

A busy street scene in Vietnam, likely Hanoi, showing a dense traffic of motorcycles and a taxi. The street is lined with buildings and utility poles. A large tree trunk is visible on the left side of the frame. The overall atmosphere is one of a bustling, urban environment.

The East Asian Growth Regime and Political Development

Kenichi Ohno (GRIPS)

July 2007



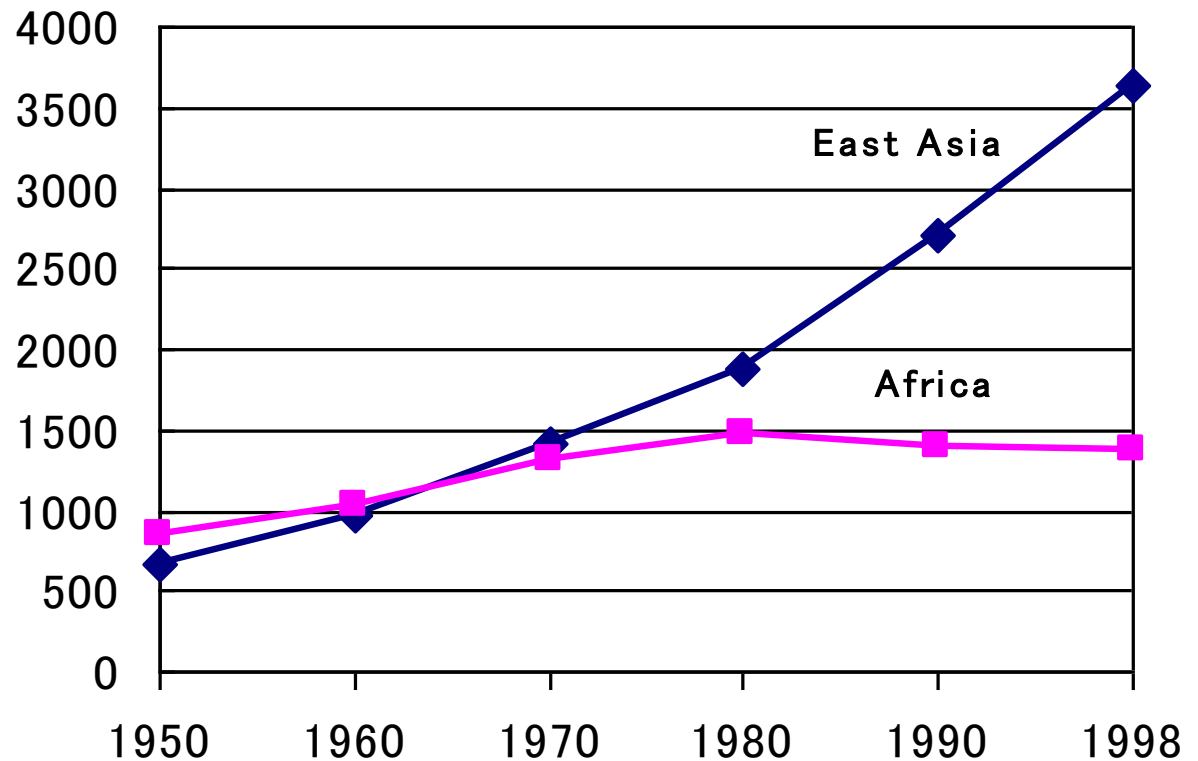
East Asia's Achievements and Issues

- Diversity in performance
- Participation in the regional production network
- Policy as key to economic success
- Authoritarian developmentalism as a dynamic and temporary regime
- The exit problem
- Democratic developmentalism?

High Performance

No doubt about high average growth in recent decades

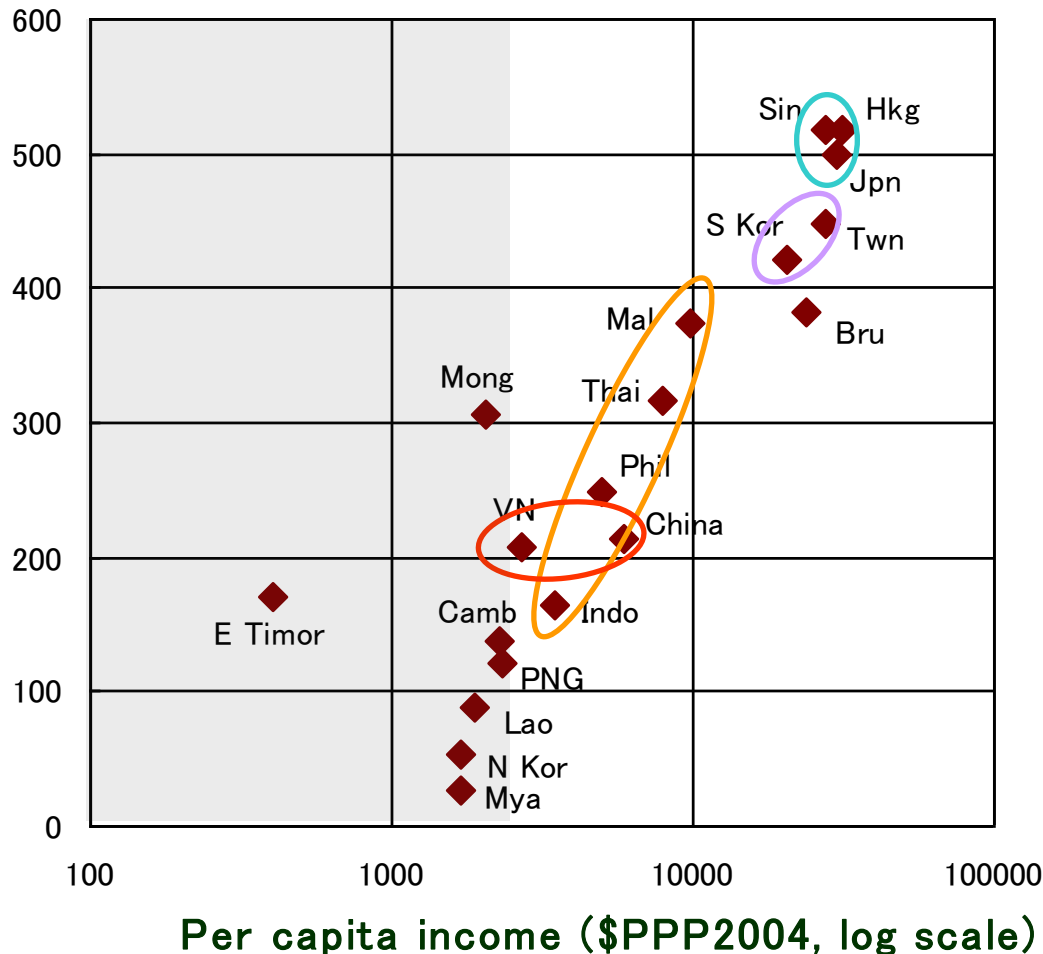
Per Capita GDP
(Measured in 1990 international Geary-Khamis dollars)



Source: Angus Maddison, *The World Economy: A Millennium Perspective*, OECD Development Centre, 2001.

Diversity in Political and Economic Development

Governance, WGI2005



High correlation (0.90) but causality cannot be argued from this diagram

Only circled economies participate in regional dynamism

Sources: Compiled from World Bank, Worldwide Governance Indicators, Sep. 2006; and World Bank, *World Development Indicators*, 2006.

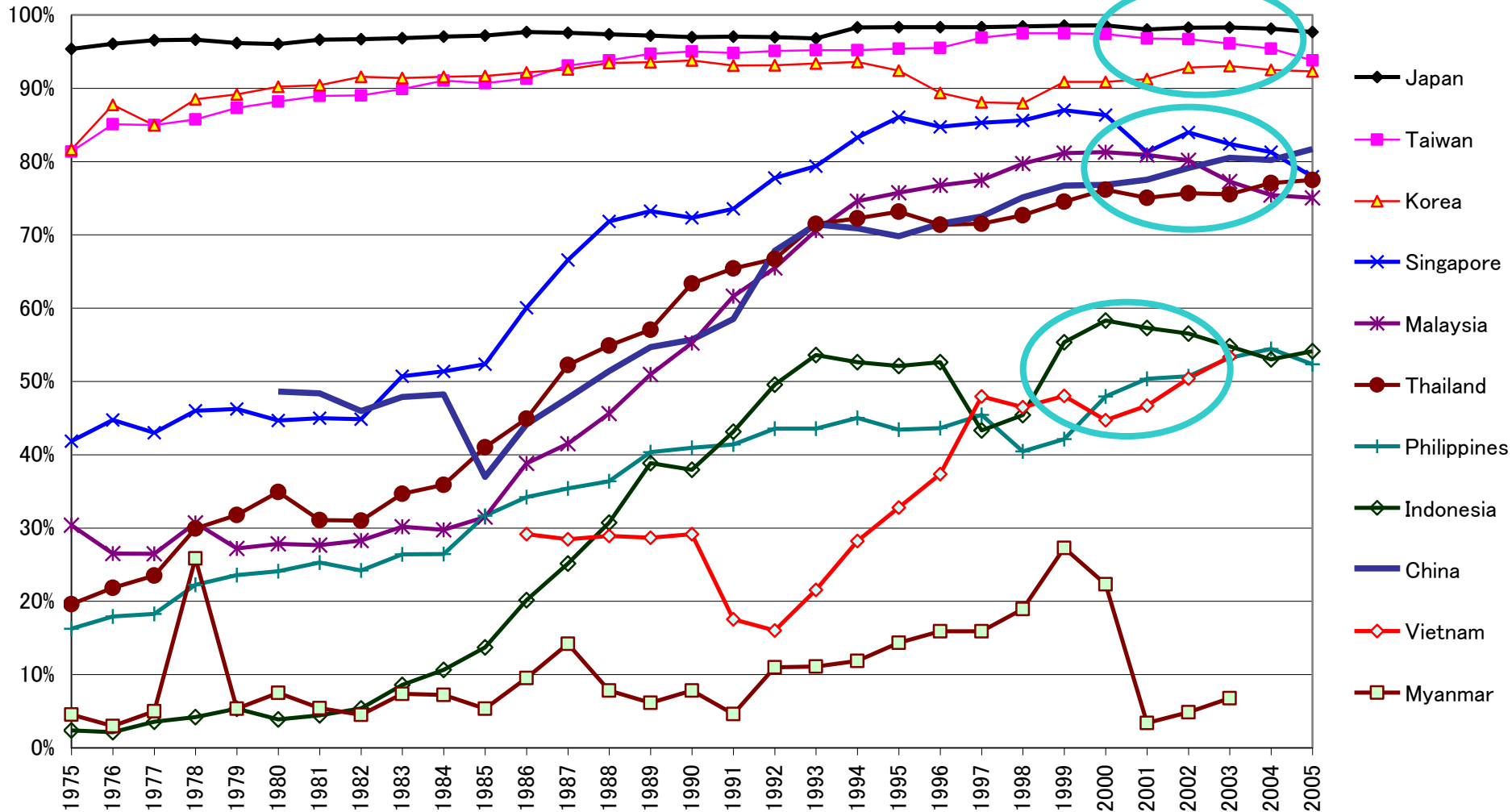


East Asia's Uniqueness

- The region is like a big factory where member economies compete
- Growth starts by participating in this regional dynamism
- The sandwich effect—pressure from above and below to work harder
- FDI as relocater of industries
- Clear but shifting order and structure (flying geese)

Manufactured Exports

Manufactured exports / total exports



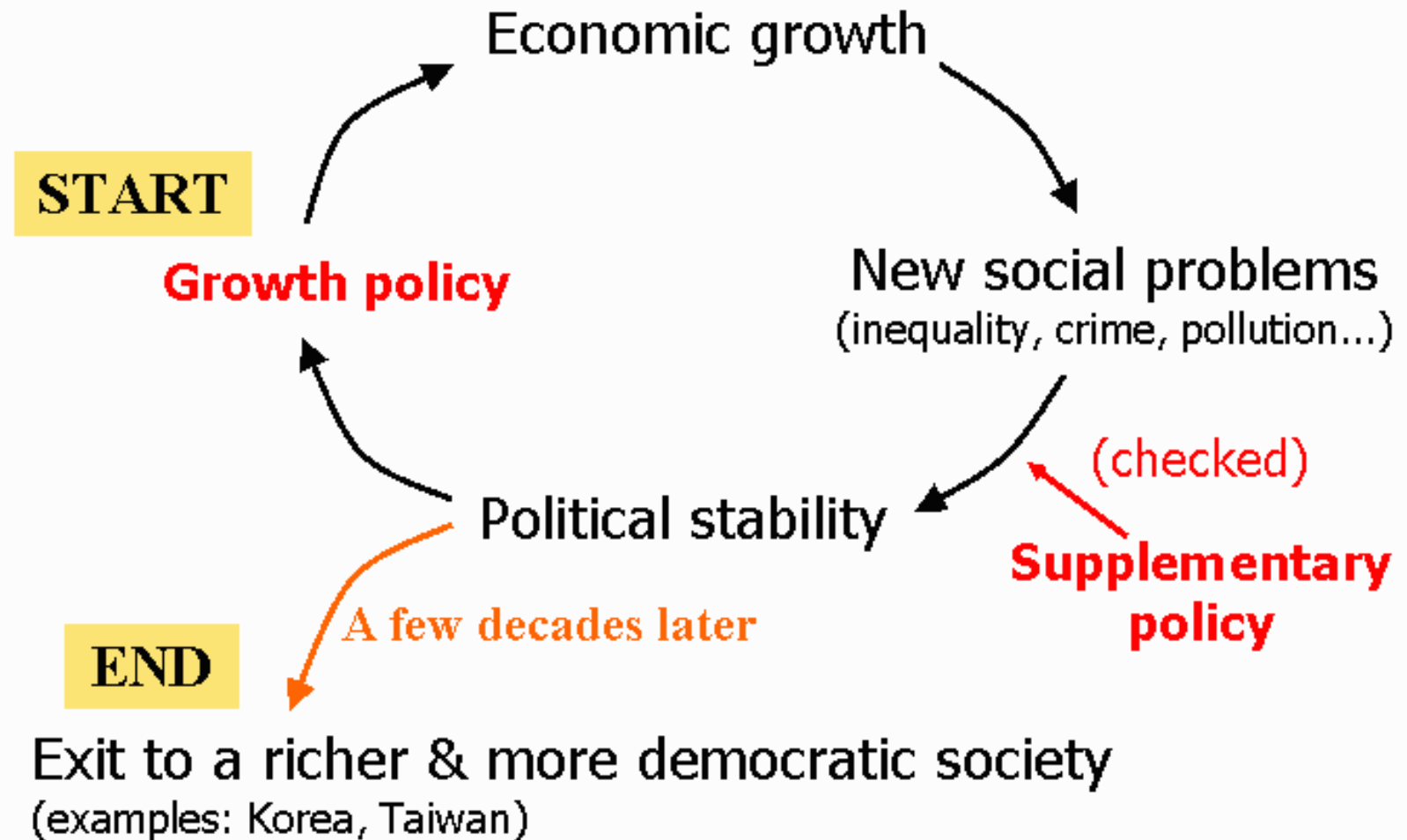
Sources: Asian Development Bank, Key Indicators of Developing Asian and Pacific Countries, 1993 & 2006; Statistical Bureau, Ministry of Internal Affairs and Communications, Japan Statistical Yearbook 2007.


Development and Aid Strategy

There is a clear gap in developmental thinking between Eastern practitioners and Western aid community.

	East Asia's Way	Western Donors
Goal	Economic prosperity and national pride	Poverty reduction (MDGs)
Policies	Industry, investment, trade, technology	Health, education, governance
Key actors	Central government and businesses	Local communities and people

East Asia's Policy Mix





Growth policies—vision, strategy, technology, HRD, infrastructure, SMEs, FDI, trade, finance, logistics, etc.

Supplementary policies—inequality, pollution, urbanization, congestion, labor migration, corruption, drugs, HIV/AIDS, etc.

--Rapid growth always creates new problems, which destabilize society.

--Unless both policies are implemented, development will fail (Murakami).

--Success depends on these policies, rather than diligence or Confucianism

Authoritarian Developmentalism

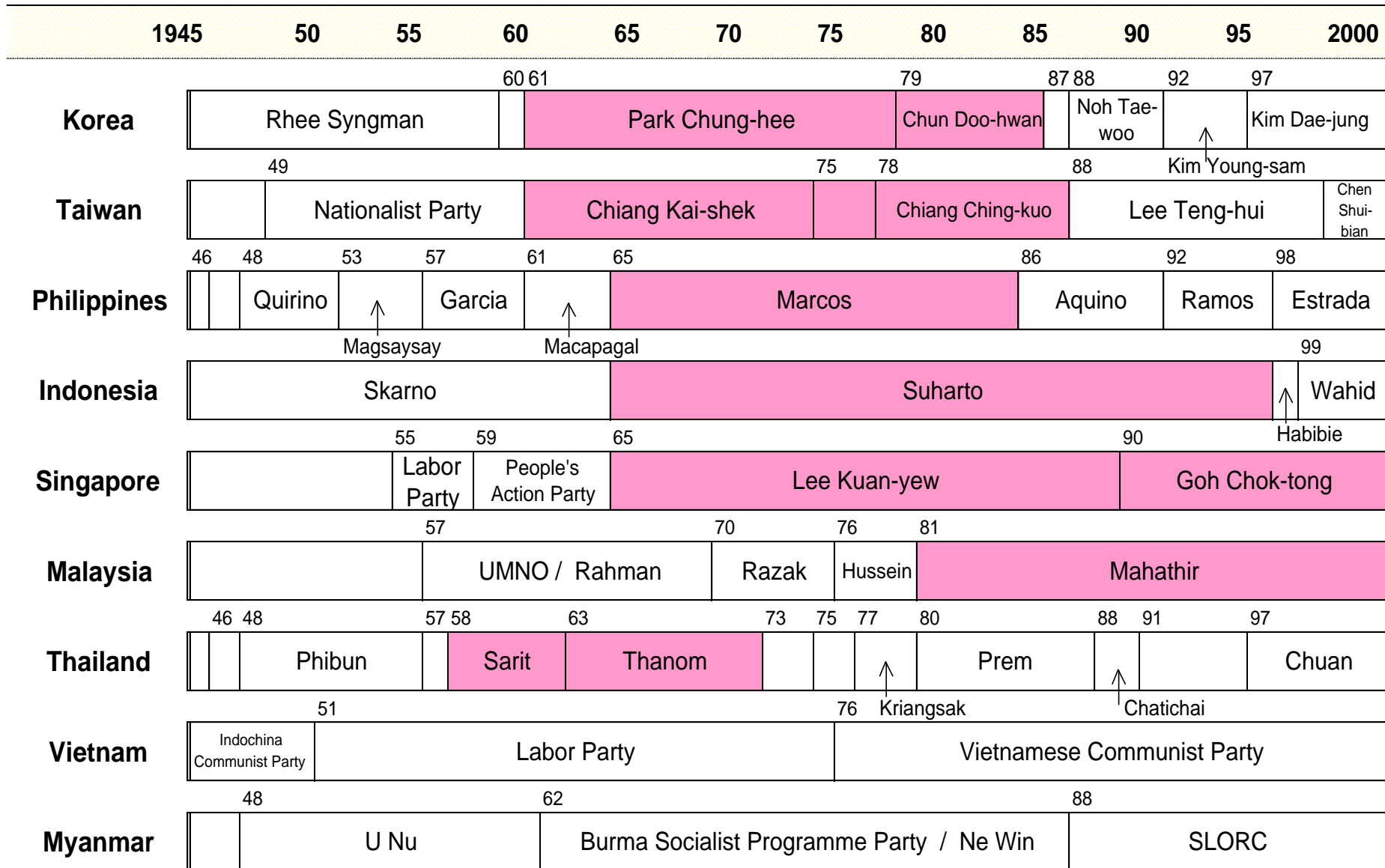
E. Asia chose *authoritarian developmentalism* (AD) for economic take-off.

Key ingredients of AD

- Powerful and economically literate top leader
- Development as a supreme national goal
- Technocrat group to support leader and execute policies
- Political legitimacy derived from growth

The leader, as primary force of change, can create the other three conditions.

Authoritarian Developmentalism in East Asia



Source: Akira Suehiro, *Catch-up Type Industrialization*, Nagoya University Press, 2000, p115.

Emergence of AD

- AD emerges through a coup as well as election.
- AD is more likely to rise when the nation's existence is threatened by:
 - External enemy
 - Internal ethnic/social instability
 - Incompetent and corrupt leader
- The rise and fall of AD is conditional mainly on the development stage of each country, but international environment also influences them.
Eg. Cold War – reduced global criticism of AD

Why Power Concentration is Needed?

- Growth requires a critical mass of mutually consistent policies. A strong state is needed to mobilize resources quickly and flexibly.
- If broad participation is allowed, policies are too slow and can't achieve critical mass due to:
 - Power struggle, party politics, interest groups
 - Processes requiring patience and compromise, including parliamentary debate and consensus building
 - Some groups may refuse to cooperate with state purposes

Adrian Leftwich (2005)

“The institutional characteristics and requirements for development and for democracy pull in opposite directions.”

“Democracies have great difficulty in taking rapid and far-reaching steps to reduce structural inequalities in wealth.”

Development

Change
Speed & flexibility
Accumulation



Democracy

Compromise
Accommodation
Procedure



Critiques of AD

Democracy and development are separate issues:

“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.” (Dani Rodrik, 2006)

Democracy is required for development

“Expansion of freedom is viewed... both as the primary end and as the principal means of development.” (Amartya Sen, 1999)

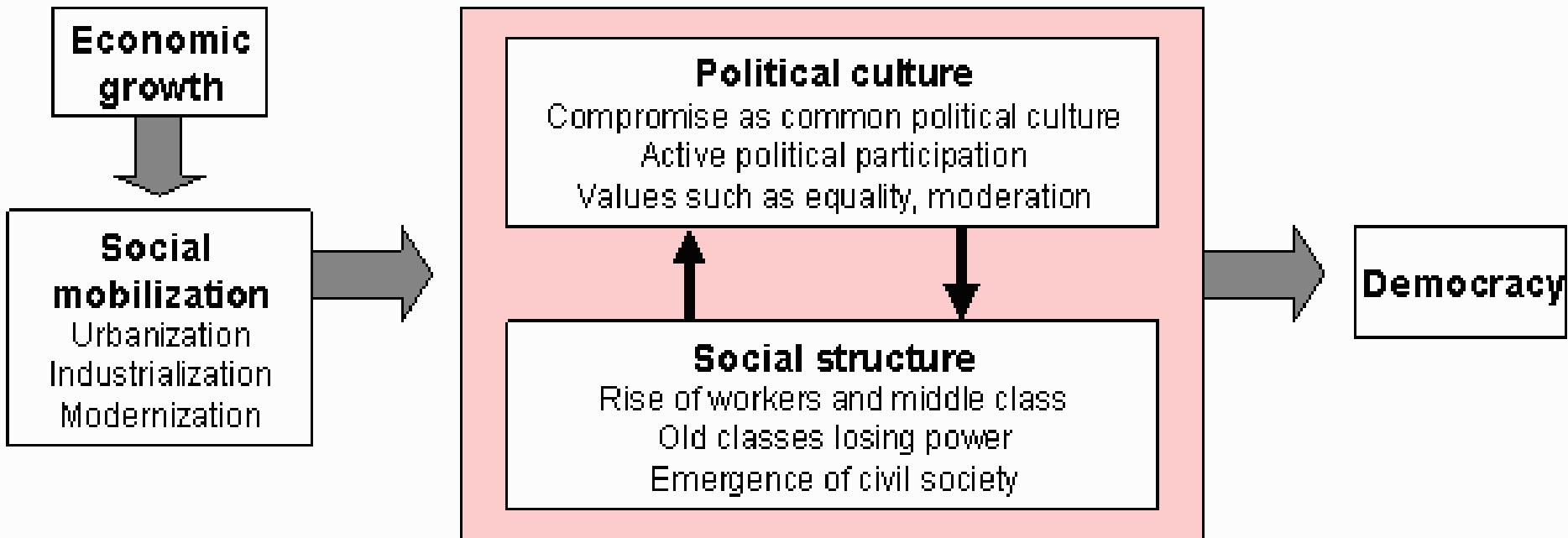


Korean Experience

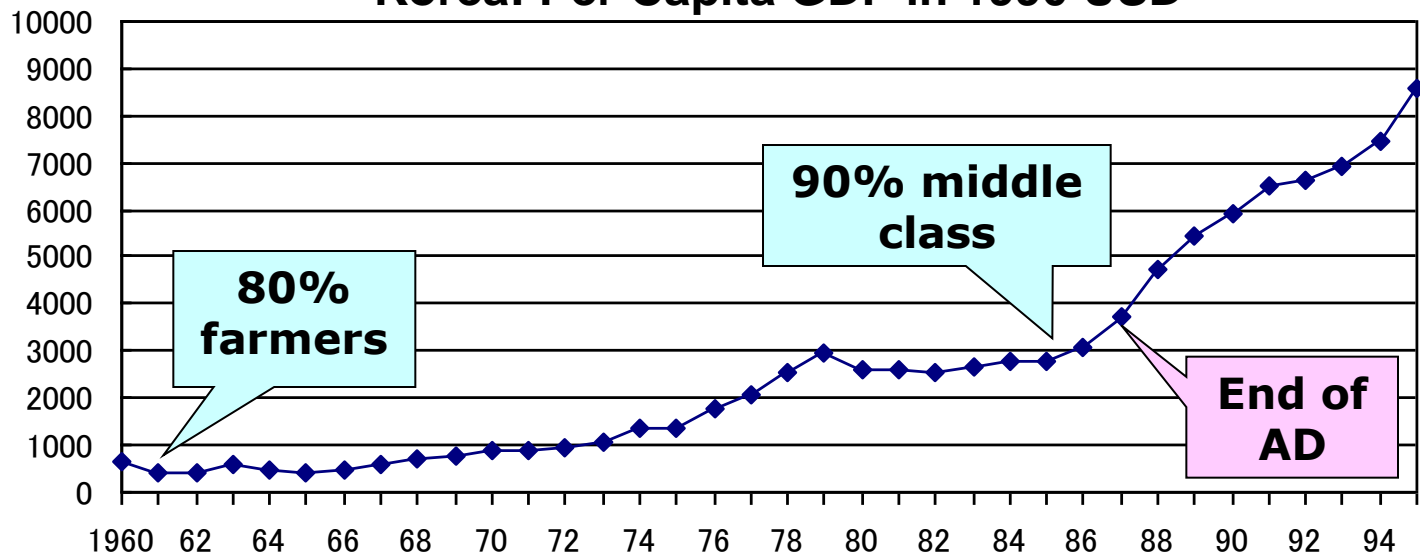
N.T.T.Huyen “Is There a Developmental Threshold for Democracy?: Endogenous factors in the Democratization of South Korea” (2004)

“Democracy as an advanced form of politics is not independent from socio-economic development.”

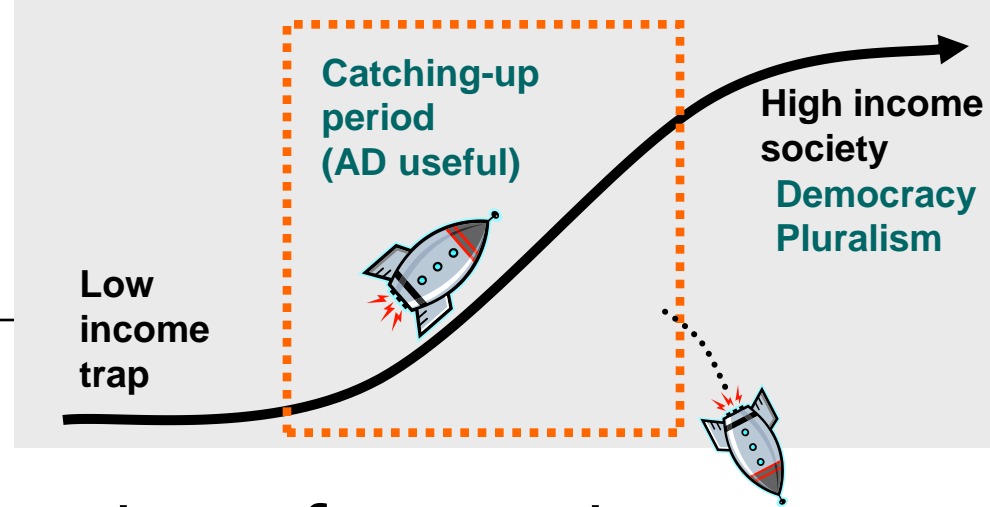
“*Developmental threshold for democracy* [is] a point in the development process beyond which democracy can be effectively installed and sustained.”



Korea: Per Capita GDP in 1990 USD



Exit of AD



- AD is a temporary regime of convenience, needed only to push up the country to a higher level.
- Once a certain level is reached, AD becomes an obstacle to further development.
- Watanabe (1998) argues that successful AD melts away automatically through social change and democratic aspiration.

“if development under authoritarian regime proceeds successfully, it will sow the seeds of its own dissolution”
[improved living standards and diversified social strata]



Exit of AD: A Less Optimistic View

- However, barriers do exist: stubborn leader, bureaucratic resistance, interest groups. Therefore, leadership and strategy are also needed for an exit.
- Strong leaders often refuse to step down because they will be revenged, jailed and even executed after transition, with most or all of their policies denied and reversed.

The Exit Problem for One-party Rule (China and Vietnam)

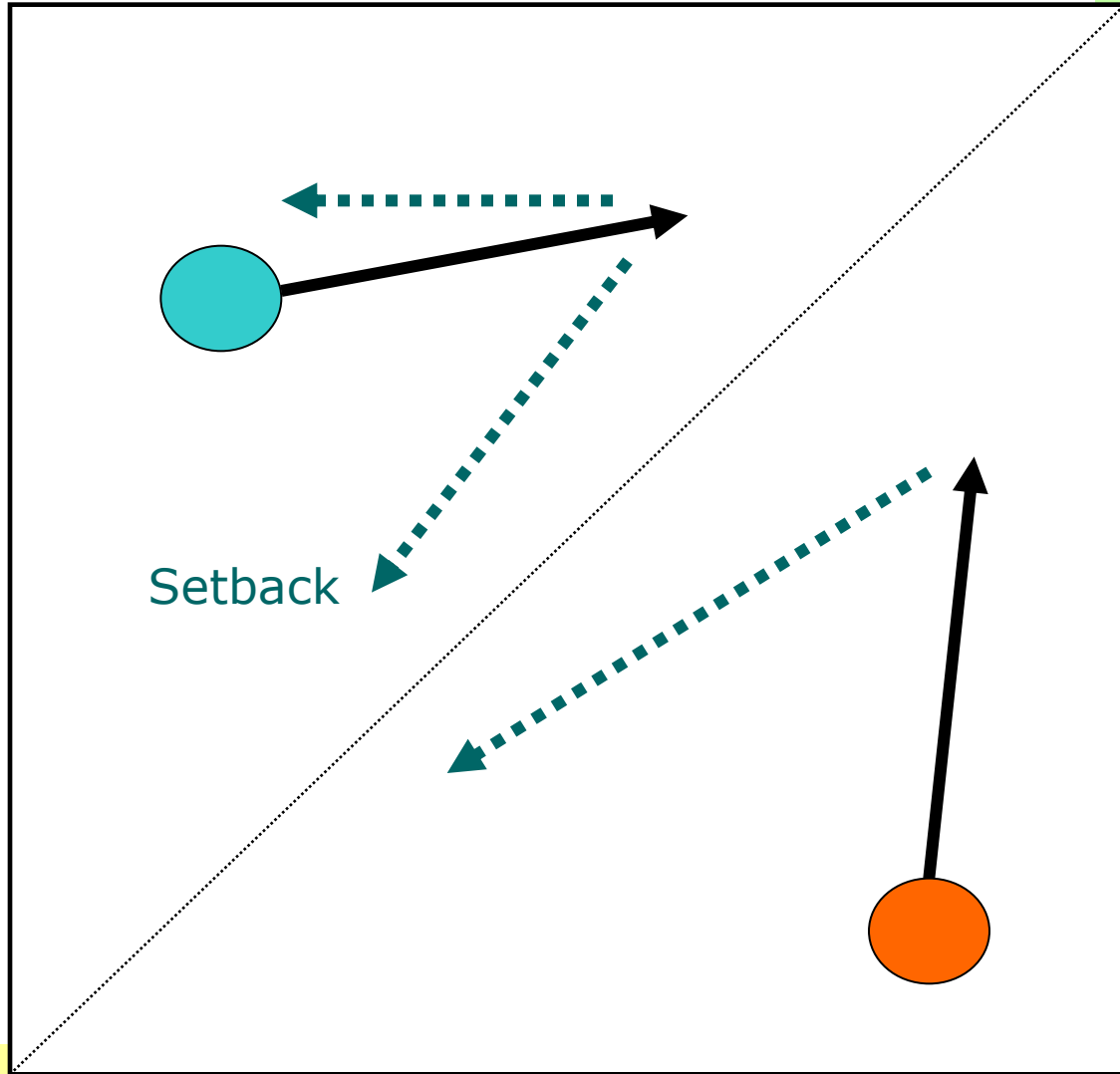
- Rapid growth and social transformation driven by private dynamism (local & FDI)
- Success so far in managing liberalization, but not industrial activism
- Policy challenge is in social areas, not accelerating growth
- Future options:
 - (1) Greatly enhancing party's policy capability
 - (2) Multi-party system under social democracy
 - (3) Other

Democratic institution (Form)



Constitution
Laws
Parliament
Election
Court
Party

Full democracy



Setback

Pure dictatorship

Reform vs conservatism, big vs small government, foreign policy, etc

(Content)

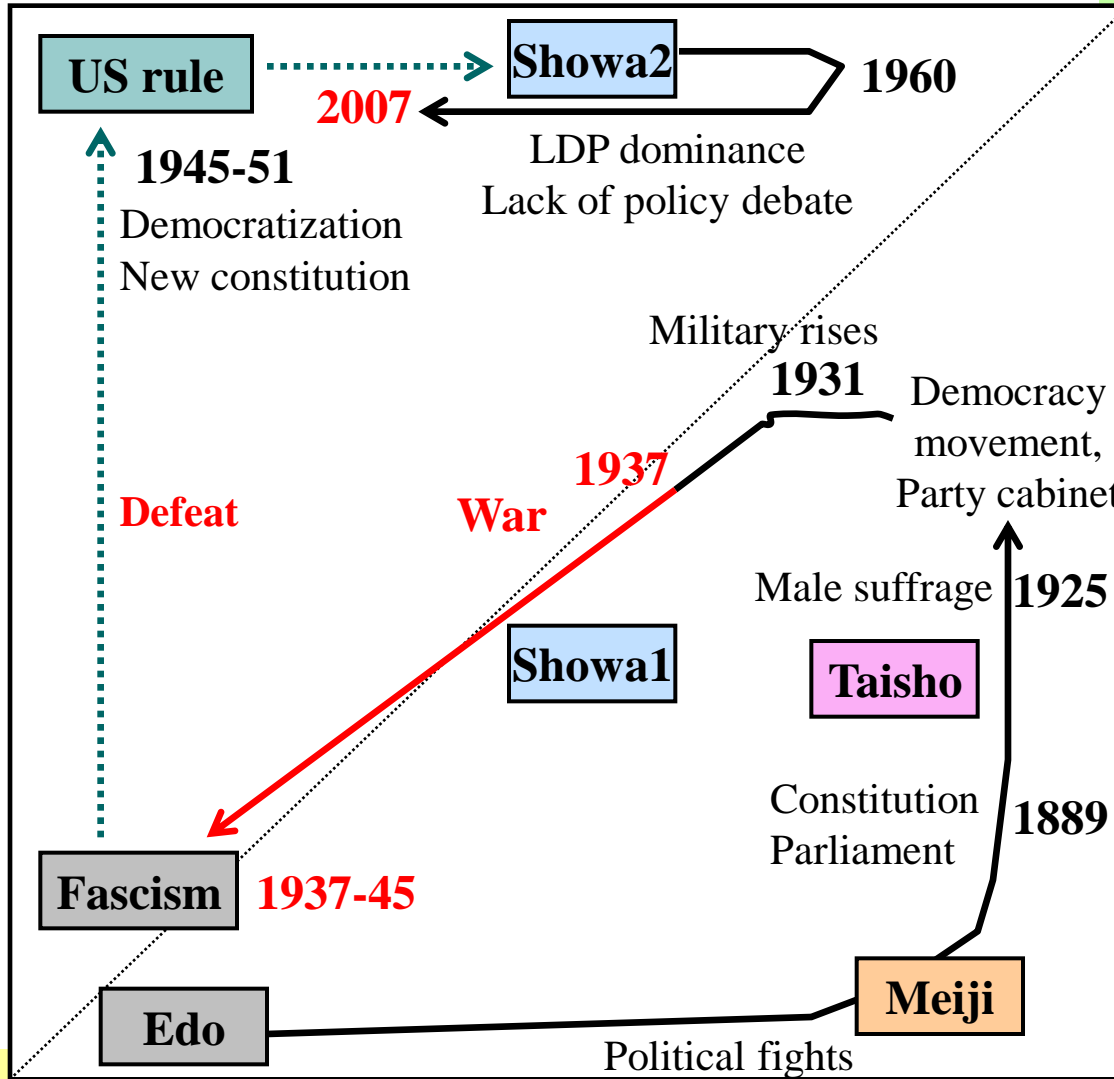
Political competition

The Case of Japan

Democratic institution (Form) ↑

Constitution
Laws
Parliament
Election
Court
Party

Full democracy



Pure dictatorship

Reform vs conservatism, big vs small government, foreign policy, etc

(Content) → Political competition

“Democratic Developmentalism”? (Mild Form of AD)

- Research on DD
 - Robinson and White eds (1998)
 - Centre for Policy Studies study on “The Democratic Developmental State in Africa”
 - Ethiopian Prime Minister Meles Zenawi
 - Can we separate resource mobilization from freedom and human rights?
 - Countries that already have free election, functioning parliament, human rights—can they adopt developmental policies without throwing out their political achievements?
- ➔ Need to decompose democracy into parts and analyze its structure

Components of Democracy

Purposes	Freedom, human rights, equality, social and economic benefits for all, security, peaceful coexistence
Procedures	Legitimacy (election), rule of law, participation, multi-party system, balance of power (L-E-J), local autonomy
Properties	Tolerance, compromise, fairness, transparency, accountability

Random & excessive oppression should never be allowed.

Can some of these be restricted for resource mobilization?



Designing DD: Tentative Suggestions

- Democratic criteria should go beyond “free election.”
- Generally speaking, policy purposes should be upheld but procedures and properties may be partly adjusted.
- The executive branch should have sufficient power, but with a mechanism to overthrow it if it performs badly.
- Excessive decentralization at an early stage is not desirable.

Final Remarks

- When income is very low, a bottom-up regime based on rural population or social democracy (poor farmers or poor workers) may not work.
- More realistic: use the East Asian AD model (top-down quick decisions with supporting elites) with added democratic elements.