly to influence the nature and extent of economic activity within their own frontiers and indirectly to contribute to the patterns of specialization that develop elsewhere.

The purposes for which governments may wish to control the nature or volume of foreign goods that enter their national territory are many and various. In some instances control is on what may loosely be called moral grounds, arising from the desire to restrict or eliminate the import, for example, of drugs or certain types of literature; political, cultural or hygiene reasons may also be found for regulating the movement of certain types of material across frontiers. In general, however, the motives behind the governmental control of international trade are economic, and were first developed extensively and in a systematic way in the sixteenth and seventeenth centuries. The European economic philosophy
of mercantilism, evolved during the commercial revolution of these centuries as rudimentary foreign trade grew into extensive international commerce, was designed to strengthen the power of the state, for a strong central authority was regarded as essential for the expansion of markets and the protection of commercial interests.

This philosophy was reflected in the commercial legislation of the times, so that imports of goods considered unlikely to add to national productive power were discouraged by duties or prohibited, exports were encouraged by bounties and by drawbacks of duties on imports that were re-exported, and the export of raw materials considered essential to home manufacturers was prohibited. Colonial trade was confined to the mother country, and restrictions placed on the production by colonies of manufactures which might prove competitive. The English Navigation Acts, and their continental equivalents, by restricting trade to national vessels, encouraged the growth of shipping and of earnings from the carrying trade, and also ensured a supply of ships to meet the contingencies of naval warfare.

The effects of mercantilism on the distribution of productive activity in the European nations and their colonies in the seventeenth and eighteenth centuries is of considerable interest and significance to the historical economic geography of the period, but the worldwide pattern of economic specialization that developed in the nineteenth century, and that remains of considerable importance to any understanding of present economic distributions, was related to the much more liberal trade policies that succeeded mercantilism. Mercantilism as a basis for national trade policies was strongly criticised by that group of writers and philosophers who have become known as the 'classical economists'. With certain qualifications, these economic thinkers—amongst the best known of whom were Adam Smith, David Ricardo, Thomas Malthus, Jeremy Bentham and John Stuart Mill—believed that the fewer the obstructions to trade between countries the more fully the world’s economic resources would be used and the higher living standards would be. Such trade, unencumbered by tariffs, quotas or other restrictive devices, became conveniently known as ‘free trade’. In the rapidly industrializing Britain
of the late eighteenth and early nineteenth centuries the free trade doctrine had a powerful appeal especially to manufacturers, whose productive capacity was capable of outstripping home demand but who had little to fear from foreign competition thanks to their possession of a virtual monopoly of the new methods of manufacture.

The way in which he believed the regional specialization made possible by free trade benefited all trading partners involved was spelled out in detail by Ricardo in what has become known as the theory of comparative costs. The comparative cost argument illustrates how the gain from specialization and unhindered exchange flows from comparative cost advantage rather than from absolute cost advantage. It argues that a nation or region that can produce many items more cheaply (i.e. by the use of a smaller volume of factors of production) than another, benefits both itself and its trading partners by specializing on those items in the production of which its advantages are greatest, and by importing the others from regions with the relatively smallest disadvantages in their production*. It has been pointed out by many later economists that the classical comparative costs theory in its raw form clearly begs a lot of questions, since it implies that whereas finished goods can move freely between regions and nations, factors of production such as capital and labour cannot, whilst much traditional trade theory built upon it ignores distance as a variable, and therefore also the influence of transport costs. Ohlin, writing in 1933, considered that the basis of international specialization was simply the fact that productive factors enter into the production of different commodities in very different proportions and that since the relative prices of these factors are different in different countries such specialization is therefore profitable—‘trade allows industrial activity to adapt itself locally to the available factors of production. Industries requiring a large proportion of certain factors gravitate towards regions where those factors are to be found in large quantities and therefore at low prices’.

The importance to economic geography of these ideas is very apparent and it seems equally clear that if (in Ohlin’s

* The basis of a theoretical specialization pattern based on comparative costs is reasoned out by Chisholm in Geography and Economics.
words again) trade is to ‘mitigate the disadvantages of the unsuitable geographical distribution of . . . productive facilities’, then that trade must be as administratively unhindered as possible, as must the movement of those productive factors such as capital, labour and entrepreneurial ability which, unlike climate or mineral resources, are intrinsically mobile. In the circumstances of free movement of mobile productive factors and of goods, as for example between a mother country and its colonies, Mill suggested that the colonies appeared to be outlying agricultural or manufacturing establishments belonging to a larger community, ‘The West Indies’, he suggested, for example, ‘are the place where England finds it convenient to carry on the production of sugar, coffee and a few other tropical commodities’ and he concluded that trade between the West Indies and England was ‘therefore hardly to be considered as external trade, but more resembles the traffic between town and country’. In commenting, in an article published in 1929, on this suggestion of Mill’s, J. H. Williams points out how difficult it is to draw the line between trade of this sort and external trade and quotes a number of other examples of a similar kind in both colonial and non-colonial areas, indicating that, especially in the nineteenth century, England had found it convenient to produce wheat and meat (and to export capital for that purpose) in Argentina, gold and wool in Australia, and minerals and other products in Africa. In just the same way it may be argued that the United States chose to produce sugar in Cuba, rubber in Liberia and copper in Chile in the twentieth century, and in order to make this possible mobile factors of production moved to immobile ones in combinations that, despite the additional costs engendered by distance, proved profitable.

The geographer may consequently claim that, in the evolution of regional specialization in this way, full benefit is being achieved from the inherent, especially physical, advantages of a region for a particular type of production. If all artificial (i.e. administratively imposed) restraints to the utilization of resources for the attainment of maximum immediate returns are eliminated, there will emerge production patterns which make best use of the physical characteristics of a region, whilst investment in social overhead capital—