

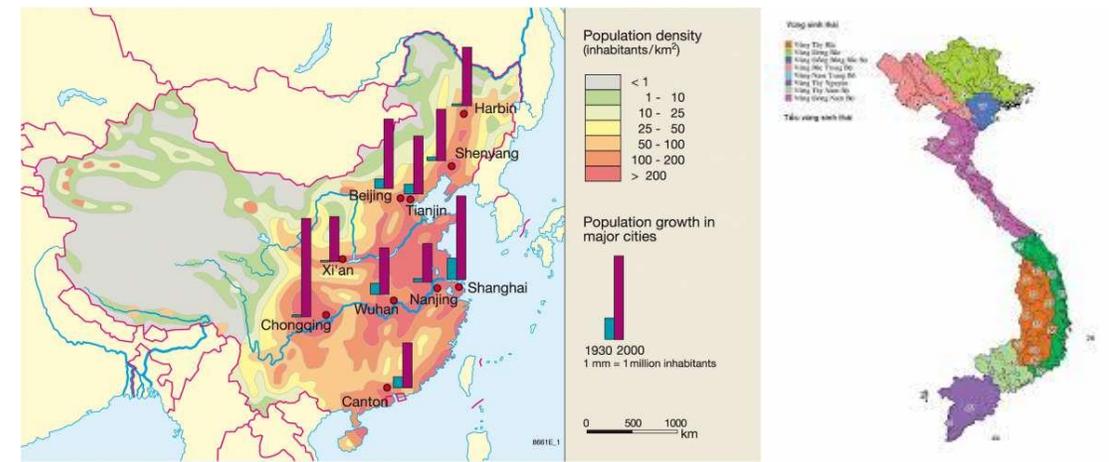
Fulbright
University
Việt Nam

Development Policy 2020

**Session (6): Beijing Consensus and
Vietnamese Model**

Schedule

- Are late industrializers in East Asia (China) and Southeast Asia (Philippines, Thailand, Vietnam, etc.) similar or differ from the Miraculous economies?
- What is the main idea of Chinese-style development?
- What could Vietnam learn (or not to learn)?



Against Washington Consensus

- Implementation of the Washington Consensus have decidedly mixed results (Harris, 2008) → led to multiple currency crises, stagnation, and recession during the financial turmoil of the 1990s.
- A new strategy after *East Asian Miracle* – Beijing consensus is pragmatic and recognize the need for flexibility in solving multifarious problems.
- Although Chinese model share many similar things with Japan and what is so called ‘developmental state’ model, it has some distinctive style.

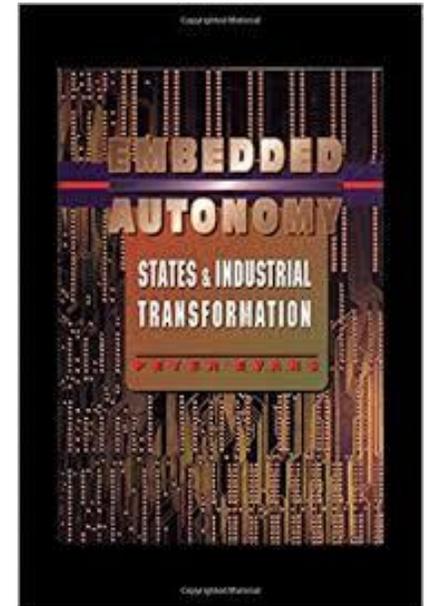


Is China Developmental State?

- **Yes** or **No**? China embodies many characteristics of the developmental state (e.g. state-led development, the government's economic & industrial policies, investment in education, etc.)
- **Similarities**: state control over finance and domination of public enterprises which resembles the Taiwanese model. Export-oriented (From food products to electronic devices). Cheap labor forces.
- Since 1978: GDP grew steadily an average of 10% , doubling its economic size every decade, huge foreign reserves, favorable balance of trade, the commitment of its communist government to public works.
- **Differences*****: Despite apparent capitalist characteristics of its economy – the Communist Party continues to hold its official ideology ('developmental state with Chinese characteristics).

“Embedded Autonomy”

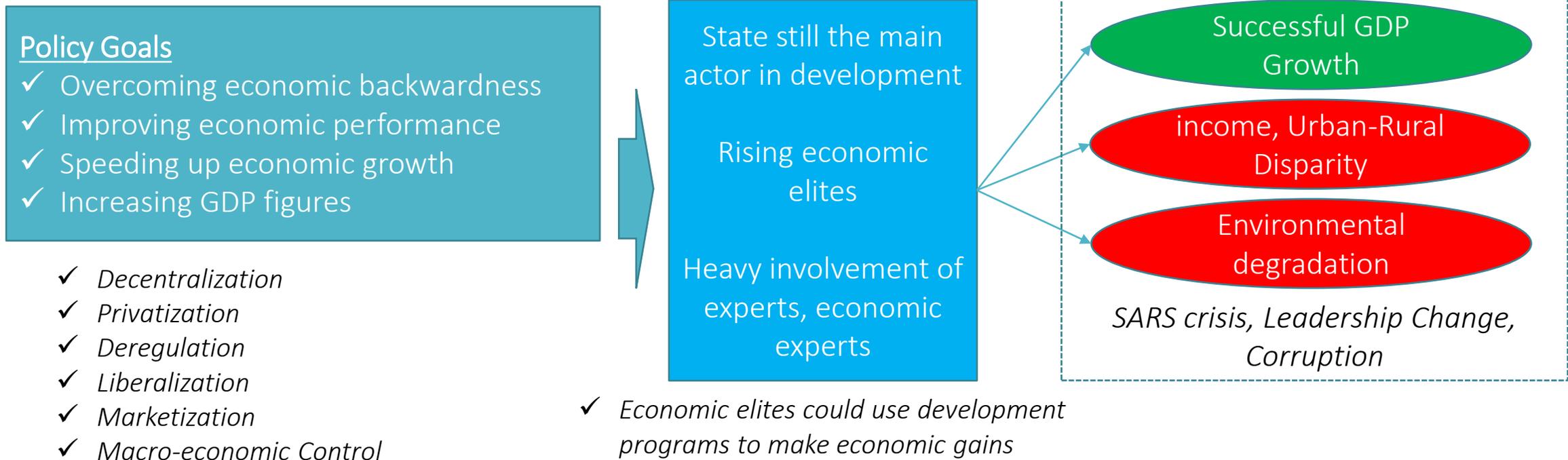
- States are organized and tied to society in various ways (c.f. North Korea and South Korea, Brazil and India for example). Exploitive, predatory, promoting, helping, etc.
- **Embeddedness**: Government agencies cannot effectively involve themselves in economic matters without obtaining detailed information from non-governmental actors.
- **Autonomy**: The importance of government agencies being independent of private interests.
- Peter Evans: the state (bureaucracy) requires autonomy from society, but also a degree of embeddedness if it is contribute to development.
- Nature of developmental state. **China** (somewhat exclusive access to policymaking with extensive intervention in economy) similar to Singapore, South Korea, Japan, etc.



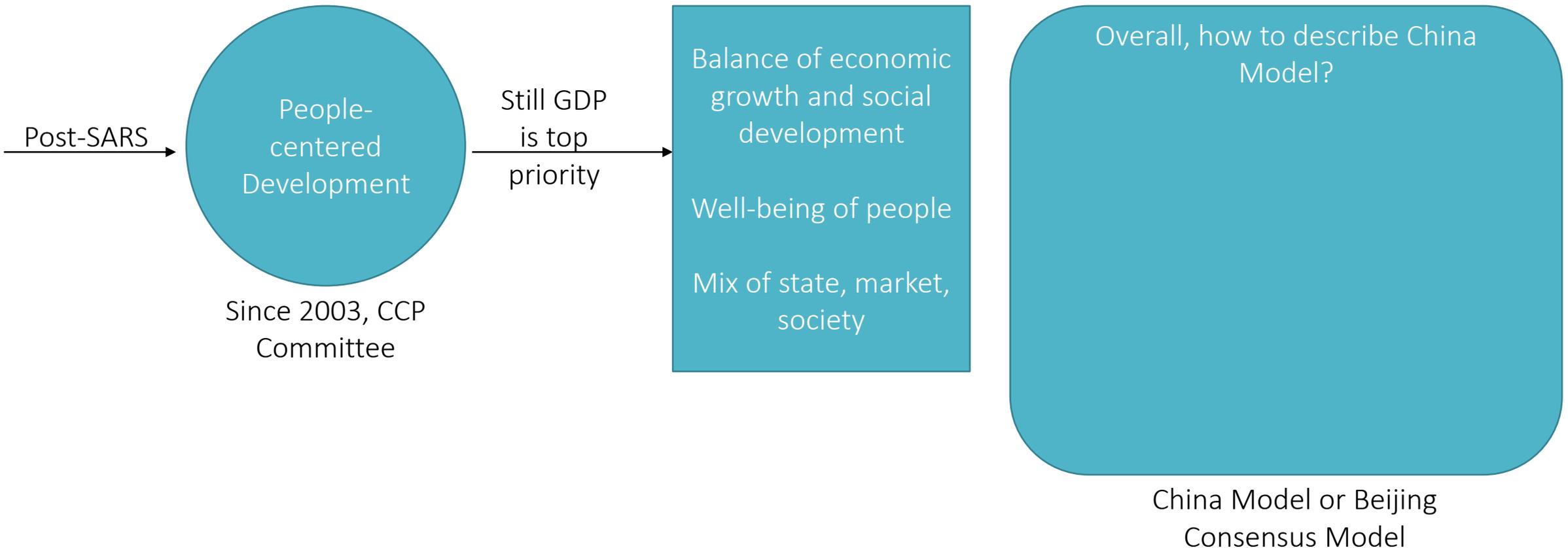
Deng Xiaoping Era (1978-2003)



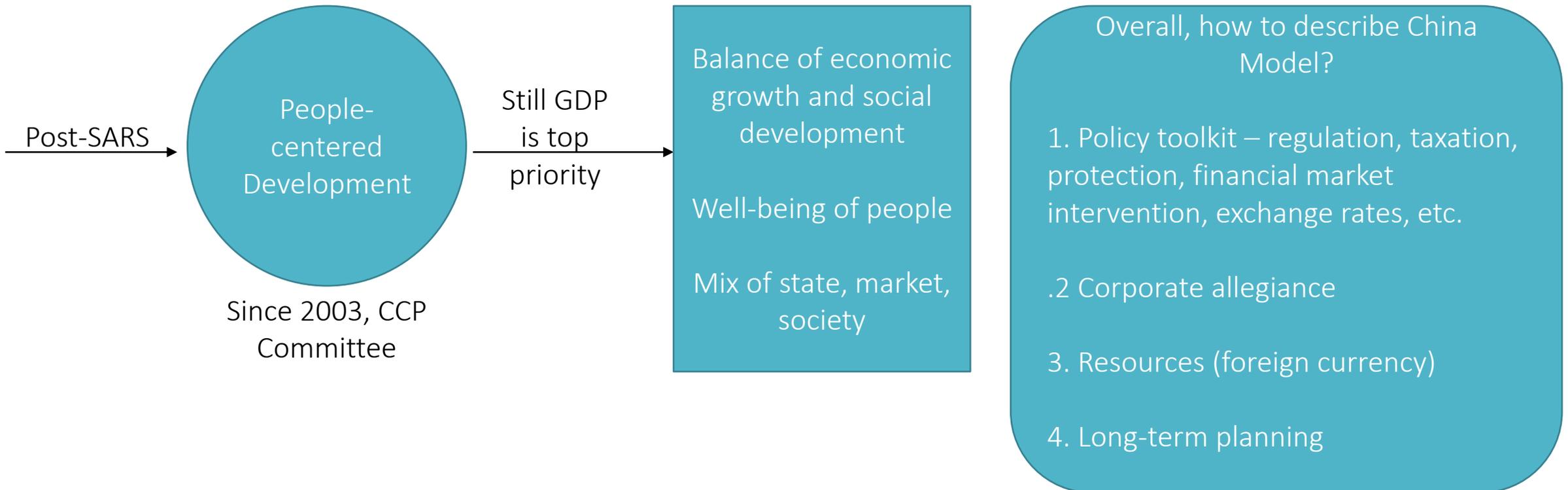
- Economic backwardness and poor economic performance of the state → Post-Mao's economic building emphasized the narrow economic dimension, "GDP."
- GDP became the primary measure of growth. (e.g.) Since decentralization – measured local governments' performance with GDP per capita (ranked).



New Direction and Beijing Consensus



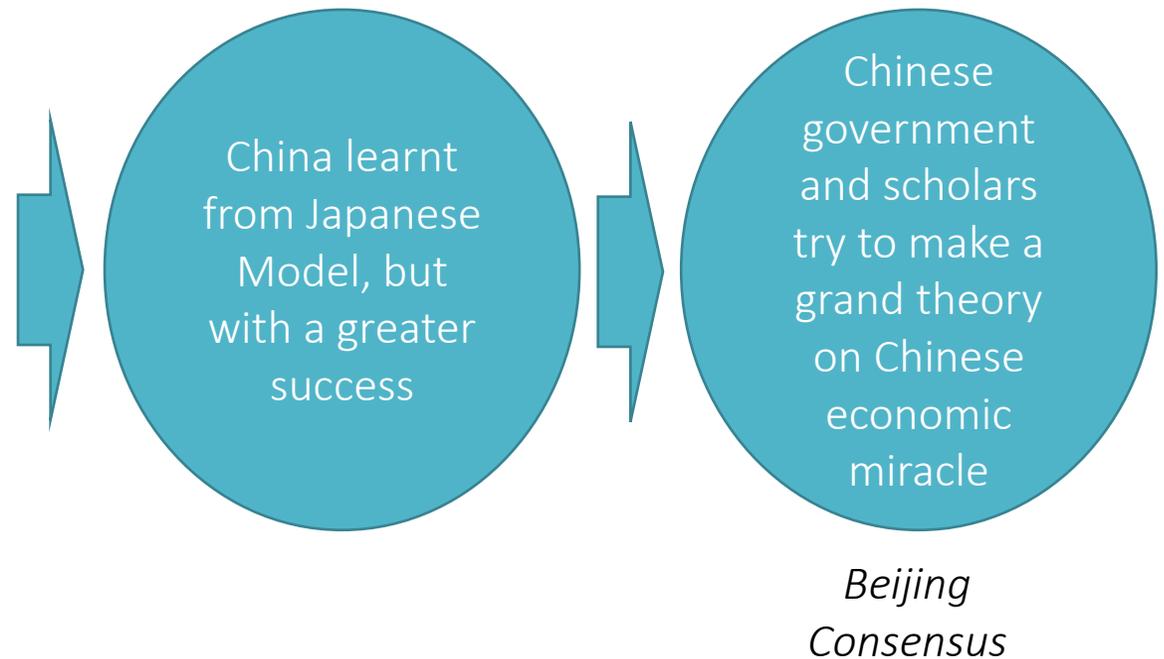
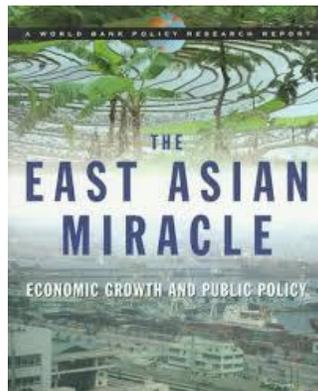
New Direction and Beijing Consensus



China Model or Beijing Consensus Model

Making 'non-Western' Success Story

In 1994, the Harvard economist, Dani Rodrik, wrote an article for the Overseas Development Council under the whimsical title "King Kong Meets Godzilla: The World Bank and the East Asian Miracle." In it, he argued that the World Bank's famous report of 1993 on East Asian economic growth had opened a serious wedge for wider acceptance of Japan's economic philosophy, despite the Bank's self-declared "victory" over Japanese-style industrial policy.¹ "Godzilla" was Japan's Overseas Economic Cooperation Fund, Japan's main loan agency for developing countries, while "King Kong" was the World Bank. Six years later, what Rodrik called a "clash of celluloid titans" has become something more like a marriage of strange bedfellows. The



Making New Model:

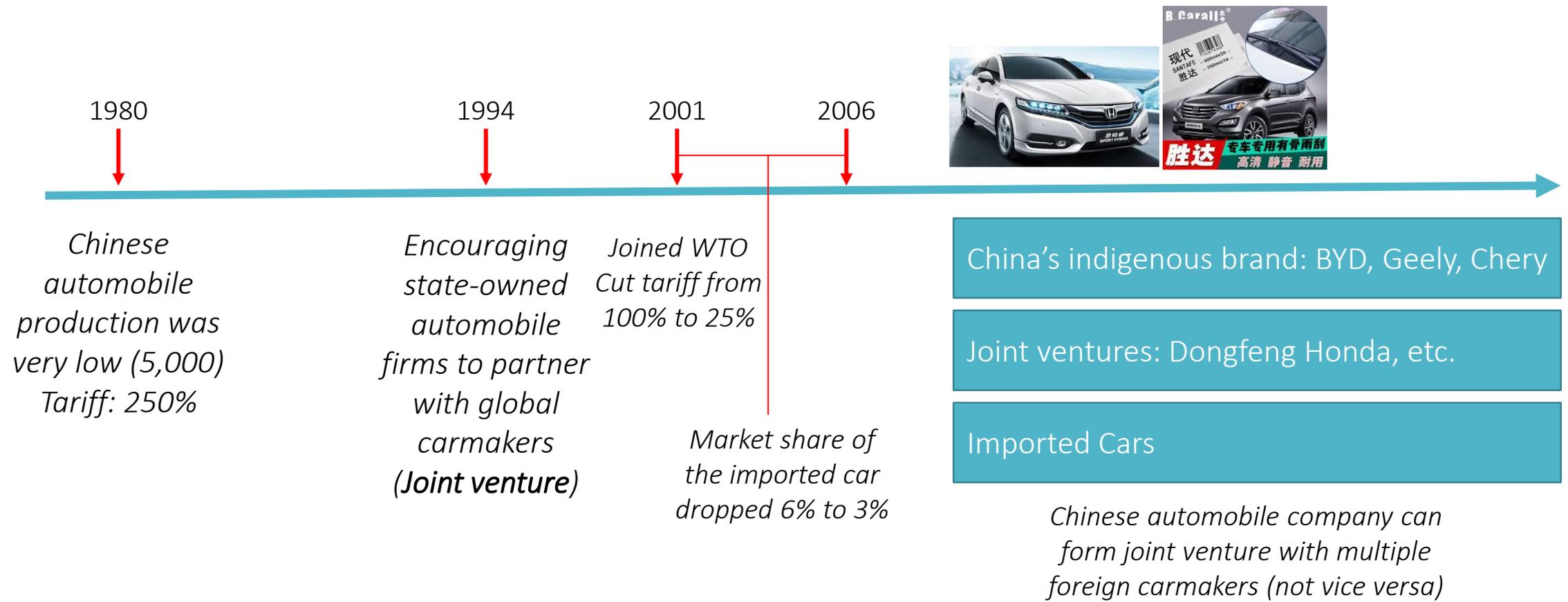
- Instead of liberal 'Washington Consensus' (2002), Beijing Consensus recognizes the need for a unique approach according to each nation's unique challenge.
- Joshua Ramo (2004) – “A model for growth with stability,”
- Established political unity and state-led development (Daniel Bell, 2015)
- State's managing of strategic firms and SOEs
- Interests in 'good governance' (e.g. help from Singapore Gov)
- Gradual pragmatism (John Williams, 2012)
- Dark side: Corruption / Environment / Economic Disparity / Social Unrest / Vulnerability / Weak Rule of Law





(e.g.) Beijing Hyundai

- The government restricted the entry of foreign automakers to Chinese market.



Vietnam's automobile market to be flooded with zero-tariff ASEAN cars

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The car sales in Vietnam are forecast to reach 500,000 units per year in 2020 and 1 million per year by 2030, with a turnover of US\$12 billion each year.

☐ Vietnam's automobile market to be flooded with zero-tariff ASEAN cars

Thailand and Indonesia could earn billions of dollars each year as their cars shipped to Vietnam make up 80% of the total car imports in the country so far this year thanks to the zero-tariff policy under the ASEAN Free Trade Area since 2018.

The General Department of Vietnam Customs' statistics revealed that in the first five months of 2019, Vietnam spent some US\$1.42 billion to import completely built-up (CBU) automobiles from overseas, a robust rise compared to the previous year.



Vietnam's Situation

→ The rising number of imported cars prevents domestic automakers from raising output. The Thaco-Mazda factory in Quang Nam province opened in 2018 with an expected capacity of 50,000 cars per year in its first phase. However, its output only reached 30,000 cars last year.

Mazda has not yet proceeded with the second phase to increase its capacity to 120,000 vehicles per year as planned.

→ According to the Vietnam Ministry of Industry and Trade's (MoIT), the localization rate of the domestic automobile industry averaged only about 7-10%, so the target of reaching localization rate of 40% in 2005 and 60% in 2010 definitely failed due to weak supporting industries and low technologies. Still 80 to 90% of input materials to make auto parts have to be imported.

The automobile market is predicted to thrive when Vietnam's GDP per capita reaches US\$3,000 from US\$2,600 in 2018.

Car sales are forecast to reach 500,000 per year from 2020 and 1 million cars per year by 2030, with a turnover of US\$12 billion each year.

In order to develop the automobile industry in Vietnam in line with the goal of increasing the localization rate, the MoIT will focus on accelerating some projects of the large domestic car makers to boost the domestic production and assembly of cars in the upcoming time.

Why Vietnamese Model Attractive?

- Since *Doi Moi* (1986) – One of the strongest economy in the world (rapidly growing low middle-income countries)
- From socialist planned economy to socialist market economy with stable Communist government
- Core strategy:
 - Rapid integration into world economy
 - Diversified export-led industry
 - Attracting Foreign Direct Investment (FDI)
 - Agricultural growth + State Owned Enterprises (SOEs), growth of private sector
 - Land reform (land use rights)



Discussion

- Considering the East Asian Miraculous models and Chinese economy, can we say the Vietnamese model is compatible with 'developmental state?'
- Can a rising bourgeoisie can live comfortably with communism lite?
- Similarities and differences between the Chinese model and the Vietnamese model?