

The East Asian Growth Regime and Political Development*

Kenichi Ohno

Many low-income developing countries are caught in a trap. The private sector is small and weak, and lacks skills, technology, funds, trust, and management capability. Local producers can hardly compete with global giants in open markets. Under these circumstances, the government is expected to lift the country out of poverty, but the government itself also faces a multitude of problems such as inefficiency, corruption, lack of talent and information, bureaucratic formalism, and political pressure. Bad policy, stagnant economy, and social instability exacerbate one another. Countries must break away from this vicious circle before they can initiate an economic take-off. The question is how to do this, and East Asian experiences in the last several decades may provide some clues for latecomer countries which are not yet on a path of robust growth.

East Asia's success pattern was very different from the current popular thinking in the ODA donor community. Countries in East Asia did not start the "breaking away" process by drafting a poverty reduction strategy paper or minding governance, transparency and grass-roots participation. As a matter of highest priority, they had to cope with the life-or-death problem posed by

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external military threat or internal social fragmentation. To maintain national unity and military readiness, economic growth was considered imperative. A political regime that could handle this situation, which we call *authoritarian developmentalism*, was established in a number of countries. This regime pursued economic growth at any cost and thus broke the poverty trap. New problems generated by fast growth, such as income and wealth gaps, urbanization, internal migration, environmental damage, and congestion were also recognized and dealt with.

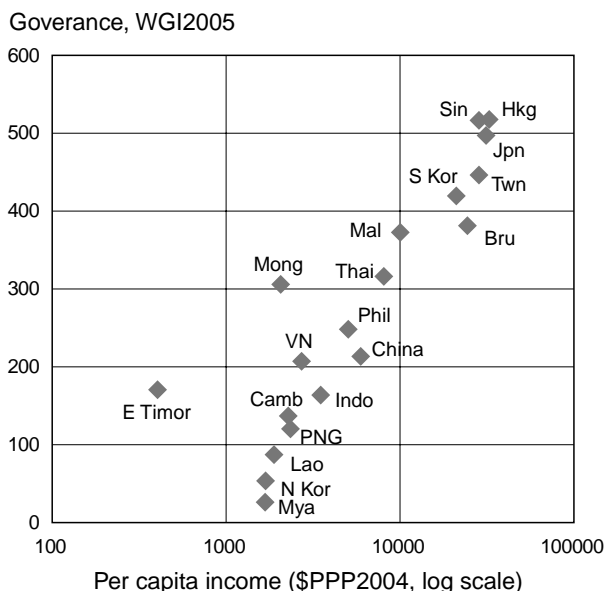
However, it must also be admitted that such regimes and policies, which may have suited the reality of the Cold War era, are a little too harsh and insensitive for developing countries today. Historical lessons must be learned in full recognition of circumstantial differences. This chapter proposes to learn from the East Asian experiences selectively and with modifications, instead of accepting or rejecting them totally and unconditionally.

1. Good but uneven performance

East Asia's economic development has been quite remarkable, but high performance was not uniform across countries or over time. It is also difficult to argue that East Asia owes its success to good initial political and economic conditions. It is necessary at the outset to dispel these myths and emphasize the role of policy in achieving economic success. East Asian growth was generated mainly through competent execution of appropriate policies, as explained below, rather than spontaneous emergence of some inherent characteristics of the region such as diligence or Confucianism. Countries that did not implement needed policies or those that implemented them insufficiently have failed to participate in regional economic dynamism. Figure 2-1 shows a wide range of achievements in governance and economic development in East Asia with a strong positive correlation between the two measures (0.90).¹

1. At the risk of stating the obvious, it should be added that correlation does not necessarily imply causality, either from income to governance or vice versa. More information and analysis are needed to argue causality.

Figure 2-1: East Asia: Governance and Income



Sources: Compiled from World Bank, *Worldwide Governance Indicators*; and World Bank, *World Development Indicators* (2006). Unofficial income data from various sources are used for countries without World Bank income data.

Note: Worldwide Governance Indicators consist of six dimensions (voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, control of corruption) with each carrying 0 to 100 points. The vertical value in this diagram simply adds these points for each country or area.

While the precise geographical definition of East Asia may be debatable, it is safe to say that only a subset of economies belonging to this region have achieved or are achieving sustained economic miracles. Japan, Singapore, and Hong Kong have already reached high income and life style comparable to the richest countries in the West. Taiwan and South Korea are very near that level. Malaysia, Thailand, China, and Vietnam, although in different development stages, are moving up rapidly. These nine economies are full participants in the East Asian production network. On the other hand, Indonesia and the Philippines have been integrated in regional dynamism, but their performance and future prospects are more precarious.²

2. In 2007, Thailand is also facing political and economic difficulties following the ousting of former Prime Minister Thaksin. However, this situation may be temporary given that Thailand has grown fairly consistently in the past despite many political crises and a persistent urban-rural income gap.

Additionally, a number of economies lie outside the East Asian Factory for various reasons. Cambodia, Laos, Mongolia, Papua New Guinea, and East Timor are struggling for political stability or economic take-off, or both. At this point, Myanmar and North Korea are political outcasts for which no meaningful growth strategy can be discussed. Finally, Brunei is a small oil-rich country that does not join the flying geese formation.

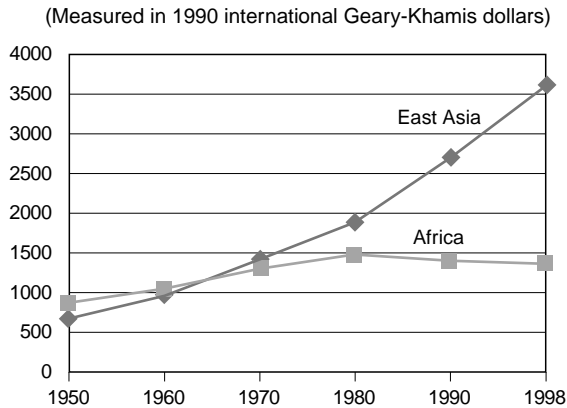
The paths travelled by East Asian economies have been far from smooth. When Gunnar Myrdal wrote *Asian Drama* in 1968, Southeast Asia was considered to be a region trapped in dire poverty. He argued that the only way to get out of it was through population control, more equitable land distribution, and investment in health care and education (FDI-led growth was not mentioned). According to historical statistics compiled by Maddison (2001), shown in Figure 2-2, Africa had a higher average income than Asia in the 1950s. China, now the mighty factory of the world, was mired in political and economic confusion in much of the 1950s, 60s, and 70s. The Cold War turned hot in the Korean Peninsula and Indochina, and tension continued across the Taiwan Strait, all of which severely affected the political economy of the entire region. In the late 1950s, South Korea was considered a basket case under an incompetent leader with rampant corruption (see Section 5).

More recently, growth was interrupted by various events such as the oil shocks in the 1970s, the ASEAN recession in the early 1980s, Japan's lost decade in the 1990s, and the Asian financial crisis in 1997-98. It is therefore difficult to argue that East Asia grew fast because the region enjoyed peace and stability or because it had inherited better initial economic conditions than Sub-Saharan Africa. Policy, not external circumstances, made the critical difference.

2. Growth policies and social policies

The development strategy of the global ODA community shifts every several years. The current strategy focuses on the Millennium Development Goals (MDGs) proposed by the United Nations in 2000, which feature poverty reduc-

Figure 2-2: Per Capita GDP



Source: Maddison (2001).

tion and attainment of seven other social goals in the period between 1990 and 2015. Moreover, *governance* is also targeted as a main pillar of development effort. However, it is now widely recognized that meaningful poverty reduction cannot be achieved only by shifting existing resources around or improving education and health care. Economic growth is absolutely necessary for sustained poverty reduction and avoidance of permanent aid dependency. But the global ODA community seems at a loss as to what concrete measures are required to generate long-term growth, especially in Sub-Saharan Africa.

These questions were alien to East Asian development thinking, where growth has always been the central objective for which policies and resources were mobilized. For East Asian countries, poverty reduction was one of the many natural fruits of competent economic management rather than an overarching goal toward which every development effort must be exerted. In fact, reducing poverty was a goal too small for them; East Asian states invariably pursued a more ambitious goal of greatly improving technology, competitiveness, and living standards so as to join the ranks of advanced countries and establish a respected stature in the world economy.

Despite various differences among countries, there was a general policy orientation followed by all successful economies in East Asia. This policy orienta-

tion had two main components: *growth policies* and *social policies*. Growth policies include standard measures that ignite and sustain private-sector dynamism such as provision of indicative visions, plans, and strategies; human resource development; technology; infrastructure; SME promotion; FDI attraction; finance; and subsidies.³ Social policies are a set of measures that cope with problems associated with rapid growth, such as inequality, pollution, urbanization, congestion, labour migration, asset bubbles, corruption, illegal drugs, materialism, and decline of traditional values and customs. Growth policies are primary and social policies are secondary, in the sense that the latter ameliorate new problems generated by the successful execution of the former.

Yasusuke Murakami (1992, 1994) stresses the importance of simultaneous execution of growth policies and social policies (which he calls “supplementary policies”) in order to avert the negative aspects of developmentalism. As Murakami (1994) puts it,

When targeted key industries begin to grow rapidly, people in these and related industries will experience a shift in life style and even in attitude toward life. ... [E]specially in latecomer countries, social structure, including the national psychology, will be impacted strongly by the force of “modernization,” sowing the seeds of social tension. Such tension typically arises from a widening gap in income and life style between urban and rural populations. Equally notable is the formation of mega-cities and surrounding slums which are often seen in Latin America and Asia. Failure to alleviate social tension under these circumstances can lead to political conflict, which ultimately stymies developmentalism itself. (p.192, English translation)

Once rapid growth begins, social transformation is inevitable. It permeates all

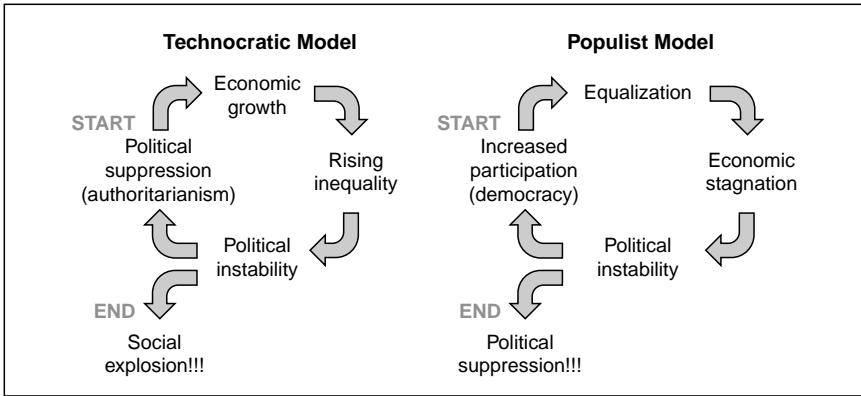
3. Some of the old measures such as tariff protection, import quotas and bans, export subsidies, local content requirement, and foreign currency balancing requirement, are now prohibited by WTO. However, many measures that do not violate WTO principles are still available, as listed in the text, and can be mobilized for industrial policy formulation today.

aspects of social life, including psychology, attitude, work, entertainment, family, urbanization, village community, human mobility, transport, environment, culture, and nationalism. Development cannot be sustained unless both growth policies and social policies are conducted in proper balance. The required details of these policies differ from one country to another, and they must be designed and implemented carefully to suit local needs. In East Asia, only those countries that managed to do this more or less competently have achieved economic miracles.

Observing the dismal situation in Latin America in the 1960s and 70s, where ruthless dictators and incompetent populism alternated, Huntington and Nelson (1976) concluded that chaos would be the inevitable end result no matter how the country started the development process (Figure 2-3). In their *technocratic model*, an authoritarian state with suppressive policies initiates growth, which breeds inequality and raises social tension. To cope with this situation, the regime introduces even more suppressive policies. After a few rounds of this, discontent mounts to a critical level, people take to the streets, and society explodes. Alternatively, in their *populist model*, a democratic state which permits broad participation is installed initially. The government distributes available economic benefits among supporters but does not succeed in mobilizing resources decisively to increase GDP. Economic stagnation leads to dissatisfaction and the regime is eventually thrown out by a military coup. The conclusion follows that there is no easy way to generate economic growth while maintaining political stability.

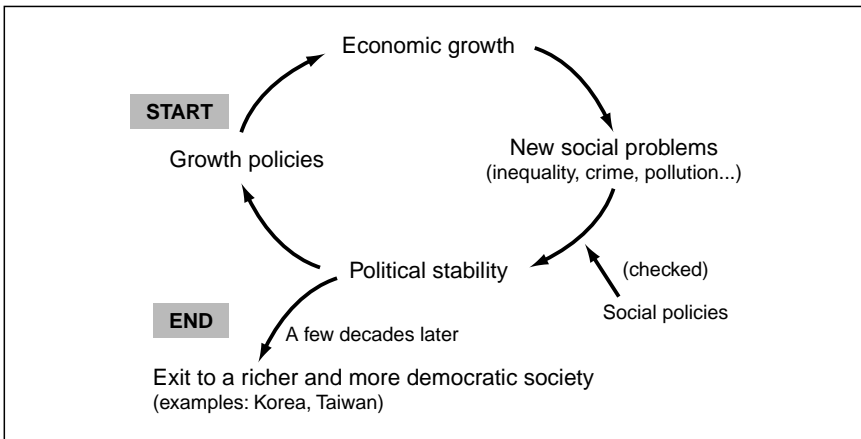
Using this framework, what East Asia's successful economies did can be portrayed as a revised technocratic model where rising inequality and other growth-generated problems were ameliorated through social policies (Figure 2-4). With this policy package, crisis is averted and the virtuous circle of economic growth and political stability is maintained for a few decades until the society changes from within (see Section 4 below). This policy mix was the East Asian answer to the Latin American puzzle presented by Huntington and Nelson. The policy pattern is clear, but the question is how adeptly a country can execute it.

Figure 2-3: No Easy Choice?



Source: Compiled from Huntington and Nelson (1976).

Figure 2-4: East Asia's Policy Mix



3. Growth driven by regional integration

For latecomer countries, economic development and international integration are one and inseparable. Today's development process is characterized by a continuous inflow of foreign products, ideas, technology, and systems into the country. They are brought through private channels such as human mobility, trade, and investment; through policy initiative; or under the pressure of donors and international organizations. To enhance domestic capability and

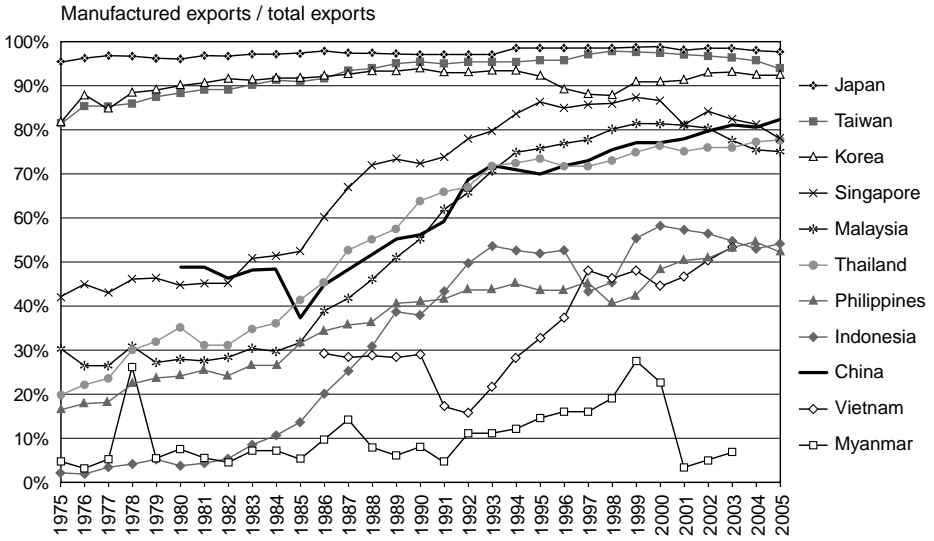
generate growth, foreign factors must be adopted selectively and with modifications to suit local needs. Integration policy and development policy must be integrated closely and managed by the central government rather than left to private hands or foreign organizations (Maegawa, 1994; Ohno, 1996, 2000, 2003).

This development-integration nexus took a very special form in East Asia. East Asian growth was attained through the very existence of the East Asian region as an arena for economic interaction among its members. One by one, countries in different development stages initiated economic growth by participating in the dynamic production network spanned by private firms. Linked by trade and investment, an international division of labour with a clear order and structure has emerged in the region. Industrialization has proceeded through geographic spreading on the one hand and structural deepening within each country on the other. The term *flying geese* refers to these systematic supply-side developments. To understand this mechanism, evaluating the policies of individual countries is not enough; it is necessary to analyze East Asia as a whole, with its production structure, intra-regional trade, and investment flows.

For countries in East Asia, development was—and is—tantamount to jumping into this regional production network and becoming one crucial dynamic link in it. Each country is under constant competitive pressure from the countries moving ahead of it as well as behind it, which compels it to continuously climb the ladders of development. What drove these countries was the desire for material well-being and the pursuit of national pride in the context of this regional competition, not policy matrices introduced by international organizations.

Figure 2-5 shows how the East Asian geese have been flying as measured by the ratio of manufactured goods to total exports. The top economies including Japan, Taiwan, and Korea have long exported manufactured goods. The second tier of economies such as Singapore, Malaysia, Thailand, and especially China, are catching up very fast. They are followed by a third group of

Figure 2-5: Manufactured Exports



Sources: Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries*, 1993 & 2006; Statistical Bureau, Ministry of Internal Affairs and Communications, *Japan Statistical Yearbook 2007*.

economies such as Indonesia, Philippines, and Vietnam. On the other hand, Myanmar, as well as the East Asian economies not shown here such as Cambodia, Laos, and North Korea, has not even entered the race.

Industries are constantly passed from the first tier countries to the next and down the line. Since this industrial passing occurs mainly through FDI, countries wishing to strengthen their positions court FDI vigorously. Japanese corporations have long been the chief architect of the East Asian production network, together with EU and US multinationals. The extensive business networks of Taiwan, Hong Kong, and overseas Chinese as well as bold business moves by Korean *chaebols* have also invigorated this region. Since the 1990s, the emergence of China as a producer and investor has become the new important factor. No other developing region has formed such an organic and dynamic interdependence as East Asia. This fact must be taken into account when the replicability of East Asian experiences in other regions is considered.

4. Authoritarian developmentalism

To break away from the poverty trap and initiate growth, most countries in East Asia installed *authoritarian developmentalism*, or an authoritarian state with economic capability.⁴ The key ingredients of this regime are as follows⁵:

- Powerful and economically literate leader
- Development as a supreme national goal, ideology, and obsession
- An elite technocrat group to support the leader in designing and executing policies
- Political legitimacy derived from successful development

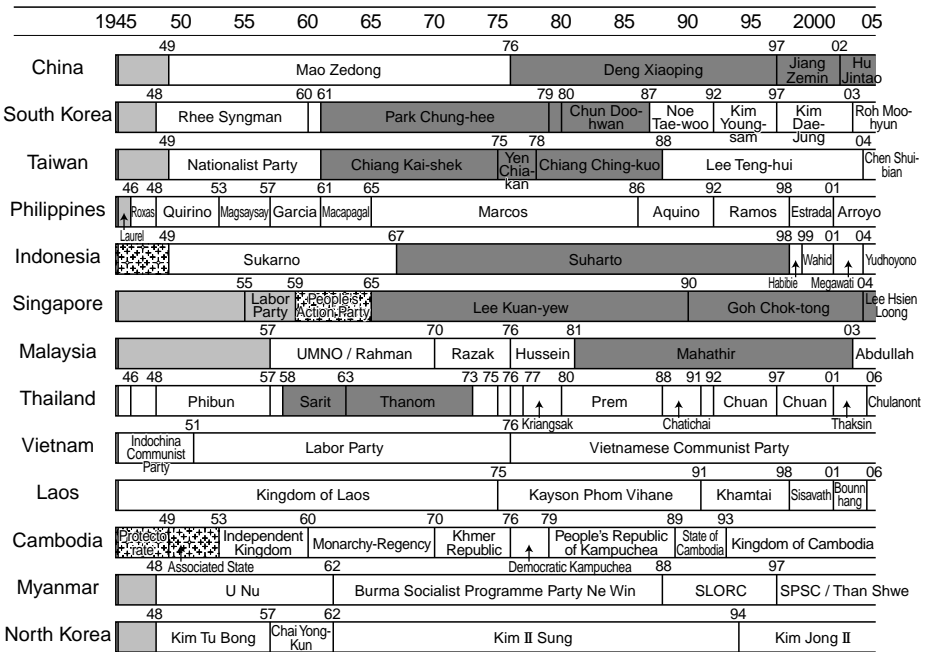
Among these, the first ingredient (leadership) is crucial because the other conditions can be created by a competent leader if they do not already exist. The importance of a decisive and enlightened top national leader such as a president or prime minister cannot be over-emphasized. This leader must have a keen sense of what works and what does not in accelerating growth. A Ph.D. in economics or an MBA is not needed, but an instinct for selecting the right policies and assigning good people is essential. Strong leaders are many, but strong and wise leaders are few. The term authoritarian developmentalism is reserved only for regimes led by the latter.

Dark bars in Figure 2-6 show East Asia's authoritarian developmentalism. The effectiveness of these "dictators" in promoting growth differed substantially. According to the original classification by Suehiro (2000), on which this diagram is based, the Philippines' Marcos regime was counted as authoritarian developmentalism but we prefer to exclude it from the list due to the fact that it failed miserably in delivering economic results. Three things are clear from Figure 2-6. First, not all East Asian economies experienced authoritarian developmentalism. Second, all successful economies, with the exception of

4. The only exception among the successful economies was the city economy of Hong Kong, which adopted a basically laissez-faire regime to achieve high income.

5. See Watanabe (1995). The list of ingredients in the text reflects Watanabe's argument with minor modifications by this author.

Figure 2-6: Authoritarian Developmentalism in East Asia



Sources: Suehiro (2000), p.115. Updated and revised by author using various sources.
 Notes: Dark grey areas show authoritarian developmentalism and light grey areas show pre-independence years. For China, the most influential leader among those holding highest positions is indicated. The Philippines' Marcos is classified as AD by Suehiro but is not classified as such in this diagram.

Hong Kong, have adopted authoritarian developmentalism in the past. Third, authoritarian developmentalism typically lasted two to three decades. In this regard, Singapore is the only country that has not abandoned this system even after reaching a very high income level.

East Asia's authoritarian developmentalism often emerged under severe security threat. South Korea was threatened by North Korea, and Taiwan's existence was precarious in the presence of Mainland China. Internal political chaos and ethnic unrest also increased the likelihood of such a regime emerging. In a number of cases, a military coup was staged to replace an ineffective government unable to contain a crisis situation. Under this type of regime, many elements of democracy such as freedom of speech and press, free and

competitive election, and the power of parliament were restricted or suspended. For this reason, these regimes were regularly criticized by the West as “undemocratic.” However, people may support their dictator, not because he came to power by free election, but because he delivers national security, higher income, and job opportunities to them.

Why do we need an “undemocratic” state to execute development? The fundamental reason is that economic take-off from a low base requires massive and speedy resource mobilization.⁶ Adrian Leftwich (2005) points out that democracy and development require different institutional conditions which cannot be easily reconciled:

The institutional characteristics and requirements for development [accumulation and change] and for democracy [accommodation and compromise] pull in opposite directions... democracies have great difficulty in taking rapid and far-reaching steps to reduce structural inequalities in wealth.

The country must unify different ethnic and social groups into an imagined community, build power supply and transport systems, attract investment, improve skills and technology, build schools and hospitals, crack down on crimes and social evils, relocate residents, manage urbanization and internal migration, conduct macroeconomic and trade policies, cope with global and regional shocks, and the list can go on considerably further. Allowing political participation of all concerned groups and thoroughly debating all laws and policies in the parliament would be more democratic, but would take too much time. If a critical mass of policies is not adopted quickly and simultaneously, the country cannot initiate or sustain growth. This is precisely the failed populist model discussed in Section 2.

6. Another reason may be that undemocratic means are necessary to stamp out patronage and rent-seeking which prevent economic growth. We do not deny this factor entirely, but do not at the same time over-emphasize it since even relatively corrupt and inefficient states can make a certain amount of progress in development. For an economic take-off, a discontinuous jump in governance or political development does not seem to be necessary (see Figure 2-1).

One important thing about authoritarian developmentalism is its transitional nature. Unlike democracy, it is not a regime all countries should aspire to and defend in the long run. Rather, it is a short-term regime of convenience whose value lasts only for a few decades. It is an instrument for achieving fast growth at a critical moment in the history of a particular country. Once the desired level of development is attained, it should be thrown away just like the first-stage booster must be ejected when the space craft reaches a certain height. If it is not detached, it will become a serious obstacle for further flight. The evaluation of this regime must be made in this dynamic context, not by static comparison of attained level of democracy.

Another important and related issue is the exit problem. Watanabe (1998) argues that “if development under an authoritarian regime proceeds successfully, it will sow the seeds of its own dissolution” (p.217, English translation) by providing higher living standards and diversified social strata. New middle mass, consisting of white-collar workers, professionals, small business owners, and students, begin to disapprove of authoritarianism and demand more democracy. However, authoritarian developmentalism may not melt away automatically if there are barriers to transition such as a stubborn leader, bureaucratic resistance, and interest groups. In particular, a strong leader often refuses to step down because of the prospect of being revenged, jailed, or even executed after transition, with most or all of the regime’s policies reversed. Unlike well-functioning democracy, this type of regime does not have a built-in mechanism for smooth power transition. Thus, political stability at the time of transition largely depends on the wisdom and self-control of the leader. In East Asia, some exits of authoritarian leaders have been peaceful and others have been violent.

A similar transition problem also arises under one-party rule, be it the Communist Party (China, Vietnam) or the Liberal Democratic Party (Japan). The ruling party that remains in power for several decades generates a web of beneficiaries and supporters who resist reforms. The party’s policies, which may have worked well initially, become outdated and renovation becomes imperative. A fight between reformers and conservatives often emerges within the

party. External pressure for change also mounts. A smooth transition is possible but not guaranteed.

The fact that a large number of authoritarian developmentalist regimes emerged in East Asia, but not elsewhere, can be explained by regional contagion. Neighbouring countries are always in competition, consciously or unconsciously, for policy initiative and high performance. The last thing that policy makers admit is that they monitor and copy the policies of neighbouring countries, but they actually do. They are sensitive to policy shifts in their neighbourhood, especially those that give a head start to some and make others feel left behind. This is why policy has a powerful contagion effect within a region. The wave of democratization in Latin America in the 1980s and simultaneous rejection of socialism in Eastern Europe around 1990 are such examples. The high frequency of authoritarian developmentalism in East Asia should also be understood in terms of such a policy domino effect.

From the historical perspective, the popularity of authoritarian developmentalism in the 1970s can partly be attributed to the Cold War effect (Iwasaki, 2001). At that time, neither the US nor the USSR cared much about the political freedom given to their allies' citizens as long as they faithfully remained in their camps. This made it easy for developing countries to adopt undemocratic measures with impunity. However, to say that the era of authoritarian developmentalism is now over with the fall of the USSR and that any remaining such regimes are obsolete is perhaps going too far. The fact that decisive resource mobilization is required for a latecomer's take-off has not changed.

5. Case studies

Let us look at South Korea, a country that has already graduated from the authoritarian period, and China and Vietnam, two countries undergoing rapid industrialization and social transformation.

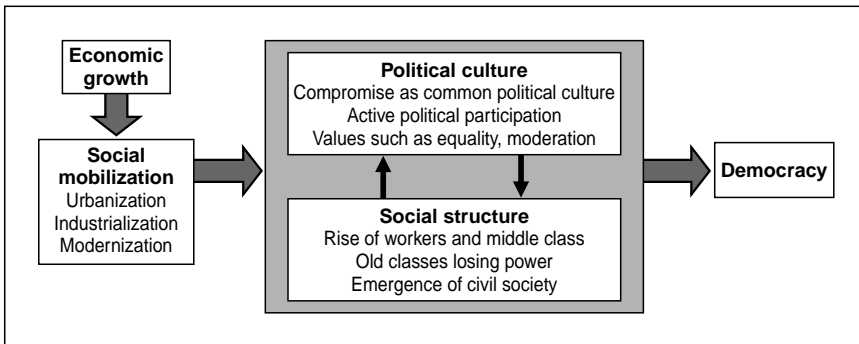
South Korea

South Korea has graduated from authoritarian developmentalism and is moving toward further economic and political transformation. Today, South Korea can competitively produce high-tech products such as cars and consumer electronics. But half a century ago, people did not think that the country had any future. It was a colony of Japan during 1910-1945. The Korean War (1950-53) devastated and divided the country. In comparison with North Korea, which had heavy industries and ample natural resources, the development prospects of the agriculture-based South seemed bleak. Under the Rhee Syngman government (1948-60), South Korea was regarded as a corrupt basket case. Its survival depended heavily on American aid.

However, the situation changed dramatically in 1961, when Park Chung Hee, a military general, staged a coup and seized power. His regime was a typical authoritarian developmental state with a very strong will to promote capitalism under state guidance. The Economic Planning Board was created as an executing agency and five-year plans were started. The development strategy focused on export competitiveness, foreign loans, and imported technology. Export subsidies, import protection, foreign exchange allocation, exchange unification and devaluation, low-interest rate policy loans, and tax incentives were carried out. Targeted industries shifted from garment and footwear (1960s) and steel, petrochemicals, and shipbuilding (1970s) to automobiles and electronics (1980s). Korea's industrialization was carried out under a serious threat from North Korea and suppressed democracy. It was characterized by the triangular alliance of government, banks, and *chaebols* (large business groups such as Daewoo, Samsung, Hyundai, and LG). By conducting highly interventionist policies, South Korea became one of the most successful late-comers. Park Chung Hee was assassinated in 1979, but another military general, Chun Doo Hwan, continued to rule until 1987.

With the hypothesis that democracy can be introduced effectively only after a certain development level is reached (“developmental threshold for democracy”), Nguyen Thi Thanh Huyen (2004) analyzes the process of Korea's devel-

Figure 2-7: South Korea: Growth Prepares for Democracy



Source: Compiled from Nguyen Thi Thanh Huyen (2004).

opment and democratization. She contends that economic growth leads to “social mobilization” (social changes such as urbanization, industrialization, and modernization), which breeds two necessary driving forces of democracy, namely *political culture* and *social structure* (Figure 2-7).

Political culture refers to popular attitudes which support democracy, such as compromise, participation, equality, and moderation. Social structure means a quantitative power shift from the old classes (farmers, military men, land owners) to the new classes (white-collar workers, professionals, entrepreneurs). Political culture and social structure interact with one another to prepare conditions under which democracy can be installed and sustained. In 1961, 80% of South Koreans were poor farmers. By 1985, workers (over 50%) and the middle class (about 40%) dominated the social structure. South Korea made a transition to democracy in 1987, when Roh Tae Woo became president through popular election. It could not introduce democracy in the 1960s or 70s, but socio-economic changes generated by rapid economic growth prepared conditions for political transformation by the late 1980s.

China and Vietnam

China and Vietnam are the fastest-growing countries in East Asia. They are also socialist countries in systemic transition under one-party rule. They are in the midst of rapid industrialization and social transformation that are expected

to last at least for a few decades. Despite differences in size, history, governing style, and the depth of economic planning in the past⁷, the two countries share basically the same dynamic problems. Their main challenge is to cope effectively with social problems caused by fast growth, while fast growth itself is generated by largely uncontrollable private dynamism rather than good policy. Another important issue is to stage a smooth political transition as income rises.

Unlike Japan and South Korea in the past—and also Singapore, Taiwan, Malaysia, and Thailand to a lesser extent—where the government played an important role in setting concrete industrial goals, upgrading technology, and guiding investments, the current growth of China and Vietnam is driven almost purely by strong private dynamism. In these countries, the government makes relatively little contribution to generating growth other than unleashing the private sector in pragmatic steps; (belatedly) preparing infrastructure, energy, and raw materials needed for growth; and reforming institutions in response to new challenges. This may already be a great policy achievement but it is much less than what other East Asian governments did in their rapid growth eras.⁸ The two Communist governments have been more reactive and less visionary in charting the development paths of their countries. FDI inflows and domestic private investments have been the driving force of structural change, with little effective intervention in the productive sector from the state. Private industries have developed where the state receded.

On the question of balancing growth with social issues, Deng Xiaoping's China (1978-1997) clearly prioritized growth policies over social policies, and

7. The major differences between China and Vietnam are as follows: (i) historically, Chinese people have boasted superb mercantile talent and global trade networks, which Vietnamese people lack; (ii) China went through traumatic Cultural Revolution whereas Vietnam never had such an experience despite post-unification confusion and North-South psychological divide; (iii) Vietnam's ruling style is much more pluralistic and consensual compared with China's top-down decision making; and (iv) the Chinese history of socialist planning and industrial investment was much longer than in Vietnam, where wars prevented consistent execution of economic planning.

8. For example, the Korean government played an instrumental role, in close cooperation with chaebols and banks, in establishing steel, shipbuilding and automobile industries. In Meiji Japan (1868-1912), the government vigorously promoted import substitution of marine transport, shipbuilding, cotton spinning, steel, locomotives and railroad cars, etc.

brilliantly succeeded in accelerating growth in the 1990s. However, inevitable consequences of fast growth such as inequality, environmental damage, corruption, internal migration, and asset bubbles emerged subsequently to haunt the government. It can be said that the political legitimacy of the Chinese regime now hangs critically on solving these social problems rather than further accelerating growth. In fact, growth is already sufficiently high, and the management of the speed and sectoral content of growth is largely beyond the ability of the Chinese government.

Unlike China, which made a clear shift from growth-first policy to a more balanced policy, Vietnam has long pursued both growth and social objectives with equal weights, and therefore has not made any detectable policy shift in this regard. Poverty alleviation, assistance to ethnic minorities, and regional balance in public investment have always been emphasized. In the future, however, political legitimacy in Vietnam will also depend heavily on the government's ability to execute policies to cope with similar social problems to those in China, in addition to sustaining growth. Burgeoning social issues in Vietnam include wealth gaps caused by land inflation (especially illegal land speculation based on insider information), rural-urban migration, environmental degradation, traffic accidents, and a triad of social evils (illegal drugs, prostitution, and HIV/AIDS).

In sum, the economies of China and Vietnam are being propelled and transformed by strong private forces, while official capability to manage these changes is yet to be demonstrated. Social transformation, as seen in South Korea in the 1970s and 80s, is underway in both countries in terms of political culture and social structure. Political stability will require proper execution of social policies. In the longer run, when income rises further, the political regime must also be adjusted. One option is to greatly strengthen the capability of the party, in line with Singapore's People's Action Party (PAP), so as to continue to deliver growth and social achievements under one-party rule. Another option is to usher in political competition in manageable, gradual steps. If both fail, political change will have to be left to less controllable developments.

6. Democratic developmentalism?

When authoritarian developmentalism is mentioned in international conferences, there are typically two types of reaction. The first is acceptance and even praise of this regime as an effective tool for the development of latecomer countries. The second is rejection and abhorrence, with a strong conviction that democracy is sacred and should not be sacrificed in the name of development. Generally speaking, officials and researchers in East Asia who have witnessed the actual working of authoritarian developmentalism have more favourable views of it than their Western counterparts.

The statement of Watanabe (1995) that “the economic success of East Asia is largely attributable to the adoption of developmentalism, i.e., the ideology that places highest priority on economic development” (p.204, English translation) neither invites protestation nor adds anything new to the common understanding of former economic officials in the countries which executed such a strategy. However, there are those opposed to such a regime as a matter of principle. Some believe that democracy and development are two separate matters that can be pursued independently from each other.⁹ For example, Dani Rodrik (2006) states:

I do not think there is any tradeoff [between economic growth and democracy]. I do not think the reason democracy is valuable is exclusively or mostly for economic reasons. Nor do I think any country in the world is poor enough that it cannot afford to have democracy or better observances of human rights. I believe that empirical evidence supports that a country does not have to pay an economic cost or penalty when it makes the transition to democracy. I do not subscribe to the idea that you need to delay democratization just so that you can actually have growth or that you can have democracy only when you can afford it I also do not think that democracy is a precondition of economic growth. I think democracy

9. This view is diametrically opposed to the argument of Nguyen Thi Thanh Huyen regarding South Korea (Section 5 above), which contends that democracy is endogenous to the development stage.

is good for a whole lot of things. The sooner you can have it the better. Democracy is a largely different issue than the question of development in the narrow economic growth sense.

Others regard the idea of authoritarian developmentalism as defunct. For example, Robinson and White (1998) explain:

This view [that authoritarian states are needed to achieve development in poor countries] lost credibility in the face of a number of developments in the late 1980s and early 1990s. First, the developmental success of a small group of established democracies (Botswana, Malaysia, and Mauritius) demonstrated that democracy (albeit in a formal, procedural sense) and development were not inherently incompatible... Second, the patent developmental failure of the vast majority of authoritarian regimes in Africa and Latin America demonstrated that only a particular variant of this type of regime—the developmental state—could successfully promote sustained economic growth, under a highly contingent set of political and institutional conditions that were not easily replicable elsewhere... (p.1)

The view that East Asia's past regime cannot be transferred elsewhere prompted a search for the democratic developmental state, in which development is realized in a political context where broad participation is permitted and a pro-poor agenda is prioritized. However, it seems that this quest still remains theoretical and preliminary, and in need of strong empirical backing before the idea becomes feasible and operational in the political reality of low-income countries. For example, one proposal is to build a solid and stable development coalition based on the support of the rural population (poor farmers). Another proposal is to install social democracy in poor countries, which tries to combine growth and social justice, rather than liberal democracy, which tends to promote exploitation and inequality.

However, a few basic facts from East Asia, where remarkable development was actually carried out under globalization, should not be forgotten. High-

performing economies in East Asia did not initiate growth with broad inclusion, for the reason that quick and decisive actions were needed to break away from the poverty trap (Section 4). Their power base was narrow and included capitalists only. The experience of these economies shows that both markets and democracy grow slowly and in steps, and that economic development usually precedes political development in latecomer countries. The working mass becomes a formidable political force only after a certain level of industrialization is achieved and the necessary political culture and social structure are prepared (see South Korea, Section 5). It is difficult to assume that poor workers and landless farmers in low-income countries can behave as effectively as voters in developed democracies. Premature decentralization runs the risk of repeating the failure of the populist model (Figure 2-3) or causing the basic functions of the state to disintegrate.

Instead of conjuring up a developmental state which never existed in history, our suggestion is to start with the East Asian model but with significant modifications to make it more “democratic.” For this, it is necessary to decompose democracy into various components and retain those that do not conflict with immediate requirements of development. In this sense, we concur with Robinson and White (1998, p.5) that “parts” and “fragments” of democracy should be selectively combined to build a democratic developmental state rather than trying to devise a holistic democratic system.

In the narrowest sense, democracy is said to exist if political representatives are chosen in free elections. For our purpose, however, the scope of democracy should be broadened to include the following components, which collectively define this political regime:

Purposes—freedom, basic human rights, equality, security, social and economic benefits for all, coexistence based on mutual respect, and so on

Procedures—legitimacy (election as a means of transition), rule of law, participation, multi-party system, balance of power among legislature, executive and judiciary, local autonomy, and so on

Supporting properties—compromise, tolerance, patience, transparency, accountability, and so on

With these multiple components, the existence of democracy is not an all-or-nothing choice but a matter of degrees. Moreover, different types of burgeoning democracy may be constructed by selecting different components to suit the local situation. Historically, authoritarian developmental states have restricted some of these components to carry out development policies. But not all components need to be suppressed to ensure agility in resource mobilization. We can legitimately ask whether the scope and amount of suppression are reasonable for the purpose of accelerating growth.

For example, freedom to criticize the government is usually not fully granted in authoritarian developmentalism, but random arrests, torture, and execution of political enemies at the whims of a dictator should never be allowed. Many of the procedural components listed above, such as free election, participation and balance of power, also tend to be restricted in such a regime, but the same principle should also apply in evaluating these restrictions. In low-income countries, some deviations from the Western norm may be tolerated, such as legitimacy through delivering peace and prosperity rather than through election, dominance of the executive branch, and lack of decentralization and local autonomy, provided that they are moderate, conducive to economic policy making, and for the apparent purpose of benefiting all social groups.

Clearly, which restrictions are moderate and which are excessive is subject to judgment and also dependent on the development stage. Surely, there will be tension between those who prioritize growth and those who value democracy highly. However, if we accept the notion that democracy is not a static system but a dynamic process requiring constant effort for survival and improvement, the fact that there is no uniform requirement for democracy for all developing countries should pose no big problem.

Perhaps democratic developmentalism is a regime that places much greater weight on democratic components at early stages of development compared

with East Asia's authoritarian developmentalism in the past. Under democratic developmentalism, the government must exercise strong self-control in imposing restrictions supposed to be helpful in conducting economic policies, and the situation should be constantly monitored by domestic and international watchdogs. If so, differences between democratic developmentalism and authoritarian developmentalism are a matter of degrees. As a matter of fact, East Asia's authoritarian developmental states also exhibited a wide range from the very suppressive Park regime in South Korea to the far more "democratic" rule of Dr. Mahathir in Malaysia. Low-income developing countries should be able to choose from a broad spectrum of political regimes instead of between full democracy and no democracy. The important question is whether the selected regime is suitable for the country, and whether national leaders are making a serious effort to embrace ever-higher levels of democracy as well as economic development at the right speed.

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