

Government Enterprises in the ASEAN Countries: A Conspectus

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In the last few years, the topic of government enterprise in the Association of Southeast Asian Nations (ASEAN) countries, once sadly neglected, has become the subject not only of articles or monographs on particular enterprise or countries, but also of attempted comparisons. This article considers six of these works,¹ tries to assess their contributions, and indicates selected major themes most in need of further research.

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This article is dedicated to Abelardo G. Samonte, percipient writer on government enterprises, cheerful source of inspiration, colleague, friend, and indomitable tennis partner.

¹Nguyen-Truong (ed.), *The Role of Public Enterprise in National Development in Southeast Asia: Problems and Prospects* (Singapore: Regional Institute of Higher Education and Development, 1976); Abu Sharaf H.K. Sadique (ed.), *Public Enterprise in Asia: Studies on Coordination and Control* (Kuala Lumpur: Asian Centre for Development Administration, 1976); Ker Sin Tze, *Public Enterprise in ASEAN: An Introductory Survey* (Singapore: Institute of Southeast Asian Studies (ISEAS) 1978); Chakrit Noranitipadungkarn (ed.), *The Role of the Public Enterprise in Development: Asia and Pacific Region* (Manila: EROPA, 1979); Prahlad Kumar Basu and Alec Nove (eds.), *Public Enterprise Policy on Investment Pricing Returns* (Kuala Lumpur: Asian and Pacific Development Administration Centre, 1979); Issara Suwanibol, "The Politics of Public Enterprises in the Third World: The ASEAN Case" (Ph.D. thesis, Australian National University, Canberra, 1979).

The book edited by Nguyen-Truong contains comprehensive accounts of three countries, Malaysia, Singapore, and Thailand. Each contribution follows a similar format, dealing with: evolutions, rationale, legal basis and structures, evaluation of overall performance, finance and budgeting, responsibilities of minister and general manager, methods of control, and problem areas. The Malaysian study by R. Thillainathan has useful sections on state and regional public enterprises. Ow Chin Hock, on Singapore, concentrates mainly on the intricate interrelations of the Singapore enterprises via the holding company device. Veeravat Karchanadul and Supachai Sirisuwanakura provide miniature case studies under most of the above headings by looking at three particular enterprises, the Provincial Electricity Authority, the North East Jute Mill, and the Warehouse Organization. The deficiencies in this otherwise admirable book are that it covers only three of the five countries and that there is no explicit comparison of the three.

The Sadique-edited volume is focused on only one theme, coordination and control, although many of the administrative and political problems of government enterprise are subsumed under this heading. There are two contributions on Malaysia, with the same title, which complement rather than duplicate each other, by Raja Mohammed Affandi bin Raja Halim and by Mavis Puthuchery. Both are ex-

cellent, as is the study on the Philippines by Gabriel U. Iglesias and Jeremias A. Carolino.² The article on Indonesia by Sardjono also reaches a high standard. The scope of the Asian Center for Development Administration (ACDA now APDAC) was obviously wider than ASEAN, so there are also contributions on non-ASEAN countries. There are also general articles on coordination by Lloyd D. Musolf and by Abelardo G. Samonte, the latter containing much useful information on the Philippines. The "Appendix" by the editor is a summary as well as an indication of topics for future study. Although this volume on coordination is itself well-coordinated, for those interested in the whole ASEAN scene it lacks information on Thailand and Singapore.

The Ker Sin Tze "Field Report" lies, so to speak, at the other end of the spectrum. It is indeed an "introductory survey," containing fewer than forty pages. Nevertheless, lacking a close view of individual "trees," it gives a good outline of the "woods," — or should it be the jungle? He sketches the rationales put forward for the creation and growth of public enterprises in the five countries, the fields in which growth has been greatest, the main types and structures, mechanisms of coordination and control, performance as judged by profits. Although short, the report is comprehensive, insofar as it deals with all five ASEAN countries. Obviously, there

cannot be treatment in depth, but the emphasis is correct, and in lieu of lengthy descriptions, the author makes broad and illuminating comparisons.

The compilation edited by Chakrit Noranitipadungkarn is in one respect the least satisfactory of the six, although there are some fine individual pieces. On the ASEAN countries there is a Philippine paper on personnel management (Abelardo Subido), and one on financing rural development (Gabriel U. Iglesias). The Indonesian contribution is on organization for urban development in Jakarta (Soetjipto Wirosardjono), while the Thai and Malaysian ones are, respectively, on electricity pricing (Veeravat Karchanadul) and income distribution (V. Kanapathy). All these five papers do indeed relate to important aspects of public enterprise. However, the articles [as well as those on public enterprise in other Eastern Regional Organization for Public Administration (EROPA) countries] are eclectic and uncoordinated. The product is not a book but rather a collection of pieces, as the editor no doubt took into consideration in restricting his summary to two and a half pages. All the individual contributions are worthy of study, however, and provide material for synthesis by others.

The Asia and Pacific Development Administration Center (APDAC) volume, edited by Basu and Nove, contains useful theoretical and conceptual articles. Those by the editors are particularly good, as the summing-up of Basu which states very clearly the problems of formulating guidelines, particularly in the form of a target "adjusted social rate of return." Of the articles on the ASEAN countries, Kanapathy (on Malaysia) goes into the

²In a slightly different form as published in Gabriel U. Iglesias and Jeremias A. Carolino, *Coordination of Public Enterprises: A Country Paper* (Manila: College of Public Administration, University of the Philippines, 1976).

greatest detail on pricing, rates of return, performance and non-commercial objectives, while Astar Siregar (on Indonesia) is brief but useful on investment and pricing and returns policy. Indonesia is also considered, along with Bolivia, in a largely theoretical contribution on performance evaluation in the mining sector. The paper on Singapore by Tan Chwee Huat applies some general observations on pricing and evaluation to a short case study of the Housing and Development Board, an organization extremely hard to evaluate in cost-benefit terms. Kosit Panpiemras, on Thailand, gives a good general treatment as well as a case study on the electricity tariff rate, a topic which, understandably, seems to hold a special fascination among Thai writers.

The Issara Suwanibol dissertation is as yet unpublished, although it eminently merits publication. It is an extremely full and insightful treatment of the field, covering all five ASEAN countries. He gives an account of the growth, rationale, forms and extent of public enterprise in each country, as well as of the role of politicians, the military and civil servants on the boards, and examines the methods of control, the roles of general managers, financial targets, profits, and many other aspects. He tabulates numbers of enterprises (including subsidiaries), a far from routine piece of research, and analyzes the composition of boards and their cross-membership. There are also five case studies. Above all, he relates the questions of creation, growth, and control to the political needs of those in power. He does not go deeply into financial questions or measurement of performance, as in the more specialized Basu-Nove book. Otherwise, however, the thesis is com-

prehensive and testifies to the value of the individual researcher as opposed to the efforts of committees, conferences, symposia, workshops, etc. which are often plagued with defects which transcend their qualities.

From the information provided by these contributions and other sources, what patterns and trends are evident in the ASEAN countries, and what criticisms and suggestions for improvement emerge? It is proposed to look briefly at numbers and growth, the forms taken by the enterprises, and the relations and links with private enterprise. The leading theme of control will then be discussed and, related to this, the composition of the boards and the qualifications of top management. The final leading theme considered comprises objectives and the evaluation and measurement of performance, as well as the question of pricing.

A discussion on numbers and growth and the rationales commonly given for the creation and expansion of public enterprises would occupy an entire issue of this journal. Actual numbers, if subsidiaries are included, are sometimes unknown even to government authorities in the country concerned. If the numerous Indonesian local enterprises are excluded, the absolute numbers (and, *a fortiori*, the numbers in proportion to population) are highest in Singapore and Malaysia, which also have the highest GNP per capita.³ During the last decade the rate of increase has been highest in these two countries and also in the Philippines. In Singapore the rise has been asso-

³Suwanibol, "The Politics of Public Enterprises," p. 456.

ciated with an emphasis on industry, and especially on manufacturing, in areas too sophisticated for local private enterprise to enter with much prospect of success. In Malaysia the thrust has been similar, but it has been combined with the New Economic Policy's aim to increase the role of Malays in business. At the same time, unlike Singapore, the need to sustain the agricultural sector has remained a prime consideration, economically, and politically. In the Philippines the rapid growth in the number of public enterprises, notably in oil and steel, has occurred since the imposition of martial law in 1972, and has reflected a variety of economic nationalism as well as the personal inclinations of the President.⁴ In Indonesia and Thailand the numbers have remained relatively static in the 1970s.

I have argued elsewhere,⁵ as has Issara Suwanibol,⁶ that the size of the public enterprise sector in the ASEAN countries cannot be explained by ideological reasons, by genuine defense considerations, or by the need to fill gaps left open by private enterprise. "Political" reasons, namely, a concern for power or the desire for financial benefits, are often influential. This is most obvious as regards the Indonesian military enterprises and the Defense Ministry organizations in Thailand for glass, battery, preserved food, etc. but it also applies in various forms in the other countries with the excep-

tion of Singapore. The EROPA volume under review reveals the inadequacy of conventional explanations for the creation or continuance of some public enterprises. In listing the motives for their existence, the heading "Basic Motives" has the subheadings: Provision of Social Goods, Provision of Merit Goods, Ownership of Natural Monopolies, Prevention of Uncompetitive Practices, Provision of External Diseconomies (Liquor Distillery Organization, Playing Card Factory). The next two headings are "Economic Growth Motives" and "Decontrol of Private Enterprises Over Important Sectors." For the last main heading, "Other Motives," ingenuity was progressively stretched. Under the subheading "Revenue" were the Thai Tobacco Monopoly and the Bureau of Lottery. "Administrative Convenience" included Police Printing Press, Savings Bank Printing Press, Banknotes Printing Press, Sena Printing Press, and Krung Thai Bank. Under "Historical" were placed Glass Organization, Textile Organization, Tanning Organization, Marble Plant Company Limited, Thai Salt Company Limited, and Alum Factory. The last, almost desperate, category was "Incidental" including Bang saen Hotel, Khao Yai Hotel and Golf Course, and Bang Pra Golf Course.⁷

In general, the forms taken by public enterprise correspond to the three broad categories of: government department, public corporation, and company, as in the Indonesian division into *Perjan*, *Perum*, and *Persero*. On

⁴Robert Stephen Milne, "The Politics of Public Enterprise in the ASEAN Countries: The 1970s and Beyond" (unpublished manuscript).

⁵*Ibid.*

⁶*Ibid.*, pp. 89, 454, 468.

⁷Noranitipadungkarn (ed.), *The Role of the Public Enterprise*, Appendix E, pp. 325-327.

the whole, the company form⁸ is preferred for manufacturing and commercial activities.⁹ It also has the advantage that it is the appropriate form for joint ventures. To the extent that public enterprises seem to be used increasingly for manufacturing and commercial activities (attempting to follow the broad pattern of Singapore's course of development), and that the trend is towards more joint ventures,¹⁰ the company form may become more increasingly usual in the future.¹¹

Territorially, all public enterprises are national (as opposed to state, local, etc.) in Thailand and, not surprisingly in view of its small size, in Singapore. In Malaysia there are state and regional public enterprises, and the Philippines has regional public enterprises, although some of these are "ghosts," existing only on paper. Indonesia has a huge number of local (including city) public enterprises, as well as military

ones which are dispersed over the country.

Although the books reviewed here provide information about the reasons and justifications given for the creation of public enterprises, they say little about the reactions of private enterprise to their creation or to the relations and links between public and private. Public enterprise need not be competitive with private, but, rather, may provide some of the necessary infrastructure.¹² However, in spite of the five governments' profession that public enterprise is not intended to exclude private, but merely to fill in the gaps in its activities, there are instances in each country where public enterprise is engaged in doing things that could perfectly well be done by the private sector.¹³ The most publicized examples are from Singapore where the grievances of local (Chinese) businessmen were voiced on several occasions by the Federation of Chinese Chambers of Commerce and Industry.¹⁴ The reason for this outspokenness was partly that only in Singapore did Chinese businessmen,

⁸Sardjono, "Coordination of Public Enterprises: Country Study for Indonesia," in A.S. H.K. Sadique (ed.), *Public Enterprise in Asia*, pp. 277-305. Companies may in turn, as in Singapore, be divided into "state companies" and "semi-state companies," according to whether or not they are wholly-owned.

⁹Suwanibol, "The Politics of Public Enterprises," p. 106.

¹⁰*Ibid.*, p. 471.

¹¹A peculiar category of public enterprise is the "government-managed and operated corporations" in the Philippines which refers to a group of about 30 enterprises taken over after the start of Martial Law, including the Manila Electric Company (Meralco) and the Philippine Long Distance Telephone Company (PLDT). In fact after the take-over, said to be for defense reasons, the day-to-day mode of operation was hardly changed. For a list, see Noranitipadungkarn (ed.), *The Role of the Public Enterprise*, pp. 323-325.

¹²Rehman Sobhan, "The Nature of the State and its Implications for the Development of Public Enterprises in Asia," *Journal of Contemporary Asia*, Vol. IX, No. 4 (1979), pp. 410-433.

¹³Milne, "The Politics of Public Enterprise."

¹⁴Tze, *Public Enterprise in ASEAN*, pp. 30 and 35; Ow Chin Hock, "The Role of Public Enterprise in National Development in Singapore: Problems and Prospects," in Nguyen-Truong, (ed.), *The Role of Public Enterprise*, pp. 227 and 231. See also Lee Sheng Yi, "Public Enterprise and Political Development in Singapore," *Malayan Economic Review*, Vol. XXI, No. 2 (October 1976), pp. 50-51.

prominent in the economy of all five ASEAN states, belong to the dominant ethnic group. In the other four countries, government enterprise, even if not deeply appreciated for its own sake, may have won some support as an indigenous countervailing force to the business activities of the Chinese.¹⁵ In Malaysia many government enterprises are intended to help the Malays, and there have been complaints from the Chinese who feel that, even given the premises of the New Economic Policy,¹⁶ its implementation has taken the form of the spread of government enterprise into areas which should be left to private business.¹⁷ There has been a more cautious reaction in the Philippines by local businessmen, whether indigenous or Chinese, to the extension of government enterprise after martial law. However, in reading a carefully-reasoned statement of the need to explore ways of assisting private enterprise before resorting to nationalization, signals of alarm and distress are evident.¹⁸

¹⁵See for instance, on Indonesia, John James MacDougall, "The Technocratic Model of Modernization: The Case of Indonesia's New Order," *Asian Survey*, Vol. XVI, No. 12 (1976), pp. 1179-1180.

¹⁶Robert Stephen Milne and Diane K. Mauzy, *Politics and Government in Malaysia* (Singapore and Vancouver: Times International and UBC Press, 1980), Chapter 10.

¹⁷V. Kanapathy, "Public Enterprise and Income Distribution," in Noranitpadungkarn (ed.), *The Role of the Public Enterprise*, p. 162; *Malaysian Chinese Economic Conference: Working Papers* (Kuala Lumpur: Associated Chinese Chambers of Commerce and Industry of Malaysia, 1978).

¹⁸Vicente R. Jayme, Speech delivered at the Seminar of the Philippine Executive Academy, Baguio City, December 1975.

In Thailand, opposition from business seems to be minimal. In some cases, as in the manufacture of gunny bags, the market is in effect shared between public and private, under the shelter of a tariff. It has also been commented, by serious and qualified observers, that government enterprise is so inefficient that it does not constitute a serious threat to the private sector.

The picture becomes more complex when the role of foreign investors, particularly Multinational Corporations (MNCs) is considered. For Indonesia, a tidy division of activities has been proposed which would make state enterprises and local *pribumi* (indigenous) businessmen complementary rather than competitive. The former would be engaged in "high technology" enterprises, for which the latter lack the necessary capital, and would draw on links with MNCs for advancing their technological know-how. The latter would carry on secondary and tertiary industries, which were small, relatively inefficient and labor-intensive.¹⁹ But in reality it seems that sometimes when *pribumi* businessmen seek to obtain credit, they encounter competition from state enterprises.²⁰ Also, according to one source, "... what has been particularly galling to the traditional *asli* (indigenous) merchant bourgeoisie since the mid-sixties is that *pribumi* military men and bureaucrats (including those in govern-

¹⁹Hassan Kartadjoemena, "State Enterprises in Indonesia: Recent Issues and Future Prospects," *Southeast Asian Affairs 1976* (Singapore: Institute of Southeast Asian Studies, 1976), pp. 206-208.

²⁰*Far Eastern Economic Review* (May 28, 1976), p. 72.

ment enterprises) have formed alliances with non-pribumi businessmen (and sometimes foreign investors) in the 'bureaucratic-capitalist' enterprises."²¹

In some of the ASEAN countries, notably Singapore and Malaysia, the activities of many public enterprises cannot be understood, unless their links with foreign enterprises are considered as well.²² Such links need not exemplify dependence or concessions. Sometimes they may constitute "a safeguard against excessive foreign control and ownership."²³ Unfortunately the books under review have not much to say about this increasingly important aspect of the operations of public enterprises.

The single term which has probably done most to wreck correct conceptualization of the proper role of public enterprise is "autonomy." To say that public enterprises are entitled to autonomy makes sense only if the context is comparative, if public enterprises

are regarded as being *more* autonomous than government departments. It follows that the term "control" need not be automatically replaced by the more tactful word "coordination," autonomy ought not to be so complete that the need for some control is obviated. Certainly, there is danger of too much coordination or control²⁴ (or often of too many *controls*, which is not quite the same thing). There can also be control of individual enterprise without coordination. On the other hand, in the Third World especially, it is doubtful if there can be coordination without some control.

To move from administrative structure to administrative behavior, in order for a climate of confidence and trust to be built up there must be a fair degree of operational autonomy.²⁵ On the other hand, it is equally true that a condition for autonomy's not being abused is the existence of a climate of confidence and trust! So, clearly, there is a vicious circle. In Third World countries the dilemma is similar to the general problem of the tendencies which inhibit delegation. Under some circumstances the existence of a greater measure of autonomy than that existing in a government department could be construed as al-

²¹Peter McCawley, *Industrialization in Indonesia: Problems and Prospects* (Canberra: Australian National University, 1979), p. 72.

²²Including the role of mixed enterprise, particularly as regards its relations with the government, Lloyd D. Musolf, *Mixed Enterprise: A Developmental Perspective* (Lexington: Heath, 1972), especially pp. 6-7. See e.g., J. Panglaykim, *Emerging Enterprises in the Asia-Pacific Region* (Jakarta: Centre for Strategic and International Studies, 1979); *Far Eastern Economic Review* (June 23, 1979), pp. 23-30, (March 14, 1980), pp. 71-72 and (March 26, 1980), pp. 63-65; Lim Joo-Jack *et al.*, *Foreign Investment in Singapore: Economic and Socio-Political Ramifications* (Singapore: Institute of Southeast Asian Studies, 1977).

²³Ow Chin Hock in Nguyen-Truong (ed.), *The Role of Public Enterprise*, p. 169.

²⁴Report of the Expert Group Meeting on "Coordination of Public Enterprises," in Sadique (ed.), *Public Enterprise In Asia*, p. 550.

²⁵*Ibid.*, p. 543. Lack of trust is not confined to the Third World. A 1977 report from a British parliamentary committee cited it as a major weakness in the relationship between nationalized industries and government, *Second Special Report from the Select Committee on Nationalized Industries, Session 1977-1978*, HC 28 of 1977 (London: HMSO, 1977) p. vi.

most opening wide the door to the benefits of office, including the operation of a government organization as an independent fiefdom.²⁶ At the same time, in developing countries there is a vast gap between authority and actual control and the costs of effective control are therefore high.²⁷

There are all too many examples of shortcomings in coordination or control. There is a familiar ring about the complaint of an executive of the Thai Warehouse Organization that "... government units with control over the enterprises more often than not fail to coordinate among themselves. For example, an investment project requested by a particular enterprise may have received approval from the National Economic and Social Development Board (NESDB) of which the Director of the Budget Bureau is a member, yet, that enterprise may not be able to obtain the necessary budget appropriation from the Budget Bureau."²⁸ The most obvious examples of lack of control, hardly touched upon in the literature under review, concern the creation of subsidiaries, which have been widely used except

in Thailand.²⁹ Sometimes this has caused concern, because their objectives are not obviously related to those of the parent body, as in the case of Southern Philippines Development Administration and some of the Malaysian State Economic Development Committees. Ironically, in some cases such subsidiaries are set up to offset losses on the original operations, but in fact usually add to them. Another misgiving concerns the discrepancy between the huge size of a public enterprise complex and the minute amount of control it may have over subsidiaries.³⁰ In Malaysia, PERNAS, being subject to very little control,³¹ has no fewer than four tiers of subsidiaries below it which are subject to even less.³² Where joint ventures are with private enterprise, control must necessarily be diluted, but it need not vanish into thin air.

The books reviewed here give details of the methods of control and coordination which vary from country to country. In all of them, control, insofar as it exists, is exercised overwhelmingly by the government. The part played by legislatures is minute, being

²⁶On Indonesian examples and in addition to Pertamina, see Peter McCawley, "Some Consequences of the Pertamina Crisis in Indonesian," *Journal of Southeast Asian Studies*, Vol. IX, No. 1 (1978), p. 23. Public enterprises under Third World conditions are likely to be more corrupt than government departments because they are quasi-autonomous and often offer more tempting opportunities.

²⁷Fred W. Riggs, *Administration in Developing Countries* (Boston: Houghton Mifflin, 1964), pp. 280-283.

²⁸Veeravat Karchanadul et al., "Thailand," in Nguyen-Truong (ed.), *The Role of Public Enterprise*, p. 295.

²⁹Milne, "The Politics of Public Enterprise."

³⁰On the most notorious Southeast Asian example, see the list of Pertamina's subsidiaries in 1974 in H.W. Arndt, "Survey of Recent Developments," *Bulletin of Indonesian Economic Studies*, Vol. X, No. 2 (1974), Table 10.

³¹R. Thillainathan, "Malaysia," in Nguyen-Truong (ed.), *The Role of Public Enterprise*, p. 91.

³²*Report on Guidelines for Public Enterprise in the Fourth Malaysia Plan* (Kuala Lumpur: Working Group, E.P.U., February 1980), p. 19.

limited to the expression of grievances, complaints about service and similar specific articulations. Public enterprises' and auditors' reports are published late or never. Accountability to the public is minimal,³³ except in the very general sense that the performance of the enterprises may be taken into account in determining votes at elections. An undesirable consequence may be that the use of quasi-autonomous form for a public enterprise may increase the ability of a minister to intervene without being held to account. He, therefore, may exercise power without responsibility.³⁴

As far as government control is concerned, there are three main mechanisms: (a) an array of controls on finance, budgets, loans, audit, personnel appointments and promotions, position classification and so on, exercised by a number of central agencies; (b) control and policy direction, including possibly coordination, by a minister; (c) control and coordination on a nationwide basis by a central "guidance clusters."³⁵ The controls are less stringent if the public enterprise has a

company form rather than a public corporation (or statutory board) form. They are also diluted and tend to fade away when the enterprise is a subsidiary.

The controls discussed under heading (a) are described in some of the six works reviewed, although the details are perpetually changing. On paper the controls are more stringent than in western countries,³⁶ although in practice they are probably often evaded.³⁷ Ministerial control (b) exists in varying degrees in the five countries. Very little is said in the six publications concerning actual operations. What kind of policy directions are issued, if any? Are they, for example, general or specific, formal or informal? There is unanimity, however, that an important, perhaps *the* most important method of ministerial control is via appointments to the boards of public enterprises, a question dealt with in a few paragraphs later on.

None of the countries has adopted the device of having a Minister of Public Enterprises to whom all, or nearly all, public enterprises are responsible, as opposed to having each public enterprise responsible to a ministry which has functions related technically to those of the public enterprise. The former arrangement, which puts a minister (who is not the Prime Minister/President) at, so to speak, the center of the central "guidance cluster," has been severely criticized. It means that a "subject matter" ministry

³³Milne, "The Politics of Public Enterprise."

³⁴N.S. Carey-Jones, S.M. Patankar, and Martin Boodhoo, *Politics, Public Enterprise and the Industrial Development Agency* (London: Croom Helm, 1974), p. 42.

³⁵A term used by Engku M. Anuar, "The Public Corporation Evaluation Systems: A Case Study of Malaysia with Special Reference to the Urban Development Authority," draft doctoral dissertation submitted to the GSPLA, University of Pittsburgh, May 1978, quoted in *Report on Guidelines for Public Enterprise in the Fourth Malaysia Plan* (Kuala Lumpur: Working Group, EPU, February 1980), p. 89. In each country, a body with controlling/planning economic functions is usually prominent in the cluster.

³⁶Suwanibol, "The Politics of Public Enterprises," p. 462.

³⁷Riggs, *Administration in Developing Countries*, pp. 15-19.

is deprived of a comprehensive view of its sector of the economy, embracing both public and private aspects.³⁸ It also means that the ministry would have to recruit a formidable array of technical expertise over a wide variety of subjects. Nevertheless, both Malaysia and the Philippines have now an approximation to this pattern. In Malaysia, however, the scope of the Ministry of Public Enterprise has been limited to eight public enterprises and the 13 State Economic Development corporations. The degree of control is restricted, especially over the latter, where in each the *Mentri Besar* (Chief Minister) plays a predominant role. It is perhaps too soon to assess the value of this ministry; an early comment raised the problem of acquiring sufficient trained staff, and asked whether the new ministry might not reduce the autonomy of public enterprises without shouldering responsibility for them.³⁹ Significantly, the two probably most important public enterprises, PERNAS (the state trading company) and PETRONAS (the oil organization), were outside its control and were directly responsible to the Prime Minis-

ter.⁴⁰ Similarly, in Indonesia, PERTAMINA and Bulog, on many criteria two of the most important government enterprises, report directly to the President. This is indicative of a familiar phenomenon, the refusal of the heads of important (and some unimportant) government organizations to accept direction or control except from the very top.⁴¹

Consequently, in order to avoid a succession of appeals from a coordinating ministry to the Cabinet or the Prime Minister/President, the ministry must be at a sufficiently high level to satisfy would-be appellants that it has already access to the Prime Minister/President.

There is no evidence about corresponding procedures in Singapore. However, given the "non-political"⁴² conduct of public enterprises there, and the close relations between a relatively small number of politicians, civil servants and managers at the apex, it is likely that disputes and appeals are settled in a largely rational and orderly way.

In the Philippines before Martial Law it was usual for public enterprise heads to attempt to evade control by

³⁸Abelardo G. Samonte, "Problems and Pitfalls in the Coordination of Public Enterprises," in Sadique (ed.), *Public Enterprise in Asia*, pp. 118-119; *Organization, Management and Supervision of Public Enterprises* (New York: United Nations, 1974), pp. 197-198; *1st Report from the Select Committee on Nationalized Industries*, Vol. I, Report and Proceedings of the Committee (London: HMSO, 1968) (371-1), pp. 193-196; *Ministerial Control of the Nationalized Industries* (Cmd. 4027) (London: HMSO, 1969), pp. 3-7.

³⁹Mavis C. Puthuchear, "Coordination of Public Enterprises: Country Study for Malaysia," in Sadique (ed.), *Public Enterprise in Asia*, p. 443.

⁴⁰Suwanibol, "The Politics of Public Enterprises," p. 184.

⁴¹Sardjono, in Sadique (ed.), *Public Enterprise in Asia*, pp. 294-300; Raja Mohammed Affandi bin Raja Halim, "Coordination of Public Enterprises: Country Study for Malaysia," in Sadique (ed.), *Public Enterprise in Asia*, p. 402. In Thailand also, heads of public enterprises do not hesitate to go to the Cabinet and Prime Minister over the head of a lower controlling organization whenever they are able.

⁴²See discussion on influence of politics below.

appeals to the President.⁴³ Significantly, in an appropriately different form, a corresponding tendency was evident after Reorganization Plan No. 1 was announced in 1972. Public enterprises were to be attached to the Corporate Management Board (CMB), which never came into existence, to the National Economic and Development Authority (NEDA), or to an executive department. In fact, not only are the enterprises left homeless because of the non-creation of the CMB, but also others successfully sought shelter of the Office of the President. "The Office of the President appears to exert less effective coordination and control over other corporations attached to it or under its supervision. It has been observed that in some areas the Office of the President does not have the needed expertise and is unable to provide all the attention needed in coordinating these enterprises. The general perception of public enterprises is that their being under the Office of the President has led to faster decisions on important matters and the concern of the President and others in the Presidential family had made their operations, programs and projects successful."⁴⁴

⁴³Samonte in Sadique (ed.), *Public Enterprise in Asia*, pp. 113, 115; Robert Stephen Milne, "The Coordination and Control of Government Corporations in the Philippines," *Philippine Journal of Public Administration*, Vol. V, No. 4 (October 1961), pp. 294, 310-311.

⁴⁴Gabriel U. Iglesias and J.A. Carolino, "Coordination of Public Enterprises: Country Study for the Philippines," in Sadique (ed.), *Public Enterprise in Asia*, p. 511. The key phrase here is "on important matters." The natural tendency for corporations is to seek to be responsible to the OP, thus obtaining close access to the center of power. But irrespective of constitutional forms, the Pres-

ident takes an interest in particular policy fields, for example, energy or export processing zones, as does Mrs. Marcos in her own pet projects.

Except for the Issara Suwanibol dissertation, which is devoted to the theme, the other five references do not say much about the influence of politics.⁴⁵ Yet to a large extent the control issue is not an abstract organization-chart problem, but is intimately related to the acquisition and/or maintenance of political power. Power struggles may take the form of the assertion of, or resistance to, attempts at control or coordination.⁴⁶ Such contests may not be for the top power position, but, for example, in Thailand have ranged from supporting the interests of an important concentration of power such as the Air Force in the Thai International-Air Siam controversy,⁴⁷ to the efforts of a less prestigious group in the State Lotteries Bureau to influence the director for its own benefit. It is only in Singapore where the ruling politicians are a relatively united group that such contests do not achieve publicity. In the pre-Martial Law Philippines there was the

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⁴⁵But see: Abelardo Subido, "Personnel Management in the Philippine Setting," in Noranitipadungkarn, (ed.), *The Role of the Public Enterprise*, pp. 228-230; Affandi, p. 492, Puthuchear, p. 430, and Iglesias and Carolino, pp. 495-496, all in Sadique, (ed.), *Public Enterprise in Asia*.

⁴⁶Milne, "The Politics of Public Enterprise." The approach of Frank P. Sherwood, *The Problem of the Public Enterprise* (Bloomington: CAG Occasional Papers, 1966), reproduced in Fred W. Riggs (ed.), *Frontiers of Development Administration* (Durham: Duke University Press, 1970), pp. 348-372, is illuminating, but the conclusions are extreme.

⁴⁷Suwanibol, "The Politics of Public Enterprises," p. 331.

closest approximation to a free-for-all. Now, the emphasis is on the consolidation of power.

A more difficult question, not investigated in any of these works, is to ask what is meant by political interference. It would be inappropriate to apply this term to the assertion of political or social objectives which conflict with the purely commercial objectives of public enterprises. Many public enterprises owe their creation to a governmental perception of the inadequacy of purely market forces. The Malaysian New Economic Policy (NEP) may constitute interference with "the market," but this does not amount to interference with government policy: the NEP is government policy. Nor would the intervention some years ago of the then Deputy Prime Minister, Tun Razak, to overcome red tape and roadblocks that stood in the way of implementing policy constitute political interference.⁴⁸ The term political interference, seems appropriate to describe a situation where the operations of a public enterprise are adversely affected for the benefit of certain politicians.⁴⁹ And yet it must be conceded that pursuit of policies may be so intertwined with a power struggle that it may be hard to draw a line between policy and personal advantage. In addition, the phrase could be used to refer to ministers/controlling

⁴⁸Raja Mohammed Affandi, *Public Enterprises in Malaysia: Roles Structure and Problems* (Kuala Lumpur: Government Printer, 1979), pp. 46-47.

⁴⁹*Ibid.*, p. 47. On the other hand, a board chairman or general manager of a public enterprise may evade proper control by the use of connections with high-level politicians. See Thillainathan in Nguyen-Truong (ed.), *The Role of Public Enterprise*, pp. 114-115.

departments indulging in a surfeit of short-term interventions to the exclusion of working out and declaring long-term policies.⁵⁰

The establishment of a public enterprise in government corporation form (or, *a fortiori*, as a company) is intended to secure greater autonomy than would be possible with an ordinary government department. Yet, paradoxically, the insertion of a board, adding an extra level between minister and general manager, could function not as a buffer but rather as a transmission belt, to ensure control. Analysis of the membership of boards⁵¹ shows that in all five countries they contain a large percentage of civil servants, that all except Singapore have a high proportion of politicians or ex-politicians,⁵² and that in Thailand and Indonesia there is also a substantial military component. The number of members outside these categories is small, although higher in Singapore than elsewhere. A major improvement in all the countries would be to increase the number of "outsiders" on the boards.

Civil service representation from departments other than the supervising minister's may be a useful source of information and advice for a board. However, if it is from that minister's

⁵⁰National Economic Development Office, *A Study of UK Nationalized Industries, A Report to the Government from the National Economic Development Office* (London: HMSO, 1976), p. 25.

⁵¹Suwanibol, "The Politics of Public Enterprises," pp. 145-148; 189-195; 237-246; 278-280; and 323-324.

⁵²*Ibid.*, p. 278. Singapore is unique insofar as a selected number of key board members are recruited into politics at a high level by the governing party, the PAP.

department, it may exercise a watchdog function which will inhibit initiative.⁵³ Civil service representation in general is valued partly because, when decisions arise, loyalty to government policies can be assumed. Political representation also has a loyalty component, but it is often more an acknowledgement of past loyalty⁵⁴ divorced from any expectation that an important contribution will be made to the business of the board. Political and military members may not attend meetings very regularly, or, if they do, may not be very well-prepared. But they are rewarded by money payments, and those of them who are in private business may reap benefits based on their influence as members of public enterprise boards.

Even in the case of officials, as opposed to politicians, membership may be looked on as a legitimate but unobtrusive way of supplementing salaries,⁵⁵ for instance, in the Philippines for those in the Philippine National Oil Company (PNOC) group who were previously making higher income working for private oil companies. However, in the Philippines since Martial Law there has been a shift away from appointments designed as rewards and towards those intended to reinforce control.⁵⁶

⁵³So it may seem to constitute "double control" but in fact amount to no control at all, Karchanadul *et al.*, in Nguyen-Truong (ed.), p. 275. See also Hanson, *op. cit.*, p. 337.

⁵⁴Carey-Jones *et al.*, *Politics, Public Enterprise*, p. 45.

⁵⁵Interview with Chairman Armand V. Fabella on February 1980.

⁵⁶An inference might be that under Martial Law, the Corporate Management Board

A system of interlocking membership by which the same individual sits on several boards is found in all the countries.⁵⁷ The advantage usually claimed, that it greatly facilitates coordination, does not always follow, as was seen in the Thai Warehouse Organization example referred to previously.⁵⁸ If cross-membership is viewed as a device for ensuring coordination (maintaining control?), due weight should also be accorded to the principal disadvantage. An individual who is on half a dozen or more boards, and performs his duties on each conscientiously, must be under severe strain, especially if he also has a full time civil service job. This has been a common criticism of the arrangements in Singapore,⁵⁹ although they seem to work efficiently in other respects. Alternatively, the board duties may be performed in a perfunctory way, or hardly at all.

Two general questions suggest themselves. If the creation of boards does not in fact lead to much delegation

never came into existence and numerous positions on public corporation boards were left unfilled because of the following: (a) with the demise of Congress fewer rewards were necessary and (b) control could be better achieved via a smaller number of very reliable appointees than via a larger number of rather less reliable appointees.

⁵⁷Suwanibol, "The Politics of Public Enterprises," pp. 314 and 324. The number of board positions which could be held by one person was restricted in Thailand in 1975.

⁵⁸*Ibid.*

⁵⁹Ow Chin Hock in Nguyen-Truong (ed.), *The Role of Public Enterprise*, p. 226; Lee Sheng Yi, "Public Enterprise and Political Development," pp. 64-65.

and decentralization, but in the main, results merely in the transmission of the ministerial/departmental will,⁶⁰ what, then, is the point of having them? Might it not even be preferable to have a general manager responsible directly to the minister, aided by a purely advisory board?⁶¹ (It would be unrealistic to suggest the complete abolition of boards; vested interests are too firmly established.) More speculatively, although the presence on the board of persons loyal to the minister helps to ensure that ministerial policy is carried out, is there not a danger that their existence could lead to their being considered as a substitute for policy? Will not a minister, secure in the knowledge that a board would not attempt to go counter to his wishes, be correspondingly less motivated to try to convey policy guidelines with any approach to concreteness? In general, devices for cross-representation may constitute a virtual confession that functions and policies have been insufficiently spelled out or, indeed, thought out.⁶²

Below board level, the main problem is that there are employees lacking the required qualifications,⁶³ having been appointed for patronage or other reasons, while others are "qualified" but qualified only for the civil ser-

vice⁶⁴ and not for employment in public enterprises, where different specifications are called for. Public enterprises in the Asian and Pacific region generally "present a peculiar Domination-Conflict, where the civil services dominate Public Enterprises and impose their culture . . ." ⁶⁵ Little is said about this question in the books under review, although it is a subject studied and reported on elsewhere under the auspices of EROPA and APDAC (and its predecessor ACDA), where the emphasis has been on developing appropriate training programs. To be sure, with the passage of time there is a growing likelihood that top posts in public enterprises will be held by persons who have worked in them for a long period, or even who have the experience in the private sector, rather than by transferred civil servants. But so far none of the ASEAN countries has created a "managerial wing" of the civil service where this type of talent can be developed and used on a permanent basis.⁶⁶ There is also the problem of pay. Closing the gap between civil service and public enterprise salaries will reduce movement from the former to the latter. But to stop the drift to private enterprise, other *ad hoc* measures may be necessary. As explained by the Chief Minister of

⁶⁰As contrasted with companies, where the more pertinent question may be how to assert a minimum degree of control.

⁶¹A.H. Hanson, *Public Enterprise and Economic Development* (London: Routledge & Kegan Paul Ltd., 1959), pp. 401-405.

⁶²Cf. Puthuchery in Sadique (ed.), *Public Enterprise in Asia*, p. 426.

⁶³See for example, Nguyen-Truong (ed.), *The Role of Public Enterprise*, p. 289 and Sadique (ed.), *Public Enterprise in Asia*, p. 440.

⁶⁴Sadique (ed.), *Public Enterprise in Asia*, pp. 385, 429 and Suwanibol "The Politics of Public Enterprises," p. 145.

⁶⁵*Report on the APDAC/EROPA Consultative Group Meeting on Educational and Training of Public Enterprise Administrators held in Kuala Lumpur from September 6-9, 1978* (mimeo.), p. 7.

⁶⁶P.K. Basu, "Managerial Civil Services in Asia: The Key Issues," in P.K. Basu (ed.), *Towards a New Managerial Order in Asia* (Kuala Lumpur: Asian Centre for Development Administration, June 1977), p. 18.

Malacca (Malaysia), the general manager of the State Economic Development Corporation (SEDC) could not be paid a higher salary than the state Secretary, and yet the "market price" for his services was more than double that amount. "But he is doing the job because Malacca is his home state and we are giving him some perks like an SEDC-maintained car and positions in SEDC subsidiaries."⁶⁷

The most important remaining question for discussion concerns performance. One aspect, not treated in the books under notice here, is the relation between autonomy/control and efficiency — are these positively correlated, or is it a matter of trading off some of the one for some of the other?⁶⁸ The important aspect which is discussed (particularly in the Basu book, although not made explicit in the title) is the more concrete one of the determination and measurement of performance.⁶⁹ The first step is obviously to specify clearly what are the objectives of a given public enterprise. With lamentable regularity, however, the list of objectives is long, the terminology is vague, and quantifica-

tion or even indications of priorities is absent. Under such circumstances, faced with a multiple choice question to which there are no acknowledged definitive answers, those in charge of public enterprises may in effect select their own priorities. Two consequences are likely. They will tend to select the easiest objectives.⁷⁰ Those they select may not meet with the concurrence of the other authorities concerned. The Warehouse Organization of Thailand ". . . possesses a definite objective. The government, in particular the Commerce Ministry, utilizes it as a means to regulate or to resolve the unruly speculative type of trading activities. However, just about the only agency that agrees with and supports the said objective of the Warehouse Organization is the Commerce Ministry to which the Organization is attached. Other agencies with the influence over its operation have not attached much importance to the NESDB which evaluates projects and the Budget Bureau which approves budget request."⁷¹ In the absence of any clear indication of priorities among objectives, evaluating and monitoring agencies are forced to devise their own criteria. The Corporate Audit Office of the Commission on Audit in the Philippines cuts the Gordian knot by

⁶⁷Mohammed Adib Adam, Chief Minister of Malacca, quoted in *New Sunday Times*, April 20, 1980.

⁶⁸See Peter McCawley, "Some Consequences of the Pertamina Crisis in Indonesia," *Journal of Southeast Asian Studies*, Vol. X, No. 2 (1978), pp. 22-27.

⁶⁹See also *Measures for Improving Performance of Public Enterprises in Developing Countries* (UN ST/TAO/M/58, 1973) (New York: UN, 1973); G.P. Keshara, "Appraisal of the Management's Performance in Public Enterprises" (Paper No. 33, Annual Social Science Conference of the East African Universities, Dar-es-Salaam, December 18-20, 1973).

⁷⁰Raja Mohammed Affandi, "Coordination of Public Enterprises: Country Study for Malaysia," in Sadique (ed.), *Public Enterprise in Asia*, p. 406; Mavis Puthuchery, "The Control of Public Enterprises with Special Reference to the State Economic Development Corporations," in Cheong Kee Cheok et al., *Malaysia: Some Contemporary Issues in Socio-Economic Development* (Kuala Lumpur: Persatuan Ekonomi, 1979), p. 197.

⁷¹Karchanadul et al., in Nguyen-Truong (ed.), *The Role of Public Enterprise*, p. 306.

simply taking the first two or three objectives stated in the enterprises, list as the operative ones.⁷²

Failure of other agencies to agree with an enterprise's selected objectives is especially likely if the enterprise has diversified or expanded its activities,⁷³ and particularly if it has set up a subsidiary with additional objectives, thus providing possible grounds for conflict with existing objectives.

Social objectives obviously have to be included. But public enterprises are likely to take this requirement as an excuse for entirely jettisoning the idea of profitability.⁷⁴ "If a government, having been persistently told that its enterprises must 'behave commercially,' discovers — as it is bound to do — that there are important senses in which this advice is unmitigated nonsense, it may easily come to the false conclusion — towards which certain pressure groups may be urging it — that there are *no* senses in which commercial behavior is appropriate."⁷⁵

Sometimes one can make rough but probably correct judgment about performance or efficiency. Some public

enterprises cannot fail to be seen as inefficient on almost any score.⁷⁶ In an extreme case, there can be evaluation by notoriety, or scandal, as with PERTAMINA. Even here, however, care has to be exercised to consider all the pluses and all the minuses, although the latter unquestionably predominated.⁷⁷ Profits may be a rough guide to efficiency, especially if the social benefits are minimal. This would be especially true of some of the Singapore commercial ventures with few social implications, between which valid comparisons can be made on the basis of profits.⁷⁸ However, the profits test loses validity if the enterprise has a monopoly; poor quality or standards of service may then not be reflected in low profits.⁷⁹

⁷²E.g., see Thillainathan in Basu and Nove (eds.), *Public Enterprise Policy*, pp. 414, 420, and 425, Suwanibol, "The Politics of Public Enterprises," p. 218-219.

⁷³Among the former were not only a psychological boost to the idea of Indonesian entrepreneurship but also more concrete benefits in the shape of modern service stations, roads, etc. However, on the minus side, in addition to almost incalculable money losses there was the adverse effect of disruption and a weakening of the political structure (Bruce Glassburner, "In the Wake of General Ibnu: Crisis in the Indonesian Oil Industry," *Asian Survey*, Vol. XVI, No. 12 (1976), pp. 1104-1111.

⁷⁴Ow Chin Hock in Nguyen-Truong (ed.), *The Role of Public Enterprise*, pp. 214-223, 247; Suwanibol, "The Politics of Public Enterprises," pp. 263-264; Lee Sheng Yi, "Public Enterprise," pp. 59-62, 66-73. One of the few losing public enterprises in Singapore without providing appreciable social benefits, but which has not been discontinued is the Sentosa Development Corporation (*Straits Times*, March 22, 1980).

⁷⁵Karchanadul et al., Nguyen-Truong (ed.), *The Role of Public Enterprise*, pp. 304, 308; Alec Nove, *Efficiency Criteria for Nationalized Industries* (London: Allen and Unwin, 1973), p. 20.

⁷²Interview, February 1980.

⁷³Kosit Panpiemras, *Guidelines on Investment, Pricing and Performance of Public Enterprise in Thailand* (Kuala Lumpur: AP-DAC, n.d.) (mimeo.), p. 5.

⁷⁴Armand V. Fabella, "Public Enterprise Policy On Investment Prices and Returns (the Philippines)" in *Approaches to the Study of Public Enterprise in Asia on Investment, Prices and Returns Criteria*, Proceedings of and Papers Presented at the Asian Think Tank Meeting held at Kuala Lumpur, Malaysia in September 1-3, 1976 (Kuala Lumpur: AC-DA, September 1976), pp. 141-142.

⁷⁵Hanson, *Public Enterprise and Economic Development*, pp. 441-442.

If judgment of performance is to go beyond this, there has to be an effort to embody consideration of social benefits in the financial targets of government enterprises. Targets must be worked out, which are not purely commercial but which take into account the social functions which enterprises are required to perform, such as providing infrastructure, employing or training certain groups, or helping consumers via subsidies. To ascertain a social rate of return involves estimating costs and benefits, including quantifying social benefits provided by an enterprise but not covered by its receipts, and then making arrangements to reimburse it.⁸⁰

The problems of definition and quantification are well-known but intractable, and fully merit the ongoing research program now being devoted to them by APDAC. Only a few will be indicated briefly. One is to define what the social objectives are. If it is desired to provide employment or raise the living standards of a particular group, a clear statement of these aims

will provide a basis for a quantitative approach. The New Economic Policy in Malaysia allows such objectives to be specifically stated and sought.⁸¹ In all countries, however, there will remain political objectives which, as remarked earlier, are commonly known to exist but which, by their nature, must often remain implicit. Even some sound objectives, such as the creation of employment, are often not made explicit. A second problem is to allocate weights to these objectives. This is not to say that the objectives are "intangible."⁸² However, they may be conflicting⁸³ and even if they can be used as "criteria"⁸⁴ or "indicators,"⁸⁵ it may be difficult to agree on the relative importance to be attached to each and what trade-offs between them might be judged advantageous.

⁸¹Employment is also an accepted and acknowledged element in returns policy in Indonesia (Astar Siregan, "Indonesia" in Basu and Nove (eds.), *Public Enterprise Policy*, pp. 325-326.

⁸²V. Kanapathy, "Public Enterprise and the Community" in PEA/ACDA Regional Management Development Programme, *Administrative Control and Management Administration Systems for Effective Management of Public Enterprises in Asia*, October 21-November 1, 1974 (mimeo.), Vol. 1, p. 33.

⁸³Jack Diamond, "Performance Indicators in Evaluating the Social Impact of Public Enterprises," *Development Forum*, Vol. VIII, No. 1 (1978), pp. 46-47.

⁸⁴Affandi in Sadique (ed.), *Public Enterprise in Asia*, p. 409.

⁸⁵Diamond, "Performance Indicators..." *Development Forum*, in his "Goals Achievement Matrix," pp. 55-56, gives a "points allocation" for a "merit rating system," based on the relation between "Goals and Goal-Achievement Criteria" and "Indicators/Performance Criteria." But in some cases he does not allocate a point value; agreement on what value should be would presumably vary between even knowledgeable individuals.

⁸⁰*Report on Guidelines for the Fourth Malaysia Plan*, op. cit., pp. 13,14, 53-54; Prahlad Kumar Basu, "A Model of a Working Document on Decision Making Choices on Investment, Prices and Returns Policies for Public Enterprises. . ." in Basu and Nove (eds.), *Public Enterprise Policy*, p. 5; R. Thilainathan, "Malaysia," in Nguyen-Truong (ed.), *The Role of Public Enterprise*, pp. 441-413; *Project Title: Preparation of Guidelines on Investment, Pricing and Returns in Public Enterprise* (Kuala Lumpur: APDAC, 1980), pp. 12 and 16-20; R.L. Wettenhall, "The Recoup Concept in Public Enterprise," *Public Administration*, Vol. XLIV (Winter 1966), pp. 391-413; *Nationalized Industries: A Review of Economic and Financial Objectives* (Cmd. 3437) (London: HM 50, 1967). [In fact, the British government found itself unable to implement the principles laid down in this review.]

On the output side there are also problems of measurement. One is the familiar "proxy" dilemma. Lacking a yardstick for estimating the effects of training, for example, a proxy measurement of hours spent in training may be substituted. But this, of course, is an input measurement, masquerading as an output measurement! Again, we may be able to measure an output, for example the production of indigenous entrepreneurs in Malaysia during a period. But many of these people will have received help from more than one of the numerous bodies designed to encourage such entrepreneurs. How, then, can credit for the benefits be allocated among them?⁸⁶

So far not very much has been done about putting these ideas on evaluation into practice. In the Philippines the chairman of the Commission on Audit has indicated the Commission's willingness to attempt measurement of the effectiveness of public enterprises, but has maintained that the actual setting of standards should be done by some other agency, preferably the office of the President or the National Economic and Development Authority.⁸⁷

A good deal of skepticism exists in the ASEAN countries about the need to introduce complex evaluation procedures, given the lack of data available and the cost of collecting them.

⁸⁶ Mavis Puthuchery, "The Control of Public Enterprises with Special Reference to State Economic Development Corporations," in Cheong Kee Cheok *et al.*, *Malaysia: Some Contemporary Issues*, p. 197.

⁸⁷ Francisco S. Tantuico, "Financial Management in Public Enterprises" (Manila: College of Public Administration, University of the Philippines, 1979), pp. 5-6, 16.

Indeed, two writers, one from Thailand the other from the Philippines, believe that elaborate quantitative cost-benefit systems for measuring the performance of public enterprise in their countries would cost more than they were worth.⁸⁸ In Indonesia, according to a high National Planning Board (Bappenas) official, the need to improve methods of evaluation is recognized, but not much has been done about it yet.⁸⁹ On the other hand, one comment on Singapore by an informed academic, was that the government probably thought that any complex analysis of the working of public enterprises there was unnecessary, because they were already working so well.

In pricing policy, as in evaluation procedures, formulation of concepts and strategies⁹⁰ has not often been

⁸⁸ Panpiemras, *Guidelines on Investment, Pricing and Performance*, p. 21; Chita Tanchoco-Subido, Country Paper on "Towards the Formulation of Guidelines on Investment, Prices and Performance Evaluation of Public Enterprises" (Kuala Lumpur: APDAC, 1980), p. 19. In the same paper, Kosit Panpiemras commented that the central organizations, such as the Ministry of Finance, Budget Bureau, and NESDB appear to stress control rather than evaluation.

⁸⁹ Interview, June 1980.

⁹⁰ P.K. Basu, "A Model of a Working Document on Decision Making Choice on Investment, Prices and Returns Policies for Public Enterprise Derived from their Macro National Long Term Objectives" and "A Summing Up of the Seminar: Towards Formulation of Guidelines" in Basu and Nove (eds.), *Public Enterprise Policy*; P.K. Basu, "Issues and Problems of Public Enterprise Policy on Prices, Investment and Returns" in *Approaches to the Study of Public Enterprises in Asia on Investment, Prices and Return Criteria*, *op. cit.*; *Project Title: Preparation of Guidelines on Investment. . .*, *op. cit.*, pp. 14-19.

accompanied by implementation. Little use is made of the marginal cost principle or shadow prices, for example.⁹¹ Where subsidiaries are concerned, absence of information on each subsidiary's contribution to profits may conceal cross-subsidization, the fact that some are making losses, and are being "carried" financially through some subsidiaries' obligations to buy from or sell to others.⁹²

Pricing policy, notably in Thailand, may be influenced by the requirement that certain enterprises, often monopolies, should contribute to revenue by making a profit. However, a more prominent feature of the public enterprise pricing scene is the subsidizing of consumer goods and services which make losses, particularly those used by large numbers of people, such as water, buses, railroads, housing, and electricity and other forms of energy.⁹³ If social objectives and social rates of return are taken into consideration, this kind of subsidization, especially for lower income groups, may be justifiable. But actual decisions to subsidize, or to increase subsidies, are usually made, not on grounds of abstract equity but as a consequence of political pressures,⁹⁴ recently inten-

sified by the spectacular rises in the price of oil. Such pressures are perhaps insufficiently indicated in the books noticed here, with the exception of Issara Suwanibol's.

The above observations on the books reviewed do not lead to any grand synoptic conclusions. Nevertheless, certain features and trends stand out: the increasing importance of the company form of organization and of links with foreign enterprises; the difficulties of coordination except at the very top; the prevalence of political representation (and often interference) on boards with the exception of Singapore; the multiplicity and vagueness of objectives and the relative absence of clear directives on policy; the lag between theoretical advances in the measurement of performance and their adoption in practice.

Comparatively, the characteristics of public enterprise in the ASEAN region do not seem all that different from those which obtain in other parts of the Third World.⁹⁵ Remedies for their defects and problems seem doomed to achieve limited results in the absence of changes in the economic

⁹¹R. Thillainathan, "Malaysia," in Basu and Nove (eds.), *Public Enterprise Policy*, pp. 396-411. See also Karchanadul in Chakrit Noranitipadungkarn (ed.), *The Role of Public Enterprise* (on electricity pricing).

⁹²*Report on Guidelines for Public Enterprise in the Fourth Malaysian Plan, op. cit.*, pp. 27, 60.

⁹³Milne, "The Politics of Public Enterprise."

⁹⁴Which contributed to the fall of the Kriangsak government in Thailand and to the problems of its successor (*Far Eastern Economic Review*, July 4-10, pp. 82-83).

⁹⁵E.g., A.H. Rweyemamu and Goran Hyden, *A Decade of Public Administration in Africa* (Nairobi, Kampala, Dar-es-Salaam: East African Literature Bureau, 1975), Part IV, "Public Enterprises," *The Role and Management of Public Enterprises* (London: Commonwealth Secretariat, 1977); *Issues in Public Enterprise Development* (London: Commonwealth Secretariat, 1981); *Management Training Enterprises in Commonwealth Countries* (London: Commonwealth Secretariat, 1979); *Research Workshop on the Development of a Model Training Programme for Improving the Performance of African Public Enterprises* (Tangier: CAF-RAD, 1979) (CF. 4-79-1 DOC. 40).

and political environment.⁹⁶ On an

⁹⁶Suwanibol, "The Politics of Public Enterprise," p. 472. For a model of alternative political, economic and social environments, see G.C. Glentworth, "Environmental and Institutional Components and Training Priorities" in *Management Training for Public Enterprise in Commonwealth Countries*, pp. 135-141.

other perspective, public enterprises anywhere, by their very nature, have to perform two continual balancing feats: treading the fine line between excessive "autonomy" and excessive control; striving to perform well in the face of competing criteria, some emanating from the signals of the market while others imposed by the pressure of social objectives.