



FULBRIGHT
UNIVERSITY
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FULBRIGHT SCHOOL OF
PUBLIC POLICY AND MANAGEMENT

DEVELOPMENT POLICY

SESSION 6

State-led Development (1)





Session 6

- Exploring the State-led Development in East Asia

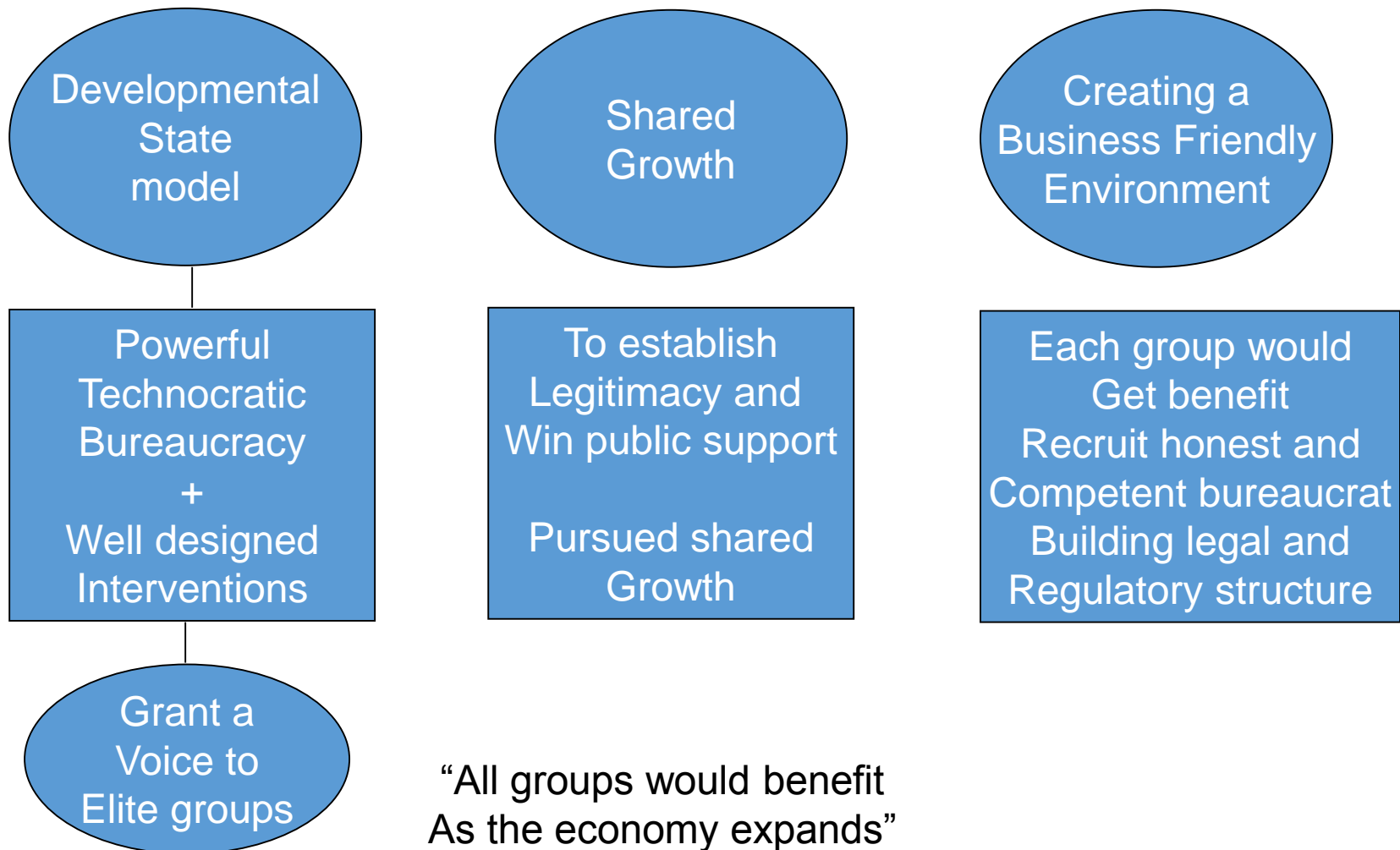


WB - Macroeconomic Stability

- Limited fiscal deficits
- Moderate inflation on average 9% (18% in other similar economies)
- Interest rates were stable
- What if macroeconomic indicators were not stable? ____
- Flexible exchange rate – adjustment to external shocks
- So, in East Asian countries, government were responsible to do macroeconomic management



WB - Institutional Basis for Growth





WB - Building Human Capital

- Good initial condition: started with higher levels of human capital
- Education policy
 - Education spending on the universal primary education first and secondary education later
 - Facilitated by declining fertility and rapid demographic change (slower growth in the number of school-age)
 - Post-secondary education: focused on _____
 - Contributed to more equitable income distribution





WB - Promoting specific industries

- Most East Asian governments have pursued “sector-specific” industrial policies to some degree through _____ protection and _____ for capital and other imported inputs
- Japan: heavy industry promotion in 1950s
- Korea: HCI promotion in 1970s
- Malaysia, China, Singapore, Hong Kong, Korea: promote to accelerate development of advanced industries
- “Market conforming”
 - Ensure that promoted firms were profitable and internationally competitive
 - Promotion of exports (Export push)



MITI



- “Economic bureaucracy, but not a bureaucracy of economists” (Johnson, 1982): [A pilot agency](#)
- Greatest concentration of brain power in Japan – Thinking of “National Interests” instead of “personal interests”
- [Sangyō seisaku](#): a. *Sangyō gōrika seisaku* b. *Sangyō kōzō seisaku*
- [Most powerful ministry?](#)
- [Three ways to implement industrial policy:](#)

Bureaucratic Control

Civilian Self-
coordination

Administration thru
inducement



Sakakibara's Argument

- Japanese success: Rise of Private sector
 - a. The rise of “dynamic professional managers” (separation of ownership and management)
 - b. Keiretsu over Zaibatsu (e.g. Anti Trust Law, etc.)
 - c. Rise of worker and engineers
 - d. Power of private sector
 - e. Do not deny the nation-led growth (but see it as Japan's own model)





Korea's economic modernization

- Core of Korean Modernization: Trade Policies / Export Policies
 1. Use governmental subsidies to private firms
 2. Even started from the early 1890s (Textile industry)
 3. Usage of 'comparative advantage: Int'l division of labor
 4. Subsidies to Export-oriented industries
 5. Openness to U.S. Market

Continued...



- **Core of Korean Modernization:** Investment Policy
 1. Government decided to determine where, when, and how much to invest in which industries
 2. Borrowing from abroad (Japan, US) and keep domestic interest rates low → motivate investment
 3. Foreign Capital Inducement Law (1962)
 4. **Credit Guarantee / Nationalized Bank**
 5. All policies were “discretionary basis” – Basis of the emergence of chaebol / Social Infrastructure



POSCO (1968-present)



Gyeong-Bu Expressway



**Ship Building Industry
(Hyundai, Samsung, Daewoo)**



Oil and Electricity





Economic Planning Board (EPB)

- Economic Planning Board

1. Core of Korean Economic Policy
2. Created in 1961 (headed by deputy prime minister)
3. 5-Year-National Economic Development Plan (1962-1966, and many): formulated all economic development plans
4. Allocated resources
5. Directed the economic functions of other Central ministries (e.g. Ministry of Finance)
6. Collection of highly educated intellectuals



Singapore's National Strategies

1990-onwards

Continuing previous policy
Emphasis on local suppliers
Knowledge creation

1980-1990s

Continuing Import
Knowledge Acquisition + "Transfer"
Training local workers

1960-1980s

Focus: Importing MNCs and Talented Workers
State-led FDI
Knowledge acquisition period



Q&A



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