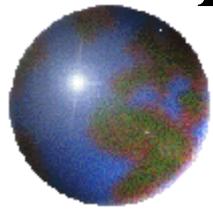




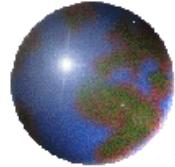
# *East Asian Economic Model*



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# Videos

## ● Is Asia the dominant economic power? | The Economist

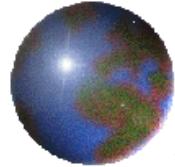
- <https://www.youtube.com/watch?v=4ThLCExbdog>

## ● How Asia's rise is reshaping the world

- <https://www.youtube.com/watch?v=XM6Ns2wUr3g>

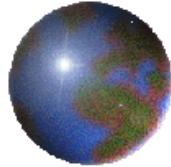
## ● *IMF Rise of Asia in a Changing Global Economy*

- <https://www.youtube.com/watch?v=P28psE78KUw>



# Market economy

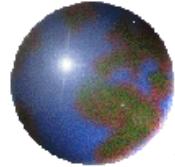
- A market economy is a system where the laws of supply and demand direct the production of goods and services.
  - Supply includes natural resources, capital, and labor.
  - Demand includes purchases by consumers, businesses, and the government.
  - *Free market economy emphasizes the market forces of supply and demand in a pluralist society as the supreme arbiter of economic decisions, and not government, in determining who are producers, and what and where to produce.*
- Capitalism requires a market economy to set prices and distribute goods and services.



## *Centrally planned economy*

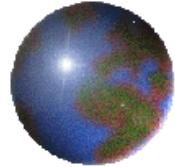
### ● Centrally planned economy

- Economic system in which the government makes economic decisions rather than the interaction between consumers and businesses.
- Centrally planned economy is where the government would mobilize its own resources to create the needed industries which would end up being state-owned and operated.



# *East Asian Miracle*

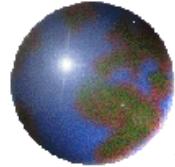
- The extraordinary economic growth and development of East Asian over the last 4 decades has been remarkable to world.
  - The miracle means rapid social development and economy growth, reduced inequality, rapid output in agriculture, the transformation from high to low mortality and expansion on primary and secondary education.
  - High Performing Asian Economies (HPAEs)
    - Japan, Hong Kong (China), Korea, Singapore, Taiwan (China), Thailand, Indonesia and Malaysia



# *East Asian model of capitalism*

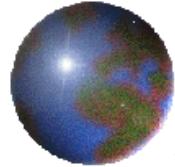
## ❖ East Asian model (state-sponsored capitalism)

- An economic system where the government invests in certain sectors of the economy in order to stimulate the growth of new (or specific) industries in the private sector.
- Refers to the model of development pursued in East Asian economies such as Japan, South Korea, Hong Kong, Taiwan, and the contemporary economic system in Mainland China since the Deng Xiaoping economic reforms during the late 1970s.



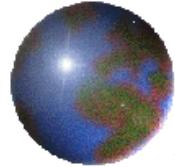
## ◆ East Asian economic developmental model

- Most distinguished features in the field of comparative political economy
- China for example has grown its GDP by 60% in just over 2 decades and has succeeded at dragging over 600 million out of poverty.
- In 1994 growth rates in every Asian country except Japan exceeded 4%. Even more impressively China, S Korea, Malaysia, Singapore, Thailand and Vietnam experienced real growth over 8%



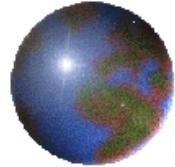
# The economic environment

- ➊ East Asian success started from export-oriented strategies, benefiting from growth in the international economy since the 1950s.
  - ▣ Flying geese paradigm (FGP) is a view of Japanese scholars upon the technological development in Southeast Asia viewing Japan as a leading power.
  - ▣ Flying geese paradigm (FGP) model for international division of labor in East Asia based on dynamic comparative advantage.  
Also called : *Flying Geese Pattern*



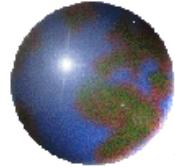
## *Flying geese paradigm (FGP)*

- ➊ The FGP paradigm postulated that Asia will catch up with the West as part of a regional hierarchy where the production of commoditized goods would move from the more advanced countries to the less advanced ones.
  - ▣ The underdeveloped nations in the region could be considered to be "aligned successively behind the advanced industrial nations in the order of their different stages of growth in a wild-geese-flying pattern."



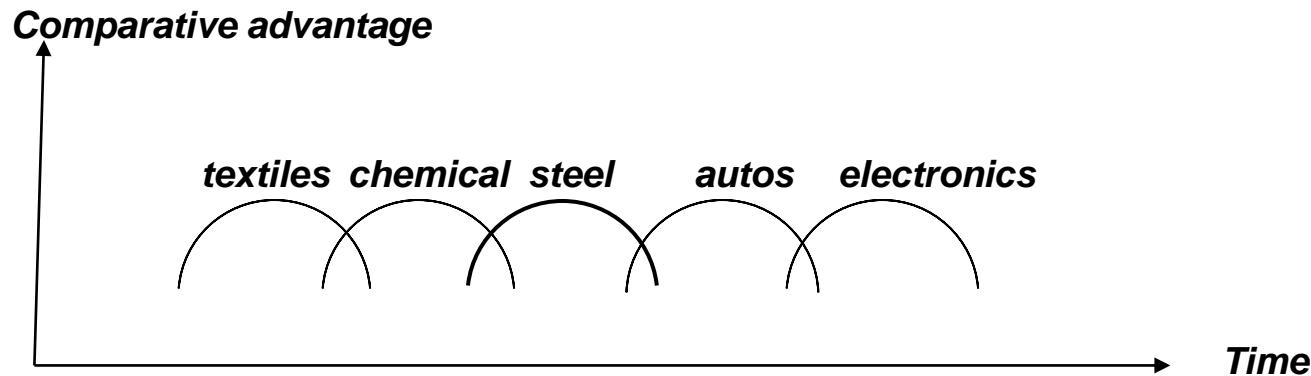
# *Flying geese paradigm (FGP)*

- Wave of FDI in Asia ("Flying Geese paradigm")
  - ▣ Japan → 4 Tigers → NIEs → China → Vietnam → ?
- The lead goose in this pattern is Japan itself, the 2<sup>nd</sup> second-tier of nations consisted of the 4 Tigers (South Korea, Taiwan, Singapore and Hong Kong). After these two groups come the main newly industrializing economies of Indonesia, Thailand and Malaysia. Finally the least developed major nations in the region: China, Vietnam, Philippines etc. make up the rear guard in the formation.

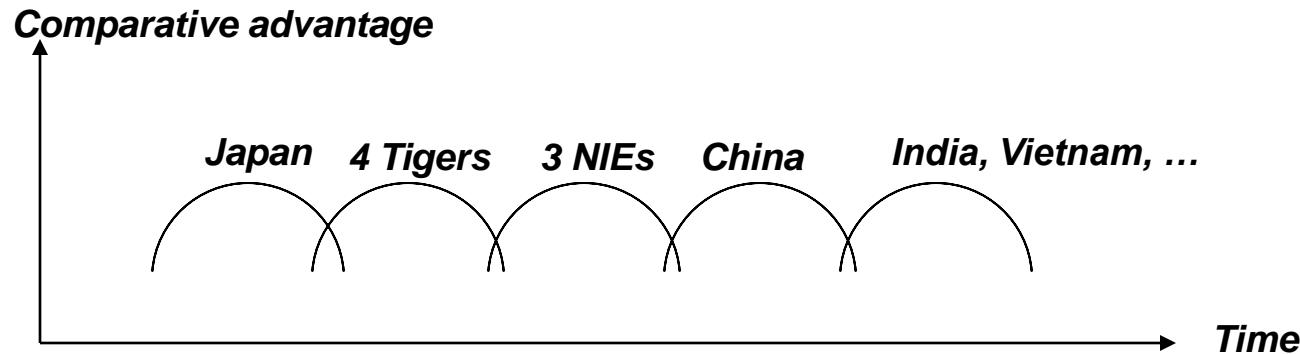


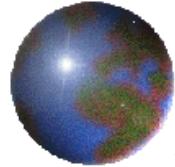
# *Flying-geese paradigm of shifting comparative advantage*

- ◆ For a particular country



- For a particular industry

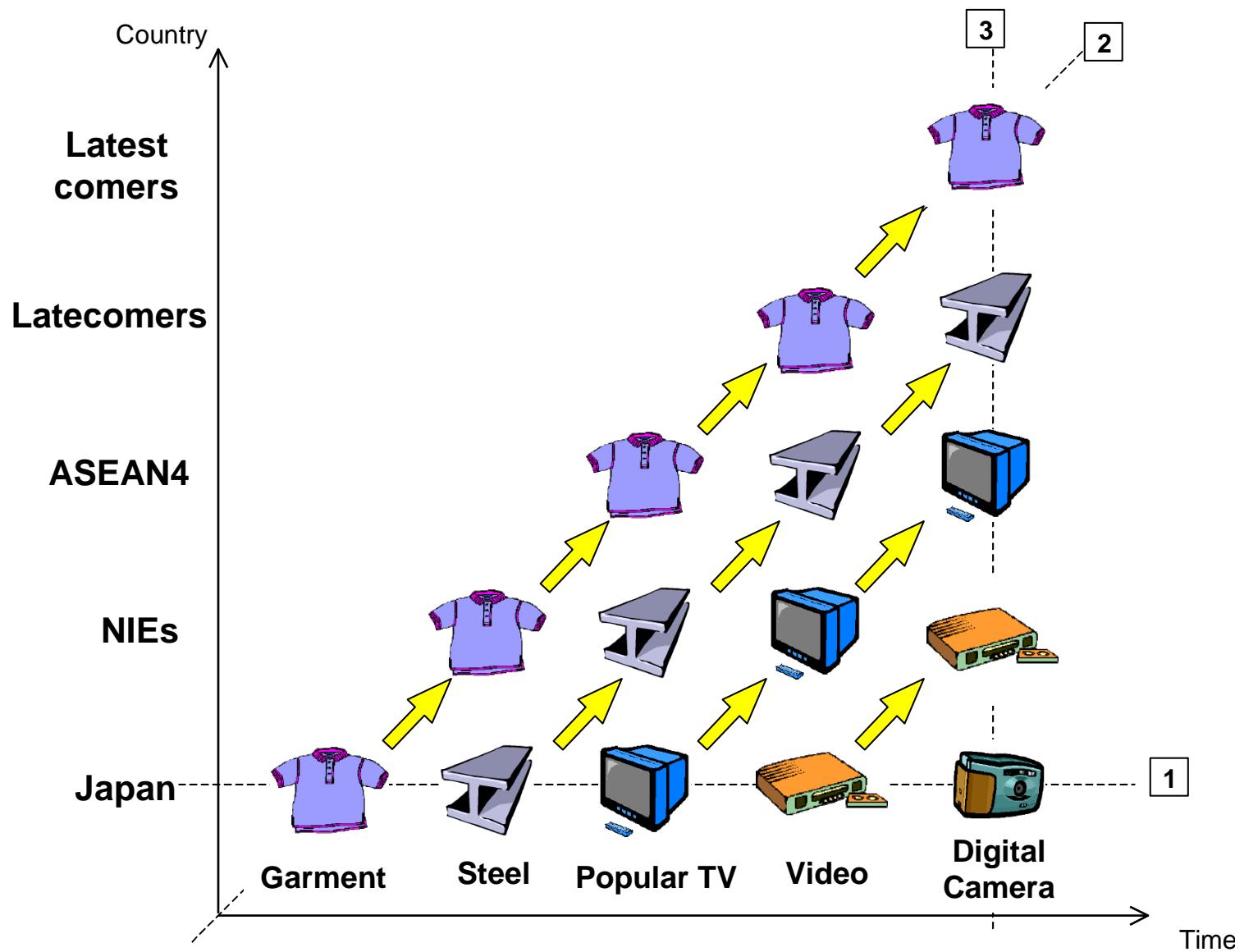


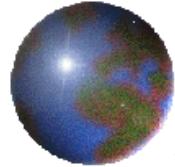


# *The economic environment*

- As each wave of development ensued it displaced exports of prior wave, compelling **restructuring**.
  - Internal causes: exchange rate appreciation, wage increases,  
...
  - Restructuring: labor intensive→capital intensive→knowledge
- Geographic diffusion of industrialization
  - Within each country, industrialization proceeds from low-tech to high-tech
  - Clear order and structure

# Structural Transformation in East Asia



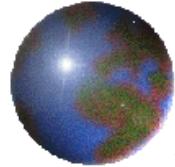


## ● **Corporatism**

- control of a state or organization by large interest groups.

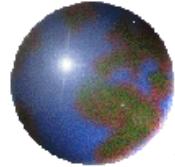
## ● **Corporatist Developmental State**

- Emphasizes the capital accumulation as the principal force for growth.
- Supreme arbiter of economic decisions to ensure individual economic decisions in line with a long-term national goal or interest.
- The state intrudes in the market with various measures to promote national industrial policies.



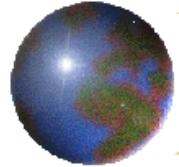
### ● Export-led Economic Development Strategy

- Seeks rapid industrialization initially by exporting relatively cheap products of labor-intensive industries, such as textiles
- Then by exporting higher value-added products of more capital-intensive industries, such as iron and steel, shipbuilding, and machinery
- Finally, by exporting more products of technology-intensive industries.



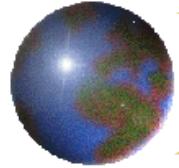
### ◆ State policy and intervention

1. Targeting the “strategic” sectors and firms for state special support starting with labor-intensive sectors
2. Neo-mercantilist trade policy of maximizing exports and minimizing imports;
3. State attempt to establish the parameters, rules, priorities, and infrastructures for the harmonious integration of the component parts of the society and the economy to achieve the common good of the whole society



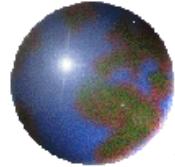
# Cold War

- ➊ The context of the Cold War, during which much of East Asia's development took place, was important to the emergence of the newly industrialized countries.
  - ▣ Security threat that was faced by the East Asian states during the Cold War helped to foster *nationalism* in these states and with it a commitment to a long-term transformation of the economy, in order to ensure the Communist threat was not realized



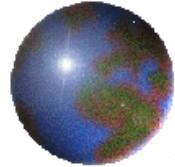
# *Special treatment by the US*

- ➊ States that were within reach of the communist threat were given special treatment by the US
  - The continued expansion of the US market for increased East Asian exports, creating a favorable situation for development.
  - The freedom and assistance allotted to the East Asian states during the Cold War was crucial in the emergence of the developmental state.



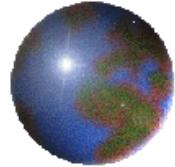
# Foreign Direct investment(FDI)

- Asian economic model succeeded because of an *export orientated growth model*.
- *Asian governments secured FDI from the West to built up local capacity and the absorption of employment*
  - Asian countries were able to produce mass products at cheap prices and sell them to the US market to drive up GDP growth.
  - These Asian governments played a crucial role in facilitating favorable participation in the global market in a crucial time in history



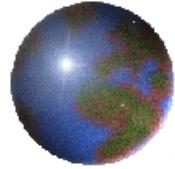
# *State bureaucracy*

- ➊ The East Asian development model was characterized by relative autonomy of a powerful, competent and insulated state bureaucracy and a subordinated civil society,
  - ▣ Effective management of non-state interests and legitimacy and performance of the state
  - ▣ Political will where the bureaucracy had the capacity to operate and drive policy initiatives and crafting state intervention without compromising market principles



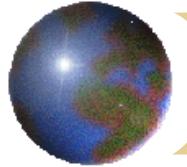
# *East Asian model*

- ➊ Key aspect of the East Asian model is the *role of government or state intervention.*
  - State control of finance
  - Direct support for state-owned enterprises in "strategic sectors" of the economy
  - creation of privately owned "national champions"
  - high dependence on the export market for growth, and a high rate of savings.



# *Confucian values*

- Confucian values are most commonly associated with the developmental state in East Asia.
  - Asian societies have always been more concerned with the welfare of the group over the individual
  - willingness to make personal sacrifices in order for the state as a whole to progress.
  - respect for a hierarchical society so that state authority is respected and hierarchy is held to be natural and good.



*Thank you*

謝謝