

DRAFT

Research Program

Date: September 12, 1966

Current Monitor: D. Blake

TCR/
or PC/ PAD

PROGRESS REPORT

Project Title: Study of Regional Economic Cooperation in South and Southeast Asia

Contractor (or U.S. Agency): University of Wisconsin
Contract AID/csd-355

Origin : Solicited Unsolicited

Status : Active Completed

Duration: Date of initiation March 26, 1964

Date of completion June 30, 1967
(Actual or estimated)

Cost : Total (Actual or estimated) \$312,770

Obligations (through 6/30/66) \$312,770

Project Summary

Objective: To ascertain the nature and extent of benefits which might accrue to certain Asian countries through increased economic cooperation, and to identify the conditions required to realize these possibilities. Both the research subject and the geographical research area are of growing importance in AID's effort to assist in the stabilization and development of South East Asia. Future assistance programs in that area will draw on the research results to strengthen the regional orientation of country programs as well as regional institutions and regional cooperation.

Description: The study is made up of: (1) an analysis of the economic plans of the countries in the region in comparative terms, and (2) case studies of those regional and national institutions among which some cooperation may be beneficial through providing adequate-size markets, coordination of investments, or other practices conducive to specialization of activities according to comparative advantage. The results will point out the nature and extent of cooperation desirable, the obstacles which now exist in country policies and conditions, and the kinds of measures required to bring about the desired cooperation.

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OFFICE: PC

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RESEARCH PROJECT STATUS REPORT

I. DESCRIPTIVE INFORMATION

1. Name of Project: Study of Regional Economic Cooperation in South and Southeast Asia

2. Contractor: University of Wisconsin Contract AID/csd-355

Amendments: By amendments (a) new firm budgets were approved on 3/19/65 and 5/31/66, and (b) on 6/30/66 duration was extended to 6/30/67

Principal Investigator: Dr. Theodore Morgan of the University of Wisconsin

3. History: Duration: March 26, 1964 to June 30, 1967 (as amended)

Cost : FY 1963 \$312,770 - Total AID Commitment to Date

4. Project Monitors: J. Houk, RREPAS, to April 1964;
C. Farrar, FE/DE, and D. Meyer, TCR, to January 1966; T. Olmsted, PC/RC, and H. Parker, PC/PAD, to July 25, 1966.

5. Origin of Project: University of Wisconsin was selected by an AID selection panel as best suited for AID needs from seven solicited proposals.

II. EVALUATIVE INFORMATION

6. Description of Project:

(a) Substantive:

Purpose: To ascertain the nature and extent of benefits which might accrue to certain Asian countries through increased economic cooperation, and to identify the conditions required to realize these possibilities.

Method: Contractor is attempting to identify within existing plans and institutions of certain Asian countries the possibilities for extended economic cooperation that will contribute to development in the region, and also what is needed to bring these possibilities about.

Content: The study is made up of two parts: (1) an analysis of the economic plans of the countries in the region in comparative terms, and (2) case studies.

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of those regional and national institutions among which some cooperation may be beneficial through providing adequate-size markets, coordination of investments, or other practices conducive to specialization of activities according to comparative advantage. The results will point out the nature and extent of cooperation desirable, the obstacles which now exist in country policies and conditions, and the kinds of measures required to bring about the desired cooperation.

(b) Operational: By September 1965 this research was in midstream with a number of studies underway and study papers in draft. Priority is being given to analysis of regional trade patterns and of movements of capital and labor within and external to the region, as basic information for other studies. Possible barriers to international trade are also being studied, i.e., the costs of ocean shipping, tariffs, foreign exchange and other types of government restrictions. Differences in national development plans within the regions are also being studied. Attempts to increase production in agriculture and manufacturing will be analyzed in relationship to actual and potential trade flows. In the light of the above analysis, the feasibility of selected regional projects will be studied, including projects that might relate to increased U.S. development effort in this area. A preliminary report has also been made on a regional payment union.

Arrangements have been made for a conference of Asian and other scholars (to be held in Bangkok early in 1967) at which the work on this project will be discussed in relation to other research and current developments.

The contractor's performance of the professional tasks under the contract was reviewed in AID in December 1965, concluding that the performance was adequate but capable of improvement. The review group stated that the areas in which better performance by the contractor can and should be attained are: (1) closer coupling of research to practical problems faced by AID; (2) clearer relationship between individual studies and the overall work plan (with both the studies and the work plan more specifically tied to AID activity, as in (1) above); (3) closer supervision of junior researchers by project director to achieve improvements (1) and (2) above; this would also involve making more senior research time available to the project. These desired improvements were discussed by an AID representative with contractor's senior staff.

7. Contractor Performance :

(a) In addition to contract performance referred to above, in the first seven months of 1966, contractor has submitted draft and final manuscripts of research reports to AID for substantive review and in some cases for approval for publication. The final research products (papers) submitted are:

1. K. C. Sen, "Convergence in Planned Economies" (June, 1965). Summary in Progress Report (P.R.) #2, p. 12.
2. T. Morgan, "Theory of Error in Centrally-Directed Economic Systems" (August, 1964). Summary in P.R. #4, p.2.

3. H. Myint, "Economic Theory and the Underdeveloped Countries" (March, 1965). Summary in P.R. #3, p.4.
4. E.D. Hawkins, "Job Inflation in Indonesia" (October, 1965). Summary in P.R. #3, p.7.
5. T. Morgan, "Economic Planning-Points of Success and Failure" (February, 1965). Summary in P.R. #3, p.15.
6. H.O. Schmitt, "The Integration of Capital Markets in Europe: A Step Towards Political Unification" (January, 1966). Summary in P.R. #3, p.11.
7. H. Myint, "The Inward and the Outward Looking of Southeast Asia and the Economic Future of the Region" (February, 1966).
8. K.C. Sen, "Nation-Building and Regional Integration" (May, 1966). Summary in P.R. #4, pp. 9-10.
9. Seiji Naya, "The Commodity Pattern and Performance of Asia's Exports to the Developed Areas" (May, 1966).

Two papers submitted by contractor relate to common markets in other areas because the experience developed in other areas of the world is relevant to the main focus of the project. Developing a research capacity to deal with problems of regional economic integration and increasing the fund of knowledge in this field should be extremely valuable to the free world and to AID in particular, now that the Mekong Valley development scheme and the Asian Development Bank are now going to be requiring research services and policy guidance in the field. Contractor has been enlisting a number of Asian scholars in Asia for work related to this contract. Contractor may become a Center for South and Southeast Asian Studies and a clearing house for research and manuscripts of both Asian and American scholars.

The outline of the work plan under the contract covers many of the topics on which FE/TECH and FE/RD would like to have research done and these offices have expressed the hope that the emphasis of the work plan might be now given to certain pressing analytical and policy issues on which these offices would like to have advice in the near future.

8. Evaluation of Results to Date:

(i) General: The performance of the contractor should become operationally significant.

The contractor may be conducting too much research which may be developing an institutional competence for contractor in the field of regional economic cooperation in general but which may be of little help to AID for everyday operations in South or Southeast Asia. Insufficient emphasis has been placed by contractor on the relevance of its research and manuscripts for AID needs and operations now in South or Southeast Asia.

On the other hand in conformity with the purpose of the contract, contractor has developed not only an area-specified research capability for dealing with South and Southeast Asian problems but also a research capacity and a fund of knowledge for dealing with problems of regional economic integration for use by AID in other parts of the world.

The Agency must assume more control over its operation and provide more direction during the remainder of the three-year period (see section 9. below).

(b) Known Uses of Research Findings: Current discussion within AID concerning desired emphases for future work plans under this contract demonstrates Agency interest on the part of some AID offices in the research capacity which is being developed under this contract and which is referred to above.

9. Arrangements for Future Action:

(a) Contractor has indicated interest in exploring a possible extension of the contract beyond its present termination date of June 30, 1967. The Bureau for Far East has indicated an interest in exploring contractor's potential usefulness in the context of the South East Asia Development Advisory Group (SEADAG). It will be best if the Bureau for Far East reassumes major monitoring responsibility for the present contract and for exploring whether or not a new contract should be considered that serves its needs more directly than the present one.

(b) Both the research subject and the geographical research area are of growing importance in AID's effort to assist in the stabilization and development of South East Asia. Future assistance programs in that area will draw on the research results to strengthen the regional orientation of country programs as well as regional institutions and regional cooperation.

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