

Government's Role in Promoting Economic Development in SE Asia and South Korea:

Change, Continuity and Challenges

Professor Mark Turner

UNSW Canberra

Government and Economy: Introduction

- Governments in developing countries have always been involved in promoting economic development
- Key to citizen welfare, poverty reduction and political legitimacy
- But mode of engagement has changed
- Often now hybrid approaches
- No one recipe for economic success but economic miracles (eg Korea) used as demonstrations of what can be achieved

Government and Economy: Introduction

- Paper explores theme of government involvement in the economies of Southeast Asia and Korea
 - **Reviews** changing intellectual climate and its effect on policy
 - **Examines** similarities and differences among Southeast Asian countries and Korea
 - **Reflects** on Korean experience and its relevance for Southeast Asia

Changing ideas about government and economy

1. THE ERA OF BIG GOVERNMENT

- Market failure justified government intervention
- State-owned enterprises (SOEs)
- National development planning
- SOEs poor performance
- Plans failed to produce anticipated results (mixed results in Southeast Asia)

Changing ideas about government and economy

2. RELYING ON THE MARKET

- International financial institutions (IFIs) and Western governments promoted market-led solutions in developing countries
- Bureaucrats to get out of business
- Asian Miracle (eg Korea) used as exemplars
- Promoting export-oriented industrialization (EOI)
- Washington Consensus
- New Public Management (NPM) reinforced idea of market solutions

Changing ideas about government and economy

3. THE AGE OF ENABLEMENT

- Disappointment with results of neoliberal policies
- Many countries unwilling to commit fully to neoliberal policies
- Rise of Millennium Development Goals (MDGs)
- GFC a blow to neoliberal agenda
- State brought back in
- Private sector still seen as generator of economic growth
- State to create an enabling environment (neoclassical or neostructuralist)

Changing ideas about government and economy in Southeast Asia and Korea

- Countries have broadly followed international trends in economic thinking
- All expect private sector to lead growth
- All reject old idea of big government in the economy
- But to varying degrees all have maintained government involvement in economy or directing economy
- All committed to enabling environment

Comparing countries

- Geographical proximity and pragmatism bind Southeast Asia
- Share economic dynamism
- Moving towards greater economic integration through ASEAN
- But strictly no involvement in other ASEAN countries' affairs
- Many differences in economy, politics and culture

Selected Economic Indicators for Southeast Asia and South Korea

Country	Population	WB Economy type	GNI pc (Atlas current US\$) 2013	GDP growth annual average % 2010–14	Doing Business Ranking
Brunei	418,000	High	31,590	1.27	101
Cambodia	15.14m	Low	950	6.95	135
Indonesia	249.9m	Lower M	3,580	6.2	114
Lao PDR	6.77m	Lower M	1,450	8.5	148
Malaysia	29.72m	Upper M	10,430	5.72	18
Myanmar	53.26m	Low		7.5	177
Philippines	98.39m	Lower M	3,270	6.32	95
Singapore	5.4m	High	54,040	6.92	1
Thailand	67.01m	Upper M	5,340	4.35	26
Vietnam	89.71m	Lower M	1,740	5.8	78
South Korea	50.22m	High	25,920	3.88	5

Country	Life expectancy 2012 (1990)	Poverty (% of pop 2012)	Labour force partcpn rate 2013	Regime type	Religion
Brunei	78 (74)		64	PCA	Islam
Cambodia	71 (55)	17.7	83	HEA	Buddhism
Indonesia	71 (63)	11.3	68	ED	Islam
Lao PDR	68 (54)	23.2	78	PCA	Buddhist
Malaysia	75 (71)	1.7	59	CA	Islam
Myanmar	65 (59)		79	A	Buddhist
Philippines	69 (65)	25.2	65	ED	Christian
Singapore	82 (76)		68	HEA	Mixed
Thailand	74 (70)	12.6	72	PCA	Buddhist
Vietnam	76 (71)	17.2	78	PCA	C-T-B
South Korea	81 (71)		61	LD	Chr/Budd

ED electoral democracy; CA competitive authoritarian; HEA hegemonic electoral authoritarian; PCA politically closed authoritarian; A ambiguous

Reflecting on Korea

- One of world's most remarkable socioeconomic transformations
- From 1950s war wreckage to
 - 11th largest economy
 - life expectancy of 80 years
 - 1st place in OECD education rankings in 2010
- Trajectory cannot be emulated today
- Lessons can be learned

Reflecting on Korea

- Considerable state input
- ‘**Plan rational**’ mode of directing economic development to ‘**market rational**’
- State now makes more limited but still **significant** contributions to economic development
- State has demonstrated **adaptability** to environmental change (eg AFC, democratization)
- Incorporated **neoliberal** elements in economic policy

Reflecting on Korea

- A **capable** state
- New Public Management (**NPM**) mediated through Korean values, institutions and preferences
- Neoliberal economic reforms such as **privatization** may also take on a distinctive Korean character
- Taken global lead in **e-government**
- Dealing with the **welfare state**
- Dealing with **accountability**

Conclusion

- Both Southeast Asian countries and Korea have moved well beyond reliance on big government to direct economic development
- All have adopted neoliberal reforms
- But all retain the option for significant state intervention
- All are oriented to creating enabling environments
- Relations between Southeast Asia have grown much closer in recent years