

# Southeast Asian Capitalist Systems

## The influence of national institutional complementarities on economic development on the Thailand/Malaysian border



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### Introduction

In spite of claims that the world has become a global village, the diversity of capitalist systems has remained enormous. At International Development Studies two research projects focus on the impact of economic institutions in order to explain regional diversity: one intra-national in the Philippines and one international on the Thailand/Malaysian border. This poster presents results of a comparative analysis of the impact of national capitalist institutions in Satun (Thailand) and Perlis (Malaysia).

Satun  
Perlis

### Research set-up

#### Varieties of Capitalism approach (Hall & Soskice, 2001):

Patterns of economic activity are shaped by particular institutional complementarities: bundles of institutions that function in tandem

#### Embedded Mercantilism approach (Jayasuriya, 2004):

Institutional and political economies in Southeast Asia:

- dual political economy
- overlapping and domestic coalitions
- side payments

#### Institutional research topics:

- Inter-firm relations and access to private finance
- Relations between the public and private sector
- Access to national budgets and policies for regional development

### Methodology

Satun and Perlis were selected as research regions because they have much in common, but belong to two different countries. They have experienced remarkably different developmental trajectories: Satun's economy has remained a resource frontier (seafood and natural rubber), whereas Perlis' economy was transformed into an economy dominated by public services. Hence, national institutions matter and consequently, the *Varieties of Capitalism* approach is a suitable point of departure. Primary data were gathered by conducting 2 firm surveys, 2 social network surveys and semi-structured interviews with civil servants, bank managers, politicians and members of the regional press. In total, relevant information was obtained from 213 actors.

### Results

- Inter-firm relations and access to private finance

Inter-firm relations and access to private finance		
	Satun	Perlis
dominant groups	Sino-Thai	Ethnic-Chinese and Malays
contracts	rarely	frequently
informal deals	frequently	rarely
impact of associations	strong	moderate
public sector as client	rarely	frequently
role of banks	large	small
role of relatives	large	small

results from firm surveys in 2004

- Relations between the public and private sector

The public sector in Perlis is not only often a client of the private sector, but owns many firms, facilitates access to private finance for the Malays and has a great say in economic affairs. In fact, public sector intervention is seen to hamper private sector initiatives. In contrast, weak institutional relations between the public and private sector in Satun complement dense business networks with strong coordination and cooperation, for instance among competitors.

- Access to national budgets and policies

Access to national budgets and policies		
	Satun	Perlis
volume of side payments	low	high
formal arrangements	rarely	frequently
bypassing of budget laws	frequently	rarely
policy space	thin	thick
power dynamics	inter-party politics	intra-party politics

results from interviews in 2006

### Conclusions

Malaysian institutional complementarities have been responsible for Perlis' transformation into a service oriented economy, although it has also led to oversized investments and *disabling* personal power networks evolving around the Perlis state government. Furthermore, it can be questioned whether this model is economically sustainable, because the volume of side payments might dry up in the future. Institutional complementarities in Thailand have enabled the exploitation of the resource frontier and development in Satun, but currently it has received insufficient development assistance and a closed network of Sino-Thai entrepreneurs has caused divergence of corporate and worker well-being. Overall, national capitalist institutions have a considerable impact on patterns of regional development, especially in Malaysia.

References: • Hall, P. & D. Soskice (2001), *An introduction to Varieties of Capitalism*. In: Hall, P. & D. Soskice (eds.) *Varieties of Capitalism: the institutional foundations of comparative advantage*. Oxford: Oxford University Press.  
• Jayasuriya, K. (2004), *Embedded mercantilism and open regionalism: the crisis of a regional political project*. In Jayasuriya, K. (ed.) *Asian regional governance*. London: Routledge Curzon.