

Economic Development in East Asia

Economic development in various parts of East Asia has continued steadily since the end of the Second World War. Some countries have been so successful in such a short time that they have given rise to new, influential theories in economics. The first theory is that the later in time economic development occurs, the smaller the amount of time that it takes. According to this theory, industrial development took the longest time in Britain, which was the first country to experience the Industrial Revolution. Germany, France, and the United States, which developed next (according to this rough chronology), developed more quickly. Russia developed more quickly still, first under the imperial regime and then in the 1930s under Stalin. Japan, which rebuilt its economy almost from scratch after its defeat in the Second World War, developed faster still, and so on. The idea is that countries whose economies developed later can learn from countries that developed earlier, and thus their development can be quicker.

The second theory, on which much of this reading will focus, argues that East Asian countries have created a particular model for rapid economic development with low levels of inequality. This reading will first examine the experience of Japan, which became the model of successful re-industrialization after the Second World War. Then it will turn to the “Asian Tigers” – Singapore, Hong Kong, Taiwan, and South Korea – whose rapid economic development since the 1960s has encouraged the idea of an East Asian development model. The final section examines political freedoms, which went hand-in-hand with European and North American economic development but have lagged behind economic development in much of Asia.

Japan: Beginnings of the East Asian Development Model

After the Second World War, Japan had much rebuilding to do. Allied firebombing campaigns had destroyed much of Japan’s urban infrastructure, and atomic bombs had flattened Hiroshima and Nagasaki. Nonetheless, Japan’s economy recovered, and for a time in the 1990s and 2000s it was the world’s second-largest economy. This recovery was the first of many “Asian miracles,” in which Asian countries developed very quickly.

Japan’s recovery occurred mostly because of strong leadership from the country’s government. Initially, most of the leadership came from the Ministry of International Trade and Industry (MITI), which became increasingly powerful as the country’s economy grew. MITI negotiated with the Bank of Japan to provide loans to companies and collaborated with the Ministry of Foreign Affairs to set foreign policy in favor of Japanese companies. It also encouraged (and sometimes forced) mergers between companies to make them larger and more competitive domestically and internationally. This type of government oversight was new for modern, capitalist economic development; when the United States developed, for instance, the government took a generally laissez-faire approach to the activities of private business. Private enterprise was still central to Japan’s success; the government did not directly control many businesses. The government’s role in shepherding successful companies and providing advantages for them, however, was crucial.

This government coordination allowed the Japanese to build their economy based on exports. As American and European companies began to outsource labor so that they could make products more cheaply, they looked to Japan, where the cost of labor was cheap. In the early years of development after the Second World War, Japanese workers made products such as textiles and basic industrial products; only a small amount of technical knowledge was required to learn the process of making them.

Other developments also helped Japan's competitiveness. Under American pressure, Japan became a functioning democracy after the Second World War. Crucially, in the climate of the Cold War, Communists never attracted much support in Japan. Finally, Japanese workers were comparatively well educated, and they were literate, which was a minimum demand of factory owners. Later, as the Japanese economy improved, the government invested money in further education, and Japan's workforce became more educated still, with a particular strength in engineering. This made it possible to adjust Japan's workforce for new types exports, which were more valuable. By the 1980s, Japan had become a leading manufacturer of automobiles and specialized electronic equipment.

The "Asian Tigers"

The Japanese economy became successful very quickly, and other countries soon moved to copy it. While most Asian countries have now adopted the East Asian development model, the most successful were initially Hong Kong¹, Singapore, South Korea, and Taiwan.

The Cold War forms an important backdrop to the economic development of the Asian Tigers. Taiwan and Hong Kong directly benefitted from the Communist revolution in China in 1949, as many Chinese businessmen fled to those countries, and their expertise played an important role in the ensuing development of both places. American support also helped; South Korea and Taiwan in particular were considered to be important fronts in the global struggle against Communism, and the influx of American money helped to stimulate their economies. Americans were an important market for Taiwanese products, for instance.

Largely, though, the economic success of the Asian Tigers resulted from their own efforts. Each country largely followed the Japanese model of export-led development: they began with exports of the cheapest products, educated their citizens so that they would be knowledgeable workers, and then increased the value of the products that were being exported. Today, South Korea, for instance, is the home of technology giants Samsung and LG, both of which have benefitted immensely from government policies that promoted education. Singapore, meanwhile, has become a global trading and banking hub – another example of expertise in a high-value industry.

As the Asian Tigers have moved away from basic manufacturing into more lucrative industries, other Asian countries have taken their place. This is partly an

¹ Hong Kong was not an independent country in this period, but it is nonetheless considered one of the Asian Tigers and central to the East Asian development model. Hong Kong was a British colony until 1997 and is now a Chinese territory.

example of climbing the ladder of success – industries such as automobile manufacturing and technology are more lucrative than textile manufacturing, and thus more desirable. Workers have also been able to share in the prosperity. More educated workers can charge more for their labor, and because of widespread growth, companies have had to compete for workers. This led to a development pattern – as one Asian country’s workers became too expensive, many companies moved basic manufacturing operations to other countries where labor was cheaper. Such a transition is currently occurring in China, where complex electronics manufacturing is taking over from the production of textiles.

Asian-Style Democracies

The economic advancement of Asian countries has been remarkable in many ways. Today Japan, Singapore, Taiwan, Hong Kong, and South Korea each have a GDP per capita equaling countries in western Europe and North America. But while in Europe and North America industrial development usually proceeded alongside democratic development, and political liberties flourished, the same has not always been true in Asia. South Korea and Taiwan were ruled by harsh dictatorships until the 1980s, while the British ruled Hong Kong as a colony until 1997. Other developing Asian countries, like Thailand and Indonesia, spent many of the postwar years as dictatorships as well. China, which exhibits many of the features of the East Asian development model, remains an authoritarian state.

Democracy in Europe and North America is characterized by adversarial politics; control of power tends to be shared and exchanged between two or three main parties. In Japan and Singapore, as well as other democracies like Malaysia, the same party has been elected for almost the entire history of the democracy. This has led some analysts to suggest that these countries are examples of an “Asian-style democracy,” in which the people prefer stability and economic growth, and are willing to give a single party or even a dictatorship the freedom to achieve these goals. Democracy, according to this theory, is based on Western values and does not translate well in Asia.

While the theory that Asians have a cultural preference for political stability above all else is important, and causes many worthwhile debates, it is also problematic in several ways. For one, authoritarian regimes did not develop in isolation. During the Cold War, the United States supported dictatorships with capitalist tendencies (compared to Communist rule, such dictatorships were considered to be a lesser evil). The existence of Communist regimes in North Korea, China, and Vietnam – and the threat of Communist insurgency in other East Asian countries – motivated U.S. policy. Also, this theory, which has sometimes been used to justify authoritarianism, implies that there has never been any popular resistance to authoritarian regimes, which is not true. Popular dissent has often threatened and sometimes toppled dictatorships in Asia, which shows that Asians have not always preferred stability above all else. Finally, grouping all Asians together, as if they are all the same, is no less problematic than grouping Europeans or Africans; while some cultural similarities exist, there are also significant differences between the many different cultures of Asia.

Summary

- Japan's rapid economic development after the Second World War was largely due to the influence of the central government, which secured favorable trading conditions for its companies.
- Japan's success bred imitators, the most successful of which were Hong Kong, Singapore, South Korea, and Taiwan – the so-called Asian Tigers.
- *East Asian development model* is the term used to describe how Japan and the Asian Tigers developed their economies. According to this model, a country begins with the export of inexpensive products, then educates its workforce and moves to more lucrative industries.
- Economic growth according to the East Asian development model often meant that democratic freedoms were sidelined in the process. Taiwan and South Korea initially developed under the control of dictatorships, while a single party has almost exclusively ruled in both Japan and Singapore.