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Globalization, industrialization and urbanization in Pre-World War II Southeast Asia

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ABSTRACT

This article uses new data to analyze the impact on Southeast Asian urbanization of globalization and industrialization in the world economy's core countries between the 1870s and World War II. Dramatic falls in transport costs and free trade, enforced, if necessary, by colonial rule, combined to open vast frontier areas throughout Southeast Asia to global commerce and create a handful of large urban centres. These cities, through linking Southeast Asian primary commodity exporters to world markets, grew predominantly as part of the global economy. Our econometric analysis shows that measures of globalization — in particular industrial production in the world core and international transport costs — are much better predictors of the size of Southeast Asia's main cities than domestic factors such as total population, GDP per capita, land area or government expenditure.

1. Introduction

Anyone reflecting on the economic history mantra that "successful industrialization always fosters urbanization" (Williamson, 1991, p. 241) might be excused for initial bemusement at the prospect of accounting for rapid Southeast Asian urban growth from the late nineteenth century onwards. In 1931, in the six Southeast Asian countries of Burma, Malaya, Thailand, Indonesia, Indochina and the Philippines, agriculture engaged between two thirds to as many as four fifths of workers. No Southeast Asian economy approached completion of the first, or 'easy', stage of import substitution. None came close to self-sufficiency in textiles.

For over two centuries prior to the 1870s, Southeast Asia had decisively de-urbanized. Its great cities of the sixteenth and seventeenth centuries — nine of which at their height had populations of about 100,000 to 200,000 — were in long-term decline; some had almost entirely disappeared (Reid, 1993, pp. 1–2, 63–77, 302–3). In 1870, the whole of Southeast Asia had possibly two cities with as many as 100,000 inhabitants. Yet by 1913, and even more by the 1930s, globalization and the accompanying emergence of strongly export-oriented economies that developed in response to industrialization in the West had transformed large parts of the Southeast Asian countryside. Equally dramatic was the effect that globalization and industrialization exerted on urban growth in Southeast Asia.

In five Southeast Asian countries, there was one city which stood out from the others. The five were Burma (Rangoon), Malaya (Singapore), Thailand (Bangkok), Indochina (Saigon) and the Philippines (Manila). Together with these five cities, two in Indonesia, Jakarta (Batavia in colonial Indonesia) and Surabaya comprised Southeast Asia's seven largest cities. All but Saigon and Surabaya were national capitals. Southeast Asia's largest cities were always major ports.

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Four of the six most populous cities were, in the Jeffersonian sense, primate in their respective countries (Jefferson, 1939). Jakarta and Saigon were the two exceptions in not being primate cities. Jakarta, at the western extreme of Java, and Surabaya, on the island's eastern fringe, ranked about equally as Indonesia's major ports. Hanoi was the French colonial capital and, partly because of this administrative role, remained over half the size of Saigon (previous studies of pre-1940 urban Southeast Asia include McGee, 1967; Spate and Trueblood, 1942; Murphey, 1957; Bennett, 1961; Reid, 1980; Ullman, 1960; Sternstein, 1984; Doeppers, 1984; Abeyasekere, 1987; Huff, 1994; Papin, 2001; Dick, 2002, 2003).

For all seven of Southeast Asia's largest cities, location was fundamental and dependent on physical features. Integration with the global economy was basic to post-1870 economic development in Southeast Asia. Global integration required that Southeast Asia's principal cities, as ports and transport nodes, should be situated in optimum or near optimum sites for the collection and onward shipment of primary commodity exports to world markets.

The article has two main aims. Both are facilitated by the use of almost entirely new data. One aim is to provide the first comprehensive, comparative analysis of Southeast Asia's seven large pre-war cities and identify the determinants of their urbanization. The other is to explore the wider incidence of urbanization in the region. A focus on urban development in Southeast Asia helps to fill gaps in the literature: globalization in the pre-war tropics has received little attention and urbanization even less (Williamson, 1995, 2006).

Four further sections make up the article. The next briefly analyzes the components of Southeast Asian economic development, and a third the main features of urbanization that accompanied this growth. We hypothesize that urbanization, and, in particular, the rise of Southeast Asia's great pre-war cities, is largely explained by globalization associated with precipitate falls in transport costs and by industrialization in the global core countries of the United Kingdom, United States, Germany and France. Low transport costs opened world markets to Southeast Asian primary commodity exporters; Western industrialization gave rise to a swiftly growing demand for their exports. The article's fourth section tests our hypothesis and finds globalization and industrialization to be good predictors of urbanization in Southeast Asia's main cities. In the fifth section, we widen our focus to look at urban systems that developed in Southeast Asia. A final section concludes and draws attention to a distinct late nineteenth- and early twentieth-century phase in tropical urbanization which Southeast Asia exemplifies.

2. Southeast Asian economic growth

Economic growth and urbanization in pre-war Southeast Asia were products of globalization, colonialism, Western industrialization, and the response to economic opportunity by millions of illiterate peasants. The appropriate measure of globalization is reduction of economic distance, and for Southeast Asia international shipping costs afford the best indicator of this. Lower shipping costs affected the large Southeast Asian cities we analyze not just through trade that linked regional producers to global markets but also through bigger flows of shipping and people — a port's other two principal functions. The invention of steamships and inauguration of the Suez Canal in 1869 drastically cut the physical, and even more the economic, distance between Southeast Asia and Europe. Suez opened “at one stroke” eastern waters to steamships (Fletcher, 1958, p. 558) and directed the world's main east–west shipping route within touching distance of Singapore and through the geographical centre of Southeast Asia. In 1914, the opening of the Panama Canal led to the creation a round-the-world route, soon adopted by a number of shipping companies. Steamships left London, continued eastwards through Suez directly to Southeast Asia and then, after passing Hong Kong, sailed westwards via Panama to New York (Imperial Shipping Committee, 1939, pp. 9, 87). Because of Southeast Asia's advantageous geography at the centre of world east–west ocean traffic, shipping costs for the region fell dramatically and faster than for world routes as a whole. Between 1870 and 1913 shipping freights from Southeast Asia to London declined by 3.2% per annum and from 1870 to 1929 by a similar percentage.

The spread of colonialism, like the fall in shipping costs, was fundamental on the supply side for Southeast Asian growth and urbanization. Beginning in the latter nineteenth century, colonialism spread quickly throughout Southeast Asia and swept away traditional political organization with its numerous structurally weak states. Colonial rule, conducted through a global imperial bureaucracy, established modern, centralized administrative and legal systems; “traditional ruling classes were shorn of the instrumentalities of sovereignty, especially of the power to wage war, one of their principal *raisons d'être*” (Benda, 1962, p. 129).

Crucially, colonial administrations enforced property rights and ensured free trade, for example in Burma by lifting a traditional ban on the export or rice (Cheng, 1968, pp. 5, 6, 13) and in Thailand with the imposition in 1855 of the British-dictated Bowering Treaty (Ingram, 1971, pp. 34, 179, 182–83). By the turn of the century, four colonial powers governed Southeast Asia — Britain (Burma and Malaya); the Netherlands (Indonesia); France (Indochina); and the United States (the Philippines). Thailand, nominally independent, had quasi-colonial arrangements and a British financial advisor.

The late nineteenth-century collapse in economic distance and elimination of barriers to export trade provided conditions permissive of a Southeast Asian response to new demand in Western markets predicated on industrialization and urbanization. Initially, for Southeast Asia, much of this demand was for rice to feed urban workers and for tin which, because of its unique anti-oxidization qualities, was essential to the manufacture of tinned foods. During the twentieth century, sugar and, even more, rubber, used almost entirely for automobile tires, grew in importance as exports to Western markets, especially the United States. As parts of Southeast Asia, chiefly Malaya and Indonesia (rubber) and the Philippines (sugar), specialized in producing non-food commodities, they became heavily dependent on imported food. In this way, Western industrial needs led to a large, new intra-Southeast Asian demand for rice from Burma, Thailand and Indochina, the countries specializing in its production.

Over the six decades 1870 to 1929, industrial production in the world economy core of the United States, United Kingdom, Germany and France increased at 3.2% per annum. Between 1870 and 1913, real Southeast Asian merchandise exports grew at 3.9% per annum and so at a pace similar to the 3.6% for core industrial output. From 1917 to 1929, however, Southeast Asian exports