

# Rethinking the East Asian developmental state in its historical context: finance, geopolitics and bureaucracy

Henry Wai-chung Yeung

## ABSTRACT

This paper critically revisits the statist literature that stresses the central role of the developmental state in steering economic development in East Asia. Based on a critique of the existing literature on the state's mobilization of financial resources and implementation of industrial policy between the late 1950s and the 1980s, it argues that East Asian industrial transformation must be situated in the peculiar historical contexts of favourable geopolitical imperatives and contested domestic bureaucratic rationality. This rethinking is useful because more developing countries are now following the kind of top-down state governance and interventionist policies pursued previously by these East Asian developmental states. And yet they might not give careful considerations to these important historical specificities underpinning the success or failure of such developmentalist policies.

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## KEYWORDS

Political economy, developmental state, finance, geopolitics, bureaucratic rationality, East Asia

## 摘要

在历史背景中再论东亚发展型国家：金融、地缘政治和官僚体制。 *Area Development and Policy*。【本文对强调发展型国家在引导东亚经济发展中核心作用的中央集权论文献进行了批判性地再讨论。在对现有文献中关于20世纪50年代末至80年代国家的财政资源调动和产业政策实施的相关内容进行批评之后，本文提出，东亚产业转型必须要放在有利的地缘政治必要条件和有争议的国内官僚理性的特定历史背景中进行讨论。这种再讨论非常有价值，因为更多的发展中国家正在追随这种之前被东亚发展型国家所追求的自上而下的国家治理和干涉主义政策。然而，他们可能并没有仔细考虑这些发展主义政策的成功或失败背后重要的历史特性。】

## 关键词

政治经济, 发展型国家, 金融, 地缘政治, 官僚理性, 东亚

## RESUMEN

Reflexión sobre el estado desarrollista de Asia oriental en su contexto histórico: finanzas, geopolítica y burocracia. *Area Development and Policy*. Desde una perspectiva crítica, en este artículo se revisan las publicaciones estáticas en las que se subraya el papel central del Estado desarrollista a la hora de orientar el desarrollo económico en Asia oriental. A partir de una crítica de las publicaciones existentes sobre la

## CONTACT

 [henryyeung@nus.edu.sg](mailto:henryyeung@nus.edu.sg)

Department of Geography and Global Production Networks Centre (GPN@NUS), National University of Singapore, Singapore



movilización de los recursos financieros y la aplicación de la política industrial por parte del Estado desde finales de los cincuenta hasta los ochenta, argumento que la transformación industrial en Asia oriental debe situarse en el contexto histórico específico de los imperativos geopolíticos favorables y la racionalidad burocrática cuestionada de ámbito nacional. Esta reflexión es útil porque ahora hay más países en desarrollo que siguen el tipo de gobernanza estatal verticalista y las políticas intervencionistas que antes aplicaban estos Estados en desarrollo de Asia oriental. Y sin embargo, es posible que no se preste la suficiente atención a estas importantes características históricas que estimulan el éxito o el fracaso de estas políticas de desarrollo.

#### **PALABRAS CLAVE**

Economía política, Estado desarrollista, finanzas, geopolítica, racionalidad burocrática, Asia oriental

#### **АННОТАЦИЯ**

Переосмысление восточноазиатского государства развития в историческом контексте: финансы, геополитика, и бюрократия. *Area Development and Policy*. В работе критически анализируется государственническая литература, подчеркивающая центральную роль государства развития в управлении экономическим развитием в Восточной Азии. Основываясь на критике имеющейся литературы по роли государства в мобилизации финансовых ресурсов и реализации промышленной политики в период с конца 1950-х – 1980-х годах, я утверждаю, что восточноазиатская промышленная трансформация должна рассматриваться в своеобразном историческом контексте благоприятных геополитических императивов и особой бюрократической рациональности. Это переосмысление полезно, потому что все больше развивающихся стран сейчас следуют модели иерархического государственного управления и интервенционистской политики, ранее проводившейся в восточноазиатских государствах развития; при этом они должны учитывать важные исторические особенности, лежащие в основе успеха или неудачи такой политики.

#### **КЛЮЧЕВЫЕ СЛОВА**

Политическая экономия, государство развития, финансы, геополитика, бюрократическая рациональность, Восточная Азия

## **INTRODUCTION**

The meteoric rise of most East Asian newly industrialized economies by the beginning of the 1990s might not have happened without their developmental states. In some of them (e.g., Singapore and Taiwan), state-owned enterprises (SOEs) served as the cornerstone of the developmental state's initial industrialization programme. In others (e.g., South Korea), private firms benefitted enormously from state-directed financial support, technology transfer and even personal tutelage. Such East Asian states are deemed developmental because of their "core" strategic capacities to plan, monitor and enforce key developmental objectives, which will shift the comparative advantage of national economies towards those sectors that are of strategic value in the global economy' (Jayasuriya, 2005, p. 382). One key dimension of state capacity is *embedded autonomy* through which the state bureaucracy is embedded in society and yet insulated from competing social interests, and gains substantial autonomy from strong political influence in order to avoid the rent-seeking and predatory behaviour of certain politicians and interest groups. To Evans (1995, p. 12)

Only when embeddedness and autonomy are joined together can a state be called developmental. This apparently contradictory combination of corporate coherence and connectedness, which I call 'embedded autonomy,' provides the underlying structural basis for successful state involvement in industrial transformation.

But what exactly underpinned the state's institutional capacity in 'governing the market' (Wade, 1990) by deliberately 'getting prices wrong' (Amsden, 1989) through strong financial support in favour of target-specific industrial policy? Did the state really do it alone by fiat without significant external support and/or with strong internal coherence? What were the international and domestic contexts that might help historicize better the emergence of the developmental state and its varying efficacies in different Asian economies? And how will these historical specificities offer important lessons for other developing countries that intend to learn from and follow the kind of top-down state governance and interventionist policies pursued by these East Asian developmental states? The now orthodox statist-institutionalist literature has primarily focused on domestic politics and authoritarian regimes in the early formation of the developmental state that wielded substantial control of domestic financial institutions and implemented its industry policy through highly centralized elite bureaucracy.<sup>1</sup>

This state-centric explanation of East Asian industrial transformation, however, has been subject to serious critiques in existing studies of the international political economy of development (e.g., Beeson, 2007; Berger, 2004; Minns, 2006; Pempel & Tsunekawa, 2014; Stubbs, 2005; Yeung, 2009a). To Berger (2004, pp. 2, 220), there are far too few 'efforts to explain the competing narratives on development in Asia and beyond with an emphasis on the wider geopolitical context in which they are produced'. Drawing upon and adding to this literature on late capitalist development in East Asia, I argue that our understanding of the efficacy of the East Asian developmental state needs to be situated in the peculiar historical contexts of favourable geopolitical imperatives and contested domestic bureaucratic rationality.<sup>2</sup> This task is necessary because much of the statist literature has taken for granted these historical contexts in focusing on the domestic politics and industrialization policies of the developmental state. Questioning these inherent assumptions in the literature allows us to understand why, by the late 1980s, the developmental state in South Korea, Taiwan and Singapore was confronted with greater political and institutional limits, and state-firm relations in these economies experienced significant transformations thereafter (Gray, 2011; Hundt, 2014; Kim, 2005; Lee, 2014; Lee & Han, 2006; Lim, 2010; Tan, 2012).<sup>3</sup> Even though the pace and nature of these evolutionary changes vary significantly among the three economies, we can be quite sure that since the 1990s the same set of historical contexts may no longer serve as a favourable condition for the realization of state capacity. Revisiting the earlier period of the developmental state enables a more historically grounded understanding of the predecessors that gave rise to these latecomer economies and offers useful lessons for the 'new developmentalism', i.e., state-led development in the globalizing era, in East Asia and elsewhere after the 2008/09 global financial crisis (e.g., Chu, 2016; Diamond & Shin, 2014; Edigheji, 2010; Fine, 2013; Thurbon, 2016; Yi & Mkandawire, 2014).

Although my arguments may not appear to be particularly novel and no new empirical data are provided, this modest effort can serve as a reminder of the need for a more historically and geopolitically specific understanding of the rise of the developmental state; it is necessary in the light of recent attempts among developing countries to imitate the East Asian developmental state by focusing narrowly on strong state capacity as envisaged in the orthodox statist-institutionalist formulation. This form of 'new developmentalism' can be myopic and dangerous because in their rush to 'become' a developmental state, politicians and policy-makers in these late latecomers underestimate the crucial importance of unique historical-geopolitical circumstances that gave rise to the East Asian developmental state. Reworking and recombining the relevant arguments for historical specificities in a single paper can be useful to help us avoid, as noted by Woo-Cumings (1999, pp. 2–3), the

presentism of social science accounts and the prescriptive, future-oriented nature of policy studies ... [that] has plagued a coherent account that would link past with present, yielding a lamentable misunderstanding of what the whole enterprise of the 'developmental state' was about.

125 More specifically, I focus on the state's mobilization of financial resources and its imple-  
 130 mentation of industrial policy between the late 1950s and the 1980s in South Korea, Taiwan  
 and Singapore. I contend that their developmental states were efficacious mostly in the initial  
 era of industrialization during the 1960s and 1970s. This efficacy was, however, situated in  
 135 peculiar geopolitical and domestic contexts. Unpacking these contexts allows for a critical re-  
 examination of the static conception in orthodox statist accounts of the broader international  
 political economy and the domestic institutional linkages between the state bureaucracy and  
 non-state actors. While the developmental state emerged from peculiar geopolitical and  
 domestic political imperatives, the assumption that these contexts are necessarily favourable  
 and enduring over time can lead to a serious fallacy of reifying the developmental state as a  
 140 permanent fixture of East Asian industrialization. This myopic view can distort the subsequent  
 analysis of dynamic transformations in East Asian economies in the 1990s and beyond,  
 particularly when these geopolitical and domestic contexts have changed dramatically, and  
 domestic actors have become much more integrated into the global economy (Breznitz, 2007;  
 Coe & Yeung, 2015; D'Costa, 2015; O'Riain, 2004; Wong, 2011). As analyzed in-depth by  
 145 Yeung (2016), this rethinking of the developmental state aims to contribute modestly towards  
 a more historically contingent view of industrial transformation in East Asia that may in turn  
 reduce the risk of this type of myopia in future studies of East Asian development.

This paper is organized into two major sections, respectively addressing the crucial role of  
 state finance and elite bureaucracy. In each section I first present the historical evidence used  
 145 in the existing literature to support the idea that finance and bureaucracy underpinned the  
 developmental state's efficacy in steering industrialization in South Korea, Taiwan and  
 Singapore from 1950 to 1990. I then offer a critical re-examination of this role in light of  
 broader geopolitical imperatives (US aid) and domestic constraints (the incoherence of bureau-  
 cratic rationality). These three economies are chosen primarily because of their similar devel-  
 150 opmental experience as classic examples of East Asian newly industrialized 'Tiger' economies  
 (e.g., Haggard, 1990). While the established literature is rather uneven (e.g., much more on  
 South Korea than on Singapore), placing its different strands alongside each other and  
 comparing the differential nature and influence of finance and bureaucracy on the actually  
 existing developmental states and their evolutionary divergence yields new understandings.  
 155 Taken together, these two sections problematize existing conceptions of state efficacy in the  
 dominant statist-institutionalist literature and situate the state's contested role in industrial  
 transformation in the broader international political economy.

## FINANCING INDUSTRIALIZATION: THE DEVELOPMENTAL STATE IN ITS FAVOURABLE GEOPOLITICAL CONTEXT

160 While much of the developmental state literature has focused on state capacity and the  
 implementation of industrial policy, successful industrial transformation would not have  
 been possible without the state's direct control and mobilization of financial resources,  
 particularly in the earlier historical period from the 1950s to the 1970s. In this section I  
 165 revisit the role of finance in state-led industrial transformation in the three East Asian  
 economies during this earlier period, and show that the state in South Korea deployed such  
 financial mobilization much more aggressively than its counterparts in Taiwan and Singapore.  
 Whereas Taiwan's nationalist state was still preparing for eventual return to the mainland and  
 relegated finance to the control of its conservative central bank, Singapore benefited from the  
 presence of already existing domestic and international banking institutions. Still, both states  
 170 actively established and financed SOEs to lead domestic industrialization. As explained more  
 fully by Yeung (2016), these different financing strategies eventually led to divergent industrial

structures and firm formation (e.g., greater discontinuities in Taiwan's post-war shifts from heavy industrialization to high-tech development and the greater presence of government-linked companies in Singapore).

175 In short, the historical context mattered, and this is an important development and policy lesson for aspiring states in the Global South today. While the state's success in mobilizing financial resources for import-substitution industrialization (ISI) was critical, the very substantial inflow of US aid and US demand for war supplies provided much of the initial capital and final markets to kick-start industrialization. Although I do not argue that US aid helped  
180 create the actual developmental state apparatus, its financial contribution and market support (e.g., market access and acceptance of protectionism) to East Asian development, as an indispensable part of the US-led Cold War imperative, cannot be underestimated because it was a necessary, though not sufficient, condition for underwriting the initial emergence of the developmental state.

### 185 The state's command and allocation of financial resources

To begin with, the developmental state took direct control of financial resources to incentivize private entrepreneurs and to engage in large state-directed industrial projects. Often underestimated in the literature, this critical point was explicitly recognized in several early works on South Korea's industrialization (Choi, 1993; Cole & Park, 1983; Woo, 1991). Massive state  
190 financial support for industrial development was predicated on a credit-based system in which the state exerted direct control over public and private banks, influenced the economy's investment patterns, and therefore guided the sectoral mobility of the large *chaebol* by reducing the strategic uncertainty involved in heavy industry investments. After the military coup in 1961, President Park Chung Hee swiftly amended the Bank of Korea Act in May 1962 and the Ministry of Finance took over ultimate control of monetary and financial policy from the  
195 central bank (Choi, 1993, p. 27). As described by Woo (1991, p. 159):

Every bank in the nation was owned and controlled by the state; bankers were bureaucrats and not entrepreneurs, they thought in terms of GNP [gross national product] and not profit, and they loaned to those favored by the state. The monetary authority – the Bank of Korea – forfeited what little  
200 autonomy it had during the days of reform (1965–1972); in its stead, the Ministry of Finance came to direct monetary policies, the Economic Planning Board to oversee bank budgets, and the Ministry of Commerce to influence the flow of export and other policy loans.

Lee (1992) designates this tripartite relationship between the developmental state, financial institutions and the *chaebol* as a form of 'quasi-internal organization' that enabled good policy  
205 coordination due to effective information sharing among state bureaucrats and business people, resembling strongly Evans' (1995) notion of state embeddedness in business and society.

Between 1962 and 1985, policy loans in support of heavy and chemical industries (HCI) accounted for some 57.9% of total bank loans (Chang, 1993, p. 141). By 1980, more than 30  
210 different sector-specific loan funds had been established under the National Investment Fund (Choi, 1993, p. 37). Among a total of 298 types of state-controlled bank loans by the end of 1981, some 221 types were policy loans extended to the *chaebol* (Woo, 1991, p. 12). As a result, virtually all South Korean *chaebol* became highly indebted to the state and foreign creditors during the 1980s. This highly leveraged nature of the *chaebol* was particularly evident  
215 during the heydays of capital-intensive industrialization in HCI. Throughout the 1970s, South Korean firms had debt-equity ratios reaching 300–400% compared with about 160–200% in Taiwan and 100–120% in Brazil or Mexico. Between 1975 and 1979, the state allocated 70% of its economic development funds to strategic industries identified in

its five-year plans. Consequently, the proportion of heavy equipment and chemical industries to total manufacturing shipments increased from 30% in 1971 to 55% in 1979, and their share of exports to **gross national product (GNP)** increased from 16% to 36% (Chang, 2003, pp. 53–54).

In Taiwan, the Kuomintang (KMT) state had more control of credit allocation during the initial period of industrialization in the 1950s. But by the 1980s, its lack of direct influence over the central bank and the existence of the informal financial system, as argued by Cheng (1993, p. 57), meant that ‘such credit policy is extremely light by Korean or French standards’. Through various policies and measures, the state initially employed a dualistic financial structure, comprising both the formal financial sector and the informal curb market. The state held control of industrial permits and the allocation of foreign exchange during the 1950s that in turn allowed chosen firms, often state-owned, to import necessary industrial materials. To finance its **ISI programme** in light industry, heavy industry and machinery, the state controlled all banks during the 1950s through the Bank of Taiwan and a system of complex interlocking shareholdings in all other banks. By the early 1960s, the state was able to pursue financial policies to stabilize the economy by reducing interest rates in both the state-owned and privately organized financial markets. State-controlled banks provided credit in the formal financial market to support its industrialization programme led by large firms and SOEs. The KMT created a huge public sector during the 1950s such that SOEs accounted for 50% or more of industrial production (Wu, 2005, pp. 41–43). This substantial allocation of credit to SOEs significantly limited the flow of resources to the private sector. Between 1951 and 1980, the average share of the public sector in gross fixed capital formation was 30.9%. Only SOEs were allowed in the main import-substitution projects of the 1970s in petroleum and petrochemicals, steel and other basic metals, shipbuilding, and nuclear power. Between 1968 and 1975, this formal market funded over 92% of public sector capital (Wu, 2005, pp. 108–109).

Small and **medium-sized** enterprises (SMEs), meanwhile, were not directly supported by the formal financial system. Instead, they turned to a parallel informal system, the curb market, that drew on capital accumulated by small and medium landlords. Even though its interest rates were substantially higher than those of state-owned banks, this informal and private financial market funded about 50% of private sector capital requirements during the ISI programme of the 1950s and 1960s. Still, the KMT state was primarily concerned with controlling inflation and establishing macroeconomic stability, a key political lesson learnt from the hyperinflation on the mainland during the mid-1940s and their defeat in 1949. Cheng (1993) shows that the central bank was given much more power and autonomy relative to other ‘spending’ ministries, particularly industrial planning authorities. The state’s direct influence in financing industrialization was therefore more prominent in the initial period of the 1950s and in its subsequent funding of SOEs through the Development Fund in the 1970s. By the 1980s, Cheng observes, ‘sector-specific credit policy was small in size, comprising only 4.4% of total government loans. . . . Development financing was never a salient feature of Taiwan’s financial system’ (p. 77). Such institutional arrangements, however, were less effective in promoting the emergence of high-tech SMEs in the 1980s and beyond. In these sectors (e.g., computers and information technologies), rapid innovation and knowledge acquisition require a much more decentralized system of flexible financing that cannot be easily planned and coordinated at the state level (for evidence, see Yeung, 2016, ch. 4).

Prior to its self-rule in 1959, the city-state of Singapore had already benefited enormously from its almost one-and-a-half-century-long experience as a highly strategic Southeast Asian entrepôt in the British Empire, a critical historical precondition not available to South Korea and Taiwan. A nascent financial system with the prominent presence of major foreign banks alongside local banks had been developed by the time Singapore became a republic in August 1965 (Hamilton-Hart, 2002). The existence of a **favourable** financial market, while necessary,

270 did not provide sufficient endowments and resources for private entrepreneurial activity to  
 kick-start Singapore's industrialization programme. By the mid-1960s, much of this financial  
 capital remained in trading activity. Tremewan (1994, p. 10) argues that up to 1959 '[l]ocal  
 capital continued to play a dependent and complementary role to British controlled primary  
 production and trade'. Table 1 offers some data on the changing role of bank loans in  
 275 Singapore's industrialization programme. In 1962, general commerce took up 61.6% of total  
 loans and advances to customers. Bank credit to the manufacturing sector in Singapore  
 accounted for only 12.8%. But this ratio rose steadily to 21% in 1967 and peaked at 34% in  
 1970 when it overtook general commerce for the first time. By 1980, manufacturing's share of  
 total bank loans decreased to 21.6%, an indication of Singapore's maturity as an industrialized  
 economy and the international openness of its financial market through which manufacturers  
 280 could seek equity capital.

Faced with the dire situation of a weak industrial bourgeoisie and a trade-oriented financial  
 system, the developmental state had to enter the capital accumulation process through the  
 provision of credits and loans, subsidization of labour costs, expansion of land supply, and  
 direct ownership of industrial assets (Chan, 2002; Low, 1998; Rodan, 1989; Yeung, 2011).  
 285 This state-led effort resulted in a high degree of integration between the financial and the  
 manufacturing sector in Singapore's early phase of industrialization. Significantly, the state  
 established the Development Bank of Singapore (DBS) in 1968 as an industrial bank to  
 provide long-term financing for the nascent industrial sector. This had a crucial 'demonstration  
 effect' on Singapore's banking sector. According to a report by the director of DBS in  
 290 1969,

some banks are now beginning to grant term loans of, say, up to 5 years to industries. This step may  
 have been taken as a result of the establishment of the Development Bank of Singapore. The provision  
 of term loans may lead to opportunities for the more lucrative short-term financing. Unless banks want  
 to lose business to Development Bank of Singapore, which also provides short-term loans, it may be to  
 295 their interest to consider giving term loans to manufacturers. (quoted in Chiu, Ho, & Lui, 1997, pp.  
 47-48)

### The indispensable role of geopolitics

While success in controlling and mobilizing financial resources is one of the hallmarks of a  
 developmental state, the origin of these financial interventions needs to be put in a historical  
 300 context that provided important *supra-national* reasons for successful state-led industrial  
 transformation in East Asia. Indeed, attention and credit should be given to the role of  
 East Asia in US-led Cold War geopolitics between 1950 and 1980 and, in particular, the  
 role of the United States as the 'ultimate guarantor' of state intervention in East Asia.<sup>4</sup> The  
 Cold War and its security dynamics in mobilizing resources were also critical in allowing the  
 305 emergence of strong East Asian states. Stubbs (1999, 2005, p. 16) and Beeson (2007, pp.  
 68-69) thus argue that the various 'hot' wars, from the Second World War and the Korean  
 War to the Vietnam War and the Cold War, led the United States (and, later, Japan) to invest  
 substantial resources into these East Asian economies and to shape the development of the  
 political organizations and institutions that came to characterize strong states. Perceived  
 310 geopolitical threats also spurred the emergence of developmental states led by authoritarian  
 strongmen (Doner, Ritchie, & Slater, 2005; Greene, 2008; Zhu, 2002). This geopolitical  
 interpretation of the three East Asian economies has a significant bearing on the conceptual  
 and empirical validity of developmental state theories. Conceptually, it raises the core issue of  
 historical contingency in the sense that the efficacy of the developmental state, even if it were  
 315 to exist in the form described in the statist literature, was contingent on favourable contexts,  
 such as the Cold War geopolitical imperative and related security considerations.

**Table 1.** Financial markets and institutions in Singapore, 1960–1999 (in S\$million).

Singapore	Average annual growth rate (%)					Annual figures			
	1962–70	1970–80	1980–90	1990–99	1962	1970	1980	1990	1999
Total bank loans	21.8	75.7	16.9	15.5	731.1	2167.7	20,206.9	57,696.4	147,178
Manufacturing (%)	–	–	–	–	12.8	34.1	21.6	13.0	7.9
General commerce	–	–	–	–	51.6	31.3	39.3	23.7	13.5
Financial industries	–	–	–	–	6.7	3.6	10.4	17.2	14.3
Transport and communications	–	–	–	–	2.7	1.5	6.4	3.0	2.5
Construction	–	–	–	–	2.6	8.4	9.3	22.3	39.8
Individuals	–	–	–	–	–	13.1	7.0	13.4	14.7
Prime rates (%)	–	–	–	–	–	8.00	13.60	7.73	5.80
Stock market turnover	–	85.9	51.9	11.4	–	746.9	7806.1	36,756.0	74,479.4
Ratio to gross domestic product (GDP) at current prices (%)	–	–	–	–	–	12.9	31.1	55.3	52.7
Contributions to central provident fund	45.7	124.4	19.3	13.7	30.6	156.4	2296.0	7174.2	16,000.4
Ratio to gross capital formation at current prices (%)	–	–	–	–	9.6	7.0	19.7	29.5	33.9

Source: Monetary Authority of Singapore (various years).



Starting with Japan, the rapid economic rise of the three East Asian economies was explicitly allowed by the US-driven Cold War geopolitical imperative, 'the American imperialism' (Katzenstein, 2005, p. 2), and the 'First American Empire' (Amsden, 2007). The United States willingly and unconditionally opened its domestic market to East Asian exports, first from Japan and later from these 'Tiger' economies, provided the necessary technologies for Japan's rapid industrialization to take off, and relieved Japan of the financial burden of national defence (Beeson, 2007; Bunker & Ciccantell, 2007; Stubbs, 2005). These external conditions provided a uniquely accommodating international environment known as the 'developmental fair-wind'. As allies in the geopolitical war against communism in East Asia, Japan and the three East Asian economies experienced rapid US export-led growth. Alfred Eckes, a former chairman of the US International Trade Commission, once said in 1995:

During the Cold War years the United States treated trade policy as an instrument of foreign policy for fulfilling hegemonic responsibilities, not as an end in itself. . . . Japan and many of the other rapidly industrializing powers – Taiwan, South Korea, and Brazil among others – enjoyed rapid economic growth, not because they practiced free trade at home, but because they enjoyed access to the open American market. (quoted in Amsden, 2007, pp. 46–48).

Apart from access to markets and technology through a programme of technical cooperation, the United States and, later on, Japan provided substantial financial aid and credits to South Korea and Taiwan that helped fund their industrialization. As noted by Ellison and Gereffi (1990, p. 374), 'one crucial effect of U.S. aid to East Asia was the strengthening of the states in South Korea and Taiwan relative to business, labor, farmers, and other social classes'. Table 2 shows massive increases in US aid to South Korea and Taiwan, the third and fourth largest recipients, during the periods of the Mutual Security Act (1953–61) and the Foreign Assistance Act (1962–80). It is no coincidence that the first period provided US\$4.4 billion of much-needed foreign exchange to South Korea and US\$3 billion to Taiwan to fund their ISI programmes during the 1950s. Mostly in the form of grants, US aid amounted to 15.3% of South Korea's gross domestic product (GDP) between 1953 and 1961. These external resources financed 76.3% of imports and 72.8% of total investment (Chung, 2007, table 9.1, p. 309). This enormous inflow of aid compares very favourably with Taiwan's substantially smaller amount of US\$100 million per year between 1951 and 1965 that accounted for an average of about 6.5% of Taiwan's GNP. But even in Taiwan, US aid totalled US\$810 million or 31% of its net domestic investment between 1951 and 1956. The importance of this foreign aid in augmenting the foreign exchange necessary for Taiwan's ISI programme cannot be underestimated, as Taiwan's total exports between 1950 and 1958 were valued at only US\$120 million per year. The availability of US aid effectively doubled Taiwan's foreign exchange.

The case of South Korea, nevertheless, deserves greater attention because of its exemplary role in the developmental state literature. To Woo (1991, p. 47), South Korea's Syngman Rhee (1948–60) was able to pursue his ISI programme primarily because of the inflow of US economic and military aid to the tune of US\$1 billion per year, in order to maintain South Korea's role as a 'forward defense state' in the American Far Eastern security system. The actions of the United States enabled the development of a strong, bureaucratic and hypermilitarized South Korean state. As described vividly by Pirie (2008, p. 62), the modern post-colonial Korean state:

was in many respects no less an externally created structure than the colonial state it replaced. The state's 'fiscal base' was US aid, the first Korean president was a US placeman, and the new institutions were constructed around the old structures of the colonial state.

**Table 2.** United States' economic and military aid received by various countries, 1946–2009 (US\$ millions and ranked by the 1946–80 total).

Country	Post-war relief period (1946–48)	Marshall Plan (1949–52)	Mutual Security Act (1953–61)	Foreign Assistance Act (1962–80)	Total less repayments and interest (1946–80)	Total loans and grants (1946–2010)
Vietnam	–	–	2197.4	21,811.4	22,873.5	24,543.1
Israel	–	86.5	508.0	17,881.3	15,781.5	107,086.9
<b>South Korea</b>	<b>181.2</b>	<b>498.1</b>	<b>4364.1</b>	<b>8681.6</b>	<b>12,738.5</b>	<b>15,042.1</b>
<b>Taiwan</b>	<b>643.7</b>	<b>743.1</b>	<b>3039.0</b>	<b>2205.2</b>	<b>5820.0</b>	<b>6763.7</b>
Philippines	329.3	712.5	499.9	1658.0	2822.6	9374.9
Indonesia	67.7	111.6	270.1	2815.4	2687.7	8034.8
Brazil	19.9	32.3	520.9	2642.4	2287.0	3702.0
Thailand	6.2	104.1	570.4	1797.6	2262.7	4023.9
Colombia	1.8	5.0	156.7	1563.6	1188.0	11585.5
Chile	4.0	8.9	235.0	1187.7	944.2	1619.0
Peru	7.5	8.6	175.0	754.0	706.5	5766.9
Kenya	–	–	7.2	390.7	355.0	5839.1
Liberia	7.5	2.3	31.5	301.6	303.6	3035.4
Mexico	42.6	51.3	44.1	220.3	241.0	2981.1
Argentina	–	–	55.5	447.9	185.6	646.6
Malaysia	–	–	23.3	215.0	120.8	447.2
Saudi Arabia	4.3	0.4	99.9	223.7	66.8	334.6
Egypt	11.0	1.3	302.3	–	–	70,044.1
Turkey	81.0	778.3	2556.4	–	–	19,325.1

Sources: USAID data in Kang (2002, table 2.5, p. 43); 1946–2010 data are from the US Overseas Loans & Grants (Greenbook). Retrieved October 20, 2015, <http://gbk.eads.usaidallnet.gov/>.

365 Rhee's fear of the subordination of the South Korean economy to the revival of Japan under the US-inspired coordinated aid programme also hastened his strong desire to industrialize in 'the Korean way'. In both instances, geopolitical imperatives clearly outweighed sound economic principles in explaining the initial rise of state-steered industrialization in South Korea.

370 As indicated in Table 2, the doubling of US aid to South Korea during 1962–80 to US\$8.7 billion critically supported Park Chung Hee's four five-year plans. Under Park's regime (1961–79), geopolitics continued to play a significant role in South Korea's heavy industrialization programme. During the early 1960s, the Vietnam War served as an important geopolitical context for South Korean firms to export low value-added goods to the United States and the captive Vietnamese market. In exchange for Park sending some 48,000 troops to Vietnam, the United States agreed to provide US\$150 million in development aid through the US Agency for International Development (USAID) to cover troop support costs. At its peak in 1967, nearly 95% of South Korean steel products, over 50% of transport equipment and over 40% of certain chemical products went to Vietnam (Stubbs, 1999, p. 348). In total, South Korea earned between US\$1 billion and US\$3 billion directly from procurement related to the

380 Vietnam War (Pirie, 2008, p. 66). These Vietnam-related operations and activities contributed approximately 30% of South Korea's total foreign exchange earnings during the key transition years of 1966-69 and 19% of total earnings between 1965 and 1973 (Hart-Landsberg, 1993, p. 148). These vital foreign earnings contributed to the pool of financial resources that fuelled Park's early industrialization drive. The war also increased significantly interpersonal relationships among firms and institutions in South Korea and the United States that sustained subsequent economic interaction between the two countries (Glassman & Choi, 2014).

385 To finance his massive state-directed investment during the 'big push' of the 1970s in an era of declining US military spending after the 1969 Nixon Doctrine, Park had to turn to Japan which was willing to step in primarily on security rather than on economic grounds. To ensure South Korea's continual ability to keep its northern counterpart in check, Japan provided huge packages of economic and technical assistance to support key projects. As part of the Normalization Treaty signed in 1965, South Korea received some US\$800 million in soft loans and grants from Japan and became fully articulated into its regional production networks (Pirie, 2008, p. 66). Between 1965 and 1982, Japan's total public and commercial loans to South Korea amounted to US\$4.1 billion (Hart-Landsberg, 1993, p. 148). Eager to shift its lower value-added activities abroad, particularly to South Korea, in support of its own state-driven restructuring and upgrading of domestic industries, Japan played a significant role in supplying capital (loans and grants), technology (licences) and management know-how (technical assistance) in support of Park's HCI drive. Between 1962 and 1981, Japan accounted for nearly 60% of all technology licensing arrangements in South Korea (Kohli, 2004, p. 114). As detailed by Yeung (2016, chs 5-6), these renewed South Korea-Japan economic ties heralded the beginning of South Korea's entry into capital-intensive industries (e.g., shipbuilding and automobiles) and later into higher-technology activities (e.g., electronics and information technologies).

405 In many ways, Taiwan and Singapore enjoyed a similarly favourable geopolitical environment in their post-independence industrialization, but the lack of in-depth academic studies has precluded detailed discussion. Even Wade (1990, pp. 82-84) devotes less than three pages to the role of the United States in Taiwan's industrialization, primarily during the 1950s. While 'Certainly U.S. aid was very important,' Wade considers that 'aid can hardly be taken as a sufficient condition for Taiwan's superior economic performance.' The crucial point here is that geopolitical considerations were sufficiently important and should therefore be taken into account in moderating the necessary, but likely insufficient, role of state capacity in explaining rapid industrial transformation in these economies. In particular through its intervention into the Chinese civil war, the United States played an early role in the emergence of the autonomous state-society relations that underpinned the KMT-led developmental state (Gray, 2011; Stubbs, 2005, pp. 131-133). During the retreat of the KMT to Taiwan in 1949 and thereafter, the US supported KMT suppression of intense ethnic rivalry between the local Taiwanese and mainland Chinese. As part of its strategy of containment of communism, the United States also offered the KMT regime military protection, aid and access to its own domestic market. Reprising Taiwan's export-promotion industrialization between 1961 and 420 1975, Wu (2005, p. 139) concludes that

U.S. aid helped shape the internal structure of the state in Taiwan. Without the association with the United States, there would have been no U.S. aid. And without U.S. aid, there would have been no economic planning bodies [e.g., CUSA-CIECD-EPC-CEPD]. Further, the economic bureaucracy praised by statism would not have existed.

425 In Singapore, geopolitical shifts also presented both opportunities and threats. Capitalizing on its anti-communist position in US-led Cold War geopolitics, Lee Kuan

Yew's People's Action Party (PAP) regime received unfettered support from the **United States** and the UK. However, in January 1968 the British government unexpectedly decided to withdraw its military bases from east of Suez four years ahead of schedule. This decision was a huge blow to Singapore's economic future. The British military base accounted for about 20% of Singapore's GNP in the 1960s. This geopolitical shift forced the nascent PAP state to hasten its industrialization programme, adopting extraordinary measures, such as incorporating SOEs and attracting foreign direct investment (FDI). One interesting by-product of this development for Singapore was the state takeover of the British naval base in Sembawang and shipyards at Keppel Harbour that were subsequently converted, expanded and developed into a cluster of world-class offshore and marine engineering firms (Yeung, 2016, ch. 5). While Singapore did not receive direct US military or economic aid during the Vietnam War, it did benefit significantly from the war-induced regional economic boom in Southeast Asia (Stubbs, 1999, p. 348; 2005, pp. 136–137). Its petroleum refinery capacity was expanded substantially in the early 1970s to supply fuel to US bombers based in South Vietnam and Thailand, creating the initial conditions for Singapore's emergence as a major global petrochemical hub from the late 1990s. By the early 1970s, the **United States** had replaced the UK as Singapore's most important foreign investor and trading partner.

## GOVERNING INDUSTRIALIZATION: THE (IN)COHERENCE OF STATE BUREAUCRACY

While state control and allocation of financial resources was a necessary condition for the effective implementation of its policy goals of achieving rapid industrialization, the state in all three economies must also possess sufficient institutional capacity for it to be developmental and operationalize its industrial policy. Its institutional platform for pursuing industrial policy and financial control was none other than its *elite bureaucracy* – the champion of all 'national champions'. In the classic statist accounts, these pilot or nodal agencies played extremely critical roles in conceiving, coordinating and implementing industrial policy.<sup>5</sup> Their institutional capacity was characterized by a unified, rational bureaucracy that dominated the policy process and yet was relatively autonomous from strong political influences. In South Korea, President Park Chung Hee's inner circle in the Blue House (presidential office) – the three state institutions of the Ministry of Finance, the Economic Planning Board (EPB), and the Ministry of Commerce and Industry – operated as the primary lever of state-directed development. Park's Economic Secretariat directly coordinated pilot agencies such as the EPB and the Committee for the Promotion of Heavy and Chemical Industrialization (CPHCI). To Chibber (2002, p. 985), the success of South Korea's developmental state should be attributed to

the ability of its political leadership to institutionalize mechanisms that blunted the tendency toward state fragmentation, mainly by giving the nodal agency in economic policy – whether the EPB or the CPHCI – a power over other agencies, a power to impose discipline within the state.

In terms of firm size, South Korea and Taiwan had very different industrial structures by the early 1970s. The former was dominated by the large *chaebol* and the latter had a substantial number of SMEs. In the early 1970s – the heyday of Park's industrialization drive – the 46 largest industrial conglomerates in South Korea accounted for 37% of value added in manufacturing and 19% of all non-agricultural GDP (Jones & Sakong, 1980, pp. 148, 260–266). The top five *chaebol* alone accounted for 15% of manufacturing value added. At that time

SOEs in South Korea accounted for another 13% of non-agricultural GDP. Park could therefore exercise much greater control over a much smaller number of domestic firms/groups. As observed by Perkins (2001, p. 257),

475 more than half of all manufacturing was in the hands of fewer than 200 firms. President Park and his  
ministers could meet regularly with the heads of these firms and could personally keep track of their  
progress in implementing national industrial policy.

In his relentless drive for national self-sufficiency in steel, chemicals, arms, ships, electronics  
and machinery industries, Park's developmental state became a league in its own right,  
480 dictating its own terms of industrial engagements in the global economy (Kim & Vogel,  
2011).


In Taiwan, such a close personal grip on industrial development was much harder to  
achieve by KMT's Chiang Kai-shek before his death in April 1975, or his son, Chiang Ching-  
kuo, after 1975 (until his death in 1987). As an émigré regime, the KMT state was primarily  
485 concerned with defence, security and political legitimacy on the island. In the immediate  
decade of his retreat to Taiwan in 1949, Chiang Kai-shek still hoped for a military victory over  
the communist state in mainland China. Not surprisingly, Taiwan's economic development  
was not a top priority. Between 1951 and 1965, defence spending accounted for some 85% of  
total government expenditure and 9–11% of GNP (Wade, 1990, p. 265; Wu, 2005, p. 49). As  
490 noted by Wu (2005, p. 52), 'Under the principle of military first, it was out of the question to  
ask the government to provide funds to support economic development. The government's  
emphasis on defense was not in line with the goals of a developmental state.' Chiang's  
attention finally shifted to economic affairs in the late 1950s because of the severe shortage  
of foreign exchange and related economic difficulties. With US help, several organizations  
495 were established to help industry: the China Productivity and Trade Center (CPTC) in 1955  
to provide technical assistance, the Industrial Development and Investment Center (IDIC) in  
1959 to facilitate inward foreign investment, and the China Development Corporation (CDC)  
in 1959 to provide industrial finance (Wade, 1990, p. 81). Throughout the 1960s and 1970s,  
military spending still accounted for 35–40% of the state budget. As late as in 1999, defence  
500 expenditure made up more than 20% of the national budget (Mattlin, 2011, p. 37).

The rise of the developmental state in Singapore was influenced, to a large extent, by its  
immediate post-independence exigencies and subsequent political development. With the start  
of self-government in 1959, the ascent of the PAP to power and its enduring power in politics  
and government was predicated on its primordial goal of focusing on and delivering national  
505 economic development. Established by Lee Kuan Yew and his close political allies on 21  
November 1954, the PAP was a very young political party. After a turbulent period of political  
struggles against the socialist Left and the British colonial administration, Lee's PAP won the  
general election in May 1959 and has ever since been modern Singapore's dominant ruling  
party (Low, 2001, pp. 416–418; Rodan, 1989, pp. 56–62; Rodan & Jayasuriyaa, 2009, pp.  
510 27–28). Under the British administration, the basic livelihood and employment of people in  
Singapore was very dependent on entrepôt trade. Trade alone accounted for up to one-third of  
GDP at factor cost in 1957 (Rodan, 1989, p. 48) and 31% of real GDP at 1968 prices in 1960.  
Between 1950 and 1960, rubber constituted two-thirds of Singapore's exports. In 1960,  
Singapore was the world's largest rubber exporter, contributing to some 37% of global sales  
515 (Trocki, 2006, pp. 161–162). The lack of significant industrialization prior to 1960 offered  
limited preconditions for industrialization, unlike South Korea and Taiwan where agriculture  
and basic industries left behind by the Japanese colonial administration laid the early founda-  
tions for their industrialization. The development of manufacturing industries thus became the  
top priority of the newly elected PAP state in the immediate post-1959 period.

520 The First Development Plan, covering 1961–64, focused on the provision of jobs and the  
 promotion of economic development. During the 1960s, the political, economic and social  
 circumstances confronting Lee Kuan Yew's PAP state were indeed gruelling (Chan, 1971;  
 Drysdale, 1984): a communist threat since the late 1950s, race riots (most serious in July–  
 525 September 1964), high unemployment running at 15–20% and low job creation in between  
 the turbulent years. The PAP's manifesto explained that only through the promotion of  
 manufacturing industries could Singapore's existing and prospective unemployment be  
 addressed. The developmental state's early decision to open the domestic economy to the  
 full vagaries of the global economy meant that its elite pilot agency, the Economic  
 Development Board (EDB), was and continues to be particularly focused on attracting FDI.  
 530 Singapore's case of the developmental state entering into cooperative alliances with foreign  
 capital contrasts sharply with South Korea's reliance on techno-nationalism through which  
 legal and bureaucratic mechanisms were invoked to regulate the interaction of the domestic  
 economy with foreign capital. In short, Singapore's approach to industrialization was essen-  
 tially a form of strategic pragmatism – its elite agencies would do whatever it took to bring in  
 535 the foreign investment required to create jobs and industries.<sup>6</sup>

While much of the developmental state literature has focused on this internal cohesiveness  
 of the state, recent research has pointed to a significant missing link in this statist account and  
 critiqued the concept of bureaucratic rationality in the literature. Based on the Weberian ideal  
 of the bureaucratic state apparatus, its idea of an autonomous and cohesive developmental state  
 540 tends to underestimate the role of competitive political and social relations as a key force in  
 destabilizing the developmental state and its institutional capacity. Recognizing the differen-  
 tial embeddedness of state developmentalism, O'Riain (2004, p. 205) argues that 'There is no  
 easy correspondence between state structure and development strategy – we cannot "read off"  
 strategy options from an analysis of state structure, nor do state structures simply emerge to  
 545 pursue particular strategies'. The efficacy of the developmental state cannot be assumed a  
 priori, but rather needs to be demonstrated empirically, taking into account its historical  
 specificity and evolutionary contexts. The appearance of a 'developmental' state in its con-  
 ventionally conceived political form (e.g., authoritarianism) and bureaucratic structure (e.g.,  
 elite planning agency) does not necessarily lead to its performance as a primary driver or even a  
 550 catalyst for industrial transformation and economic development. Jayasuriya (2005, p. 383)  
 thus criticizes this neo-Weberian conception of the developmental state as a form of 'institu-  
 tional fetishism'.

Absent in the developmental state literature is a theory of the state that goes beyond a  
 typology of different state forms. To Boyd and Ngo (2005, p. 9; original emphasis):

AQ1 555 the developmental state theory is misleadingly labeled. The theorem assigns the state a central role, a  
 role celebrated in the phrase – the developmental *state*. And yet it is not a theory of the state, since the  
 explanation of the state is not the object of the exercise.  doing it imputes to the capitalist state in  
 Asia some general, largely unexamined characteristics which are not revealed through empirical  
 research but which are required by the explanation of growth and justified by a bowdlerized  
 560 Weberianism. In consequence of its inability to confront the complexity and contrariness of the  
 state, the developmental state thesis is at best a thin and narrowly construed theory of political  
 economy.

In this sense, Gainsborough (2009, p. 1321) questions the strong 'statist bias' effect of  
 developmental state theory because of its universalist assumption that the Weberian  
 565 rational-bureaucratic state is the only state form *and* a better state form than all other state  
 formations. In their drive to identify the actual state capacities that enabled industrial  
 transformation, the developmental state protagonists end up believing that a state form of

this kind does indeed stand apart from society, forgetting that the state is just a conceptual abstraction and not a material object (Chibber, 2002; Leftwich, 2000, 2010; Yeung, 2014).

570 In the case of Park Chung Hee's authoritarian regime in South Korea, critics of the developmental state have argued that the kind of bureaucrats 'rule'–politicians 'reign' relationship that characterizes state autonomy did not really hold water. His technocratic bureaucracy was not immune to political struggles and directives and the state bureaucracy's autonomy was questionable. To Woo (1991, p. 129), South Korea's successful 'big push' in heavy industries during the 1970s owed much to 'a coterie headed by a political appointee at the Presidential Palace – the First Economic Secretary to the President'. With Park's explicit blessing, this team of 'economic cowboys' was clearly capable of speedy formulation and execution of policies related to heavy industrialization: 'The Economic Secretariat at the Presidential Palace became firmly ensconced as a critical – if not the most critical – economic decision-making body in the Republic, bypassing and sometimes dictating to the Economic Planning Board and the Ministry of Finance.' This subordination of the elite bureaucracy, such as the EPB, to regime interests was made possible through a highly centralized political structure controlled tightly by Park and his trusted allies. His close and personal monitoring and enforcement of regime interests ensured that developmental policies drafted by technocrats, while insulated from certain social pressures, were well aligned with his own political ambitions and beliefs.

580 During Park's era, the state bureaucracy was indeed not well insulated from business interests and lobbying pressures, as shown in its inability to rein in competing private sector interests led by the *chaebol* and to implement fully its industrial planning. This form of weak bureaucratic insulation can be attributed to the strong role of the largest *chaebol* in the Federation of Korean Industries, which in turn had a systematic influence on Park's personal preferences and industrial policies. In an interview conducted on 16 September 1995, a former late 1970s director in the Ministry of Commerce and Industry (formerly the Ministry of Trade and Industry) told Kang (2002, p. 92) that when one of the *chaebol* chairmen called, 'he was transferred directly to the Minister, bypassing any of the bureaucratic layers. Then a decision at the top level would be reached, and we would get new directions from our boss depending on the result'. Apart from this kind of frequent political interferences into bureaucratic autonomy, there were also significant conflicts within the state bureaucracy over the direction and implementation of specific industrial policies (Ravenhill, 2003; Yeung, 2017).

600 In Taiwan, the proliferation of ephemeral planning institutions was evident in the rapid succession of boards and councils between 1949 and 1985 that in turn thwarted ministerial planning and coordination efforts. Intense intrastate rivalries between the National Resources Commission and the Taiwan Production Board during the 1950s and the 1960s 'were the rule rather than the exception' (Ngo, 2005, p. 85). Their work was also not immune to pressure from business lobbies and interference from top leaders, pointing to the lack of embedded autonomy. Between 1957 and 1959, business lobbying was particularly intense due to the saturated domestic market and difficult export environments. The Provincial Association of Industries apparently appealed to the Ministry of Economic Affairs to place restrictions on the construction of new plants in their sectors and to allow their member firms to form a cartel in order to limit competition. Wu (2005, p. 57) thus argues that

The division of 'reign' and 'rule' between politicians and bureaucracies in Japan described by Chalmers Johnson did not exist in Taiwan. For the most part, the efficiency of these agencies was attributable not to autonomy but to strong bureaucrats who enjoyed the support of the top political leaders.

615 In the initial periods of development, economic bureaucrats and political leaders had divergent objectives – the former were concerned with maximizing resources for industrial development

and the latter with political survival. The developmental state emerged gradually as a result of the combined efforts of technocrats and outsiders, including academics and foreign advisors. Only later in the 1980s, when the political leadership put its authority and weight behind the vision of these early planners did Taiwan's developmental state fully come into being (Greene, 620 2008; Haggard & Zheng, 2013).<sup>7</sup>

Unlike South Korea and Taiwan, Singapore's developmental state achieved fairly consistent internal coherence and bureaucratic rationality between the 1960s and 1990s. This institutional consistency was largely predicated on Singapore's unique post-independence political conditions. Lee Kuan Yew remained as Prime Minister between 1959 and 1990, guaranteeing 625 stability in political leadership for far longer than his counterparts in South Korea (Park) and Taiwan (Chiang). Even though he passed on the baton to his chosen successor, Goh Chok Tong, in November 1990, he continued to serve in Goh's cabinet as Senior Minister until 2004. This uninterrupted leadership of Lee and his PAP during the first three decades of Singapore's industrial transformation engendered a degree of continuity in state ideology and 630 development trajectory unmatched in either South Korea or Taiwan. The PAP's capacity to win all seven general elections between 1963 and 1988 also meant that the state could pursue its developmental objectives in ways that were relatively autonomous from pressures and interests in society. Such a high degree of ruling party political legitimacy was absent in both South Korea and Taiwan, particularly after democratization in the late 1980s (Chu, 635 2016; Diamond & Shin, 2014; Lim, 2009; Yeung, 2017). The city-state nature of Singapore also saved the PAP state from having to deal with inter-regional and other forms of local politics that gradually fragmented the South Korean and Taiwanese developmental state.

The political dominance of the PAP meant that Lee was able to consolidate political support through a unique form of developmentalism that blended rapid state- and FDI-led 640 industrialization with the subordination of labour through state-sanctioned tripartite relations and the illegalization of strikes, by amending the Trade Union Act in 1966, and through the provision of social welfare, such as public housing and transport (Chua, 1995; Huff, 1995; Rodan, 1989; Sung, 2006). Having inherited the colonial elite administration system from Britain, Lee's PAP developed a close alliance with the state bureaucracy 645 through a meritocratic system of civil servant appointments and promotions. The PAP's virtual monopoly of political power created a stable, albeit repressive, political environment and a significant space for closer party-state alliances (Chua, 2016; Hamilton-Hart, 2000; Hill & Lian, 1995; Low, 2001; Yeung, 2000, 2005). Despite the PAP state's unusually strong capacity, a significant challenge to the Weberian notion of its embedded autonomy 650 was the rather unclear demarcation of the boundary between the PAP and the state bureaucracy, and between the state and the private sector. The political nexus linking the PAP and civil service elites, known as the Administrative Service, was indeed rather too porous for embedded autonomy to work out fully in Singapore. The EDB, in particular, produced a number of alumni who served as political appointees in the PAP state from the 1970s. 655 Moreover, the boundary between the PAP state and the private sector was and still is rather loose (Worthington, 2003).

## CONCLUSIONS

For over three decades, numerous studies of the East Asian developmental state have culminated in an extremely rich literature that helps make sense of the unique configuration of 660 state-society linkages that produced unexpectedly favourable developmental outcomes and rapid industrial transformation of such latecomer economies as South Korea, Taiwan, and Singapore (Yeung, 2009a, 2016). The efficacy of these developmental states in directing successful industrialization, however, was predicated on the stability and endurance of carefully



665 managed domestic political–economic linkages in the favourable geopolitical contexts shaped  
 by the interests of the **United States** and its allies. The state’s elite bureaucracy, so central to its  
 implementation of target-specific industrial policy, also found it hard to cohere and be  
 insulated from political/business interests and social pressures. Recognition of these external  
 contexts and domestic pressures requires revision of the orthodox statist account of the  
 670 developmental state as a strategic thinker who charted successful industrial transformation  
 on the basis of some premeditated national grand designs. Even at its peak, the developmental  
 state needed business firms and conglomerates to cooperate with and respond positively to its  
 authoritarian policy initiatives. Unique to the East Asian developmental state, these histori-  
 cally specific circumstances are unlikely to be easily replicated by late latecomers in the Global  
 South that today aspire to become similar developmental states.

675 The comparative statics analysis of most orthodox statist–institutionalist accounts tends  
 to obfuscate the real possibilities of dynamic changes and adjustments in these economies  
 in an era of accelerated economic globalization dating from the late 1980s. As explained in  
 depth in my recent work (Yeung, 2016), this is particularly the case once these economies  
 have experienced *initial* rapid growth and industrial success. Understanding these dynamic  
 680 changes and adjustments will offer new followers of the East Asian developmental state  
 some important lessons for charting their own unique pathways to development.  
 Domestically, successful industrialization and economic growth led by the developmental  
 state generated greater internal resistance to top-down and state-driven economic and  
 social initiatives. Major political and social movements by the late 1980s prompted the  
 685 decline of the authoritarian state in South Korea and Taiwan. As pointed out shrewdly by  
 Bello and Rosenfeld (1990), the East Asian dragons were in serious distress. Throughout  
 much of the 1990s democratization and liberalization limited the power and capacity of the  
 developmental state (Yeung, 2017). Domestic firms were less subject to the kind of tight  
 leash imposed on them during the earlier periods of industrialization (Breznitz, 2007;  
 690 Williams, 2014; Wong, 2011). Even though this does not necessarily mean the end of  
 the developmental state, it does cast some doubt over its dominant role in *steering* further  
 industrial transformation in a world economy characterized by much deeper integration of  
 cross-border production networks (Yeung, 2009b, 2014).

695 Externally, the international environment changed rapidly during the late 1980s towards  
 greater market deregulation and global economic integration. In highlighting the ‘essentially  
 time-bound’ nature of the state-led development project in South Korea, Pirie (2008, p. 75)  
 argues that ‘Global industrial/economic and political structures are by their very nature  
 dynamic, not ossified and static’. By the late 1980s, dynamic, supra-national structures did  
 indeed present significant challenges to the continued viability and relevance of the develop-  
 700 mental state for industrial transformation. The **United States**, for example, was no longer  
 willing to trade the previously unfettered access to its domestic market for geopolitical support  
 from the three East Asian economies. The end of the Cold War and the rise of the  
 Washington Consensus also put a major question mark on this state-led model of economic  
 development. Massive cross-border movements of production and financial capital now under-  
 705 pin economic globalization and limit the state’s room for manoeuvre (Coe & Yeung, 2015;  
 Pirie, 2012; Whittaker, Zhu, Sturgeon, Tsai, & Okita, 2010). All these changing internal and  
 external conditions are part and parcel of the evolutionary dynamics that necessitate a strategic  
 reorientation of future studies towards the *international* political economy of industrial trans-  
 710 formation in East Asia. As these economies have become more articulated into the global  
 economy, a dynamic conception of the state’s role in development must go beyond its domestic  
 embedded autonomy and take into account the broader changing international political  
 economy.

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## NOTES

1. The origin of the developmental state literature can be dated back to the debate on the East Asian developmental state and its contrast with the neoclassical model of free trade and market-based development and the dependency model of industrialization (Amsden, 1989, 2001; Deyo, 1987; Evans, 1995; Fields, 1995; Haggard, 1990; Johnson, 1982, 1999; Kohli, 2004; Wade, 1990; White, 1988). See Stubbs (2009) and Haggard (2015) for recent reinterpretations of the developmental state debate.

2. This paper focuses primarily on the geopolitical contexts of and bureaucratic (ir)rationality in South Korea, Taiwan and Singapore. For a full and in-depth analysis of actual industrial transformation in relation to their changing state roles and economic articulations with the global economy, see Yeung (2016).

3. [The focus here](#) on the historical specificities of the East Asian developmental state in its earlier period (1950s–80s) means that addressing changing state–firm relations since the 1990s and their implications for the efficacy of the developmental state – declining or otherwise – is beyond this paper’s scope. See Yeung (2017) on this matter.

4. This argument is well located in the broader literature on late capitalist development in East Asia: Cumings (1984), Woo (1991, [ch. 3](#)), Hart-Landsberg (1993, [ch. 7](#)), Stubbs (1999, 2005, [ch. 4](#)); Berger (2004, [ch. 8](#)), Doner et al. (2005), Minns (2006, [ch. 2](#)), Beeson (2007, [ch. 5](#); 2009), Greene (2008, [ch. 3](#)), Pirie (2008, [ch. 4](#)), and Yeung (2016, [ch. 1](#)). But revisiting it is worthwhile since the most influential studies of the developmental state are relatively muted when it comes to the complex relationships between geopolitical imperatives and state capacity, particularly during the formative industrialization drive from the 1950s to the 1980s.

5. For detailed accounts of these elite bureaucracies, see Amsden (1989), Chibber (2002), Lim (2010) and Thurbon (2016) on South Korea; Wade (1990), Wu (2005) and Greene (2008) on Taiwan; and Low, Toh, Soon, Tan, and Hughes (1993), Schein (1996) and Chan (2002, 2011) on Singapore’s [EDB](#).

6. [For](#) work on this political ideology of pragmatism in Singapore, see Chan (1971), Clammer (1985), Chua (1995) and Tan (2012).

7. For the case of Taiwan's failed automobile industrial policy, see Arnold (1989) and Wade (1990). The effectiveness of its industrial policy in the 1980s is questioned in Smith's (2000) detailed study. See Yeung (2017) for a discussion of the 1990s.

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