

Edited by Joachim Ahrens, Alexander Ebner, Herman W. Hoen,
Bernhard Seliger and Ralph Michael Wrobel

Manuel Stark

The Emergence of Developmental States from a New Institutionalist Perspective

A Comparative Analysis
of East Asia and Central Asia

2

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from a New Institutionalalist Perspective

Emerging Markets Studies

Edited by Joachim Ahrens, Alexander Ebner, Herman W. Hoen,
Bernhard Seliger and Ralph Michael Wrobel

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Foreword

Economists, political scientists, and development practitioners have offered numerous convincing explanations of why development projects often fail or policy and institutional reforms are implemented only half-heartedly and do not materialize as expected. In fact, empirical research confirms that the vast majority of less or least developed countries experienced a slow or highly volatile economic growth performance over the last sixty years. Only a few countries managed to sustainably grow over a long period of time with only minor or short recessions, but with social progress and significant reductions in poverty. Almost all of these high-performing economies are located in East Asia.

This book is dedicated to these so-called developmental states. The study addresses the question why and how successful economic catching-up processes could be realized. The author applies Chalmers Johnson's developmental-state approach and improves its theoretical foundation so that it gains explanatory power and becomes applicable to a greater variety of research questions. This approach, located at the interface of economics and politics, is being theoretically founded by linking it to Douglass C. North's theory of institutional change. Thereby, the author is able to explain success and failure of economic reform and catching-up processes by accounting for the importance of political, economic, and social institutions, formal as well as informal ones, in political settings in which governments assume an active role in shaping and conducting economic policies.

Confronting the reader with detailed, comprehensive case studies of developmental states in Asia, Manuel Stark persuasively argues that the state has been always an important part of the solution for problems of economic backwardness and underdevelopment. Sometimes, the state has even proven to be the driving force. Since this book identifies the institutional conditions under which states can effectively assume more active roles, its theoretical framework can be applied to a great variety of less developed countries and emerging market economies. This is being done exemplarily for Kazakhstan and Uzbekistan, the two most important Central Asian transition countries, which, in a non-democratic setting, have performed economically well over the last decade.

This book is a differentiated, critical, theoretically well-founded analysis of developmental states in Asia. Economists, political scientists, and sociologists as well as actors in the policy-making community will greatly benefit from reading the book and learning about its case studies. The work considerably improves our understanding of the importance of institutional constraints for economic development and how to politically shape them in order to make economic

growth and social progress a viable policy choice. Most important new insights relate to the research into comparative economic systems and the historical and comparative analysis of institutions.

Joachim Ahrens (editor)

Göttingen, 12 June 2012

List of Abbreviations

BOT	Board of Trade (Japan)
CEPD	Council for Economic Planning and Development (Taiwan)
CIS	Commonwealth of Independent States
EBRD	European Bank for Reconstruction and Development
EDB	Economic Development Board (Singapore)
ENRC	Eurasian Natural Resource Company (Kazakhstan)
EPB	Economic Planning Board (South Korea)
ESB	Economic Stabilization Board (Japan)
FIC	Foreign Investor's Council (Kazakhstan)
GATT	General Agreement of Tariffs and Trade
GLC	Government-linked Company
HCIA	Historical and Comparative Institutional Analysis
HICOM	Heavy Industries Corporation of Malaysia
HPAEs	High-performing Asian Economies
IDB	Industrial Development Board (Taiwan)
KMT	Kuomintang
LDP	Liberal Democratic Party of Japan
MCI	Ministry of Commerce and Industry (Japan)
MITI	Ministry of International Trade and Industry (Japan)
NIE	New Institutional Economics
NJPPCC	National Joint Public and Private Sector Consultative Committee (Thailand)

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NPE	New Political Economy
OECD	Organization for Economic Cooperation and Development
PAP	People's Action Party (Singapore)
QCA	Qualitative Content Analysis
SCAP	Supreme Commander for the Allied Powers
UMNO	United Malays National Organization

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1 Introduction

1.1 Research scope

1.1.1 Central Asia after 20 years of transition

In the scientific literature on the political and economic development of Central Asia, there are few historical events that are referred to as frequently as the “Great Game”. This term stands for the rivalry over the control of the region between the British and Russian Empires that started at the beginning of the 19th century and lasted for approximately 100 years. In earlier centuries, Central Asia had been among the scientifically, culturally and economically most advanced regions in the world. However, the khanates that ruled over the Central Asians at the beginning of this Great Game were far from being on par with the European powers regarding economic, technological or military aspects. Central Asia was not an active player in the Great Game, it was its target.

For those that inhabit the five countries of Central Asia—Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan—the Great Game ended with Russian and later Soviet domination. The following decades of foreign rule had a profound impact on the region’s economy and culture. Today, more than two decades after the collapse of the Soviet Union, both scholars and political journalists have started to write about a new great game in Central Asia with different contenders, in particular China and the United States (see Edwards, 2003; Klevemann, 2003; Menon, 2003; and the articles in the collective volume of Laruelle, Huchet, Peyrouse, & Balci, 2010). Yet, maybe the biggest difference between the current power struggle and the situation in the 19th century is not that more or different powers have joined the contest, but that the Central Asian republics themselves have become active participants and are able to choose their path of development within certain constraints.

Since the region has always been at the intersection of various cultural and political influences, it is extremely difficult to foresee which path its development might take. Russia, bordering Central Asia to the north, still maintains close relations with the former Soviet Republics. Russia remains influential, especially in northern Kazakhstan and Kyrgyzstan, which are home to large Russian minorities. With its southern neighbors—Iran, Afghanistan and Pakistan—Central Asia shares a common cultural, religious and historical heritage that predates Russian influence. To the east, Kazakhstan, Kyrgyzstan and Tajikistan have a common border with China, whose thriving economy has made it more influential over the last years. To the west, the region is delimited by the Cas-