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The developmental state as a reference model for transition economies in Central Asia[2]

1 Introduction

1.1 Central Asia on the verge of economic reform

Two decades after the collapse of the Soviet Union, the transition from a command economy to a market economy has been completed—with differing degrees of success—in virtually all formerly communist countries. However, there are still some transition countries that are lagging behind in this process, among them the five former Soviet republics in Central Asia: Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan. In spite of notable differences in terms of reform progress, none of these countries in considered a market economy by the standards of the European Bank for Reconstruction and Development (EBRD) (Spechler, 2008, p. 30). The authoritarian regimes that rule these countries since their independence still face the problem to find suitable transition strategies for their economies, which were among the poorest and least industrialized parts of the USSR.

When Russia and the formerly communist countries of Central and Eastern Europe began the transition, it was apparent that the Western market economies would serve as the main reference model for the reform process. For the smaller European countries that had the prospect of becoming members of the European Union, both the reform path and its objective were clearly defined through the "acquis communautaire", which also assured the commitment of the political decision makers to the reforms (Ahrens (2002)). Even Russia, which is nowadays considered to distance itself more and more from the West, started the transition by implementing political and economic reforms that were in line with the Western model of a liberal capitalist democracy.

The five Central Asian republics have a lot in common and the region differs significantly from Eastern Europe and Russia. In contrast to most other countries of the former Easter Bloc, the transition in Central Asia will take place under non-European and

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non-democratic conditions (Spechler (2004), p.62-63). The region is both geographically and culturally distant from the West. Situated between Russia, the Caspian Sea, China, Iran, Pakistan and Afghanistan, the Central Asian countries are far away from the European market. Furthermore, they are landlocked countries, which further inhibits access to potential export markets. Culturally, Central Asia is characterized by a mixture of European and Asian influences, by the legacy of Soviet communism and its old Islamic heritage. In some ways, the economies of Central Asia share characteristics of both transition countries and "ordinary" developing countries. Therefore, there is no apparent reference model for Central Asia., but it seems to be reasonable to take a broader perspective and to analyze not only the institutional settings of the liberal democracies of Western Europe and North America but also the institutions of other of successful economies.

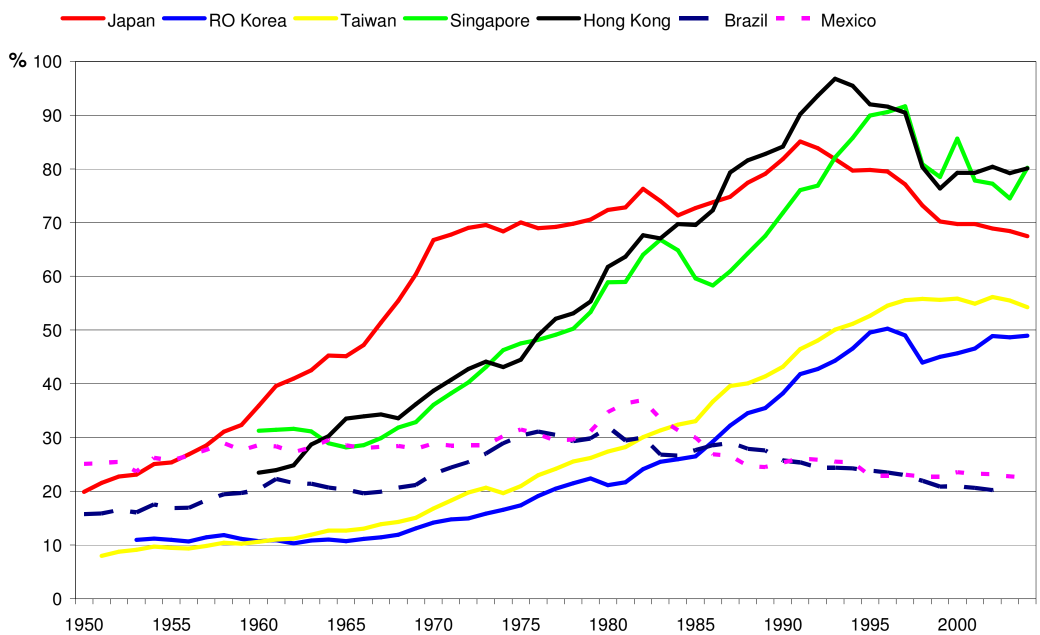
1.2 The relevance of the East Asian experience for the Central Asian economies

There are extremely few examples of non-western economies that were able to achieve sustainable economic growth over a long period of time. Looking for countries beyond Western Europe and North America that could serve as reference models for a successful industrialization, the eye turns almost invariably to East Asia, where some of most remarkable economic success stories have taken place: Japan's rapid growth in the last decades of the 19th century and the years after World War II, the economic miracle of the "Asian Tigers" in the second half of the 20th century and China's economic success today.

At the height of Western imperialism in the 19th century, Japan was at the verge of being colonized by the Western powers (Kohli (1999), p. 100). Partly triggered by this imminent danger, drastic political changes took place in the course of the so called "Meiji Restoration" in 1868. In the following years, the new political authorities undertook profound reforms of Japan's antiquated institutions. Furthermore, a rapid modernization and industrialization was successfully pursued with the aim of catching-up economically with the Western powers (Olson, 1982, pp. 150-192). After the devastating defeat in the Second World War, the economy of the after-war period showed another impressive growth performance that became known as the Japanese miracle. In the second half of the 20th century, Japan had surpassed most western countries economically and became the world's second largest economy behind the United States.

While Japan was the first country that achieved the status of an industrialized nation outside the west (Olson (1982), p. 6), there are several East-Asian countries that achieved similar economic "miracles" in recent decades. Beginning in the early 1960s, South Korea, Taiwan and the city states Singapore and Hong Kong formed a new wave of countries that challenged the established Western economies and Japan. Among these four "Asian Tigers",

Figure 1: **GDP per capita (PPP) of selected countries as a percentage of the U.S. GDP per capita 1950-2004**



Source: Heston, Alan/Summers, Robert/Aten, Bettina (2006):

in particular South Korea and Taiwan but to a certain degree also Singapore followed the developmental path of Japan (Akyüz/Chang/Kozul-Wright (1998), p. 6).

Figure 1 shows the gross domestic product per capita of the mentioned East Asian countries as a percentage of the GDP per capita in the USA (in purchasing power parity). As can be seen, the East Asian economies were not only able to grow fast in absolute numbers, but they managed to catch up continuously with the United States over a period of several decades in terms of per capita income. This catch-up process lasted until about 1990 for Japan and until the Asian crisis of 1997 for the four tiger states. Furthermore, the comparison between the performance of the East Asian economies and the largest economies of Latin America, Brazil and Mexico, shows that the fast growth in East Asia was not the result of a "natural" or inevitable catch-up process. Apparently, the East Asian countries did something right that other emerging or developing economies did wrong.

The East Asian economic success has caught the attention of both policy makers and economists and lead to a vast number of scientific publications. Many of the earlier contributions explained the fast economic growth as the result of market-based policies that approximated laissez-faire (Akyüz/Chang/Kozul-Wright (1998), p. 5; Haggard, (2004), p. 54). This view was challenged beginning in 1982 by Chalmers Johnson, who conducted an extensive study on the role of the Japanese state in the economy (Johnson (1982)), and later by other scholars such as Robert Wade (Wade (1990)) and Alice Amsden (Amsden (1989)), who published similar studies on Taiwan and South Korea, respectively. These scholars argued that it was precisely the active and interventionist involvement of the state in the economic development that was responsible for the high, sustainable growth rates of these countries. This concept of the state as the main promoter of economic development was termed the developmental state by Johnson. It is the aim of this paper to analyze whether the developmental state that was so successful in East Asia can also serve as a reference model for the Central Asian economies.

In order to do address this question, it has to be noted that there is no commonly agreed model that provides a clear, feasible definition of what a developmental state actually is, in spite of the extensive use of this term in scientific publications within the realm of economics and political science. This is partially due to the fact that most major contributions to the developmental state literature lack an explicit theoretical framework and do not put the concept into the broader perspective of economic theory. As suggested by Kang (Kang (1995), p. 587), I will attempt to close this gap by analyzing the developmental state in the context of the New Institutional Economics (NIE). Therefore, I set the basis for the analysis in the following section by outlining what is commonly understood under the term “developmental state” and summarizing the fundamentals of the NIE. Thereafter, I will compare the institutional settings of the developmental states in East Asia, focusing on the archetype, Japan, and its two closest followers, South Korea and Taiwan. This analysis will address the political sphere, the private sector and the international environment that these countries faced during their fast growth. After summarizing the current progress of transition in the five Central Asian republics very briefly, an analogous analysis of the institutional settings in these countries will be conducted. Finally, I will provide a preliminary conclusion and suggest an agenda for further research.

2 The developmental state in literature and theory: framework of the analysis

2.1 The developmental state in literature: a short survey

The role of the state is one of the key issues of economic research. While economists usually agree on the regulatory functions of the state – e.g. its responsibility for establishing and enforcing the rule of law – it has been a much more controversial question whether the state should take an active role in promoting economic growth and development (Chang (1999), p. 182-183).

One of the key tenets of neoclassical "mainstream" economics is extensive market optimism. Applied to developing economies, this leads to the notion that the best the political authorities can do is to free the economy from state-imposed constraints in order to allocate its resources in sectors where it had a true comparative advantage. In contrast any kind of state interference – especially industrial policy promoting specific sectors of the economy through subsidies, protectionism or similar measures – would cause a distortion of prices, an inefficient allocation of resources and consequently economic failure.

In his seminal book "MITI and the Japanese Miracle", Chalmers Johnson came to the conclusion that role of the state in Japan in differed drastically from the neoclassical ideal. Instead of performing exclusively or predominantly regulatory functions, the Japanese state has served as a guide for economic development, e.g. through promoting technology transfer, planning the development of Japan's industrial structure and setting incentives to achieve the desired changes (Johnson (1982), p. 19). The greater goal of catching up with the developed Western economies was not left to the market forces and the exploitation of comparative advantages through the private sector; rather, the Japanese state was actively involved in the economic process. According to Johnson, the Japanese developmental state is best described as a plan-rational state, as opposed to the Socialist command economies of the Eastern Bloc which he considered to be plan-ideological and the Western regulatory states he described as market-rational (Johnson, 1982, p. 18)

Fueled by the analysis of Johnson, a whole stream of literature has emerged that analyzed the policies of other emerging economies by elaborating on his concept of the developmental state. It is widely accepted that the states in three of the high-performing "Asian Tigers", namely in South Korea, Taiwan and Singapore, acted along similar lines as the Japanese state during the period of fast growth, although Singapore is sometimes excluded from this list since its position as an entrepôt city-state has lead to different starting conditions, constraints and opportunities (Kang, 1995, p. 556).[3] Furthermore, the emerging Southeast-

[3] Johnson himself has already extended his concept to cover South Korea and Taiwan in 1987 (Johnson (1987).

Asian economies of Malaysia, Thailand and Indonesia are usually considered to be developmental states, although they do not share some characteristics of the high-performing Northeast Asian countries (Doner/Ritchie/Slater, 2005; Vu (2007)). Some publications also try to present a general model of late industrialization by including less successful emerging economies such as Brazil, Mexico or Turkey into the developmental state concept (Amsden (1995), p. 791; Schneider (1999)). However, this is not the approach followed here. Instead, the analysis will be focused on the three most apparent examples of developmental states, namely Japan, South Korea and Taiwan, which share many characteristics.

Of course, the diversity of the developmental state literature is not limited to the analysis of different countries, but also addresses different issues that are related to the notion of a plan-rational, capitalist state. According to Vu (Vu, 2007), the literature in this field is concerned with three different but related questions:

(1) What roles do developmental states play in the successful industrialization of their countries?

(2) What do developmental states share and what is generalizable about them?

(3) Why did developmental states emerge where they did but not elsewhere?

To put it even shorter, research has been aimed at answering *what* the authorities in developmental states did, *how they were able* to do it and *why* they did it. The first question refers to the strategies developmental states applied in order to promote economic development. However, for the aim of this paper, namely to determine if the developmental state is a possible reference model for the Central Asian economies, the second and third questions are more relevant. It is necessary to determine which institutional structures have to emerge in Central Asia in order to enable the state to fulfill its developmental role. Furthermore, it is necessary to determine which exogenous conditions lead to the emergence of successful developmental states in East Asia and whether similar conditions are today present in Central Asia. The New Institutional Economics can contribute from a theoretical perspective to answering both questions.

2.2 The New Institutional Economics as the basis of the Developmental State

The New Institutional Economics (NIE) is not a single, coherent theory, but rather a whole field of research that intends to overcome some shortcomings of the neoclassical economics. The most important shortcoming of the orthodox, neoclassical reasoning from the perspective of the NIE is that it is concerned only with the operation of markets under highly theoretical and abstract assumptions. It ignores the constraints that limit the functioning of the market mechanism in the reality. Furthermore, neoclassical economics is primarily concerned with the operation of existing markets and does hardly provide insights into the emergence of a functioning market (North (1994), p. 359).

Common but rather unrealistic assumptions of neoclassical economics that are typically revised and relaxed by the NIE include perfect information and the absence of transaction cost. At the same time, most works in the field on the NIE retain the actor-centered analytical approach based on individual rational behavior. Therefore, it can be considered an approach that does not try to replace neoclassical theorizing but rather to modify and extend it (Ahrens (2002)). A vast number of scientific publications in the last decades belong to the field of the NIE and there are nowadays several streams of research that are subsumed under this label. The two major branches are based on the works of Oliver E. Williamson and Douglass C. North. Williamson and subsequent scholars elaborating on his work have been primarily concerned with transaction costs and their influence on the emergence of the firm (Williamson (1971; 1975; 1985)). The second branch of research initiated by Douglass North, which is the more relevant for this study, focuses on two different but interrelated aspects: (1) how institutions influence the economic performance of a society and (2) which mechanisms leads to the emergence of institutions and their evolution over time (North (1990; 1991; 1992).

The term "institutions" has been defined in quite different ways in literature. The definition that that is probably most frequently used today is the one given by Douglass North, who understood institutions as "the humanly devised constrains that shape human interaction" or less formally as the "rules of the game in a society" (North (1990), p. 3). It is important to notice that this definition includes not only formal rules such as laws and regulations, but also informal rules such as cultural norms. Each enforced rule limits the set of feasible choices that economic actors face when taking a specific decision, because some options that are theoretically available may illegal or socially unacceptable. In this way, institutions shape the incentive structure of an economy and influence its development towards growth, stagnation or decline (North, 1991, p. 97).

Apart from the very general distinction into formal and informal rules, the constraints that an individual or organization faces when taking a decision can be further distinguished into several categories. One possible classification is presented in Table 1. According to this classification, internal institutions are those that are enforced horizontally within the private sector through different mechanisms. In contrast, external institutions are enforced hierarchically by the state, which has a coercive monopoly to impose legally binding rules on the private sector.

Table 1: Classification of Institutions

Kind of rule	Kind of enforcement	Type of institution	
Convention	Self-enforcing	Type-1-internal	Informal institution
Ethical rule	Via self-commitment of the actor	Type-2-internal	
Customs	Via informal societal control	Type-3-internal	
Formal private rules	Organized private enforcement	Type-4-internal	Formal institutions
Constitution, laws, regulations	Organized enforcement by the state	External	

Source: Voigt and Kiwit (1995), modified

Apparently, the influence of clearly codified formal rules on economic performance is generally easier to analyze in either quantitative or qualitative studies than the effect of informal institutions. Nevertheless there is little doubt that informal institutions, sometimes summarized under broader concepts such as culture or ideology, can have a determining influence on the decisions of economic actors and, thus, eventually affects economic performance (North (1988). For the issues analyzed here, informal institutions are particularly important since they tend to change slower than formal institutions (Roland (2004)). In an environment that is characterized by recent major changes in the political sphere, such as Central Asia today and East Asia prior to its fast growth, recently implemented formal institutions may not yet be fully enforced.

3 The key elements of successful developmental states in East Asia

3.1 The political sphere

The state as an active participant is clearly at the center of the developmental state concept, therefore the political sphere represents a good starting point for its analysis. First of all, it has to be noted that the state is not a single actor that takes coherent decisions, but rather a nexus consisting of a large number of individual decision that are members of the government, the ministries and other agencies. The division of power between these individuals is officially determined by a country's formal institutions, in particular its constitution, but can also be affected by internal power struggles that do not necessarily have a predictable outcome. In a very simplified way, the state can be seen as consisting of the government and the bureaucracy, which is officially responsible for implementing the decisions taken by the government.

3.1.1 Regimes in East Asia

One of the striking circumstances of the East Asian economic success story is that virtually all emerging economies in the region were ruled by authoritarian or at least semi-authoritarian regimes during most of their fast economic growth (Thompson (1996), p. 637).

South Korea was under the control of different regimes with a varying degree of legitimacy from the end of the Korean War in 1953 until its democratization in 1987. However, the periods of comparatively liberal rule were short. The larger part of this period was shaped by the dictatorial regimes of Syngman Rhee, who ruled from 1950 until 1960 and General Park Chung-Hee who took power in a coup d'état in 1962. The rule of Park Chung-Hee marked the beginning of the high-speed economic growth and is usually considered the key period of the developmental state in South Korea (Minns (2001), p. 1026), while the regime of Syngman Rhee is often referred to as corrupt, ineffective and chaotic (Amsden ((1989), p. 43-44; Kohli (1999); Vu (2007), p. 36). Nevertheless, Rhee can be credited for creating the conditions that later enabled Park to pursue growth-promoting policies by centralizing political power in the executive, suppressing communist ideology and weakening the labor movement (Vu (2007), p. 38).

In Taiwan, the Kuomintang (KMT), which was disposed from mainland China in the Chinese civil war against the Communist Party in 1949, ruled in a single-party system until the 1980s. Until his death in 1975, the KMT and Taiwan were controlled by Generalissimo Chiang Kai-Shek. Thereafter, the most prominent political figure was his son Chiang Ching-Kuo who died in office in 1988 (Wade, 1990, p. 70-71). As in South Korea, the unions and the labor movement in general were repressed by the regime (Thompson, 1996, p. 632-633).

While democratization took place in both Taiwan and South Korea Most at the end of the 1980s, most of the other high performing East Asian economies such as Singapore, Malaysia, and the People's Republic of China are still governed by authoritarian regimes today (Haggard, 2004, p. 60; Thompson, 1996, p. 627). In contrast, the archetype of the developmental state, Japan, stands out in several ways. Japan had an authoritarian regime from the beginning of its industrialization in 1868 until the end of the Second World War, but it has been a democracy since the post-war period, when it achieved the famed "Japanese economic miracle". However, it should be noted that all prime ministers of Japan have been members the LDP (Liberal-Democratic Party) since the foundation of this party in 1955, with the sole exception of a short period from 1993-1996.

The prevalence of authoritarian regimes in the high-performing has fueled the debate on the relationship between regime-type and growth (for a discussion of this topic see Thompson, 1996). There is no common agreement on this question. Nevertheless, it is widely accepted that a developmental state has to be "strong" in order to avoid the rent-seeking pressures typical for developing countries (Cheng/Haggard/Kang, 1998 p. 88). Furthermore, it has been argued that the ability to make credible commitments concerning in economic and particularly industrial policy was and important success factor for the emerging East Asian economies (Haggard, 2004, p. 60). Such long-term commitments are hardly possible in an environment of frequent changes in the government. In the Japanese democracy, continuity in economic policy was not only guaranteed by the dominant role of a single party but also by the powerful role of bureaucrats, who are employed members of the ministries and thus not directly affected by elections. The pivotal role of the bureaucracy in developmental states will be further analyzed in the next section of the paper.

3.1.2 The economic bureaucracy

Apart from the government itself, the bureaucracy of a country is a key component of the state. In the context of the developmental state, the bureaucracy has received attention in particular because it is the main focus of Chalmers Johnson's previously mentioned book "MITI and the Japanese Miracle". The bureaucracies in the developmental states have in common that they are organized as a strict meritocracy and have been able to attract highly qualified graduates from the best universities by offering highly prestigious positions and attractive remuneration (Akyüz/Chang/Kozul-Wright (1998), p. 28).

According to Johnson, Japan's bureaucracy is further distinguished by several features from its counterparts in Anglo-American and most other western economies. The first and most important of these features is the seminal influence that bureaucrats – members of the different ministries that are neither elected nor commonly appointed by elected politicians – have on fundamental political decisions. Namely, Chalmers Johnson points out that during the period of his analysis (1925-1975), the bureaucracy drafted virtually all legislation and controlled the budget (Johnson (1982), pp. 20-21), tasks that are clearly within the responsibility of elected politicians within the government and/or the parliament in Western economies. However, it is important to notice that this crucial influence on political decisions is not necessarily the result of a clear constitutional assignment of decision-making power, but is in some cases rather a result of other – sometimes informal – regulations.

One source of influence for the bureaucracy is vast amount of expert knowledge and competence that its members possess. This is particularly true in the case of the Ministry of International Trade and Industry (MITI), which Johnson considers to be the pilot agency of the Japanese state. In Japan, pursuing a career as a bureaucrat is considered very prestigious which enables the ministries to attract a large portion of the best graduates from the most reputable universities. Once hired, these high potentials usually stay in the ministry for the larger part of their professional life, rising through the different ranks and acquiring detailed knowledge about the ministries activities. While a ministry is officially headed by a member of the Japanese government, who is subject to direct democratic control, the vice-minister – a bureaucrat who has successfully risen in the ranks of the ministry up to the highest possible position – possesses often both more support from the lower levels of the hierarchy and more detailed expert knowledge. Consequently, it is hard if not impossible for an elected government and its ministers to induce significant policy changes without the cooperation of the long established high-ranking bureaucrats. While this arrangement dilutes the democratic control of policies, it permits the steady pursuit of consistent long-term oriented policies, which would otherwise be difficult to achieve in a democratic setting such as post-war Japan.

The situation in Taiwan and South Korea has been slightly different, since the authoritarian regimes of these countries were certainly not willing to share their power with a highly independent bureaucracy. However, powerful economic agencies similar to MITI exist in Taiwan and South Korea (Cheng, Haggard & Kang (1998), p. 88-89). In Taiwan, the Council for Economic Planning and Development (CEPD) and its predecessors, while less powerful than MITI in Japan, have been responsible for tasks such as formulating the macroeconomic development plans and administering the substantial financial aid from the USA that the country received in the first years of its high growth (Wade, 1992, p. 197-199). In Korea, the most important agency during the rule of Park was the Economic Planning board (EPB), which accumulated considerable power over other ministries in a process of centralization (Cheng/Haggard/Kang (1998), p. 101-103). The importance of the EPB for the Korean developmental state is further evidenced by the fact that its head was awarded the rank of a Deputy Prime Minister, the second highest position in the government hierarchy (Minns (2001), p. 1026).

3.2 The business sector

In spite of similar developmental strategies and similarities in the political sphere, the structure of private business in the East Asian economies is not uniform. Japan and South Korea show most similarities in this field, since the private sector of both economies is dominated by extremely large and diversified business groups, namely the Japanese keiretsu and the Korea chaebol. In contrast, the Taiwanese economy is characterized on the one hand by a large number of small private companies similar to the German Mittelstand (Thompson (1996), p. 636), and on the other hand by one of the largest public enterprise sectors in the non-communist world (Wade (1990), p. 302). The city state of Singapore is differentiated by the other first-tier developmental states since its economy has not relied primarily on domestic companies but has been characterized by a significant amount of foreign direct investment of multinational companies since the beginning of its fast growth (Shin (2005), p. 386).

More important than the actual structure of the business sector in the different economies are the different institutions that enabled the political authorities to influence and guide the companies towards the chosen development path. In the democratic setting of Japan, the degree of government control over the private sector has varied over time and developed into what Johnson calls "administrative guidance" (Johnson (1982), p. 318), meaning that the state had a coordinating influence on private companies without exercising coercive power on their strategies. One factor that has facilitated the administrative guidance by the bureaucracy has been the practice that high-ranking bureaucrats commonly assume powerful positions in private companies after their retirement (Johnson (1982), p. 21). Since the Japanese economy is characterized by large business groups that are each organized around one main bank, the bureaucracy only needs to influence a limited number of decision makers in order to have a significant influence on the economy.

In Korea, the centralized structure of the political regime in combination with the prevalence of large, diversified business groups has enabled the state exercise more control over the business sector and pursue more ambitious industrial policies than in Japan or Taiwan (Akyüz/Chang/Kozul-Wright (1998), p. 7). One key mechanism that enabled the government to exercise control over the private sector was the nationalization of the banking sector, which took place shortly after Park Chung-Hee came into power (Minns (2001), p.

1026). In this way, the state was able to direct investment to the designated target industries. It is also reasonable to argue that the highly authoritarian nature of the Park regime has contributed to a higher compliance of the private companies to the directives of the government.

The situation in Taiwan differs from Japan and Korea in that the government had only few personal ties with the private business sector. The Taiwanese government prior to the democratization in the late 1980s was made up by members of the Nationalist Kuomintag party, who had fled from mainland China after the lost Civil War against the communists. In contrast, the business sector was dominated by native Taiwanese. The lack of personal ties and trust between these groups caused the Kuomintang government to rely more on public enterprises than was the case in either Korea or Japan (Cheng/Haggard/Kang (1998) p. 89). Instead of guiding the private sector through subsidies for specific target industries, Taiwan relied more on entering new industries with state-owned enterprises to set incentives for complimentary investments of the private sector.

3.3 Exogenous success factors and constraints

The main objective of the preceding sections was to outline how the East Asian states were able to implement their developmental strategies. In a very simplistic way, the conclusion from this analysis would be that the states, made up by the regimes and the bureaucracy, in the East Asian countries were strong enough to exercise widespread control and take potentially unpopular decisions. This section of the paper has a different focus and is aimed at answering the question why these states were so committed to economic growth. In a similarly simplistic way, the answer to this would be that they were too weak to follow another strategy.

When Japan abolished the feudal regime of the Shogun and began its rapid modernization, this happened to a large degree as a reaction to the danger of becoming colonized or at least economically exploited by the Western powers. In a country that had been sealing itself from foreign influences for centuries, it was this eminent external threat that lead to the fast and successful adaptation of western technology, laws and customs. Even in the post-war period, it was a perceived backwardness vis-à-vis the western countries that drove the majority of Japanese politicians and bureaucrats to give a clear priority to economic development.

Interestingly, most other successful East Asian economies have been subject to similar threats at the beginning of their economic development (Haggard (2004), p.60; Ahrens (2002),

p. 210). In the case of South Korea, North Korea has been a permanent and serious threat to the autonomy and existence of the country, as exemplified by the Korean War that had ended in 1953. For Taiwan and – to a lesser degree – for Hong Kong, a similar threat was the coming from the People's Republic of China, which never dropped its claims to either of these de facto sovereign entities. The city state Singapore was a part of Malaysia prior to its independence in 1965. In addition to the external threats, further factors forced the East Asian regimes on the track of economic development. Neither Japan nor one of the other early developmental states had noteworthy natural resources.

The prevalence of serious external threats in combination with the lack of easily disposable revenues can be considered a major reason why industrialization and catching up with the advanced economies was considered the only feasible option by the East Asian authorities. From the perspective of the New Institutional Economics, both conditions can be interpreted as constraints that limited the options available to the relevant decision makers in the East Asian governments and could be termed exogenous institutions. The external threats also made the commitment of the government to economic development credible for the private sector, which is a precondition for the willingness of companies to undertake risks.

On the positive side, Taiwan and South Korea, in the immediate post-war period also Japan, received substantial financial aid from the United States. This gave the authorities in those countries free access to noteworthy financial resources; however, there was always an eminent danger that these resources could have been withdrawn quickly in the case of obvious unjustified enrichment by the political elite. Furthermore, an probably even more important, the high performing East Asian nations had free access to the important western markets, which was a key requirement for the success of their export-led economic strategy. In addition, the specific political circumstances of the Cold War and the privileged relationship that South Korea, Taiwan and Japan enjoyed with the United States in the post-war period enabled them to export to foreign markets while protecting domestic companies in infant industries from foreign competition and hostile takeovers (Amsden (1991), p. 284-285).

Another exogenous factor that is credited for contributing to the emergence of developmental states in South Korea and Taiwan is the colonial legacy of the Japanese in both countries. While the Japanese colonial rule in Korea was certainly oppressive and ruthless, it is also credited for boosting agricultural production, starting industrialization, building a cohesive bureaucracy and constructing centralized, coercive institutions (Kohli (1999); Kohli (2004)). Furthermore, the colonial rule left both countries with a significantly improved infrastructure and a major accumulation of physical and human capital (Spechler (2000a), p. 101).

4 Central Asia in the perspective of the developmental state concept

4.1 Economic transition in Central Asia: A short overview

Among the countries that emerged from communist rule in the last 20 years, the Central Asian republics are collectively considered the least successful group (Spechler (2008), p. 30). This relative failure is due to various reasons. Even before transition began, Central Asia was the poorest part of the Soviet Union. The economy of the SU was planned as a single unit, assigning to the five Central Asian republics the role of suppliers of raw materials to the more industrialized areas of the union (Pomfret (2003), p. 12). In addition to these difficult starting conditions, the end of communism and the dissolution of the Eastern Bloc came as a surprise to this region (Pomfret (2003), p. 41).

The Central Asian countries have pursued different transition strategies since their independence. Among the five republics, Kazakhstan and in particular Kyrgyzstan are generally considered to have been most the most reformist with Spechler going so far as to describe Kyrgyzstan as a "early poster child for neo-liberal reforms" (Spechler (2004), p. 71). However, the initially fast pace of reforms in Kazakhstan has slowed in the mid 1990s (Pomfret (2003), p. 8). Although the privatization of the former state-owned enterprises has proceeded quite far, with two thirds of all firms in private hands, Kazakhstan is still an example of state-led capitalism (Spechler (2008), p. 33). The transition in the other three Central Asian countries has proceeded even less for different reasons. In Uzbekistan, president Islam Karimov has followed an approach to economic transition that emphasizes not growth but stability at any cost (Spechler (2000b), p. 295). Consequently, reforms towards a more market-oriented economy were only conducted gradually and sometimes even reversed after some years (Pomfret (2003), p. 9). Reforms in Tajikistan have been seriously impeded by a Civil War that took place until 1997, since then the progress has been slow (Spechler (2008), p. 38). The reform progress of Turkmenistan, which was ruled by the highly personalized and autocratic government of Saparmurat Niyazov until recently, has been even worse (Spechler (2008), p. 35).

4.2 The political sphere

The fact that the East Asian countries were economically successful under (semi-) authoritarian regimes is an unpleasant truth from the perspective of western ethics. However, leaving out the moral aspects of political regimes, it makes the Developmental State a more suitable reference model for Central Asia. All five Central Asian countries are currently ruled by regimes that are clearly authoritarian (Spechler (2008)).

In the case of Kazakhstan and Uzbekistan, which are by far the most populous Central Asian countries and the most important economies, the presidents Nursultan Nasarbayev and Islam Karimov have been in control of the government since the independence in 1991. The picture in the three smaller countries is only slightly different. In Turkmenistan, the strict dictatorial rule of Saparmurat Niyazov, who had given himself the title Turkmenbashi (head of all Turkmens) ended with his death in 2006. The following presidential election was won by Gurbanguly Berdimuhammedow who received 89,23% of the votes according to the official results. The legitimacy of this election is apparently subject to serious doubt. In Tajikistan, which was devastated by a civil war after its independence, president Emomalii Rahmon has been in power since 1994, winning the last presidential election in 2006 with 79,3 % of the votes. The only country that seems to show slight signs of a political liberalization is Kyrgyzstan, where the so called "Tulip Revolution“ forced the resignation of president Askar Akayev in 2005. It remains to be seen whether his successor Kurmanbek Bakiyev will seriously seek democratic legitimacy.

In the light of the East Asian experience, the authoritarian regimes in Central Asia are apparently not an obstacle (at least not necessarily) to a successful economic development. In fact, authoritarianism can be an advantage for the emulation of East Asian developmental strategies since the required long-term orientation is difficult to achieve in a more democratic setting. As it seems, the Central Asian regimes would have the necessary power to pursue policies modeled after the East Asian economies. However, it is a different question whether they also have the capabilities to implement such strategies, namely, if a competent bureaucracy currently exists or is likely to emerge. In this field, it seems that Uzbekistan has a certain advantage over the other Central Asian republics, since it was seat of the regional administration before the dissolution of the Soviet Union and has inherited a reasonably effective – although not efficient – bureaucracy (Pomfret (2003), p. 22).

While the regimes in South Korea and Taiwan were authoritarian, they abstained from the excessive exploitation of the population that has been characteristic for dictatorial regimes in developing countries. As Ahrens argues (Ahrens (2002)), p. 210), the regimes in South Korea and Taiwan were seeking political legitimacy by achieving economic growth that was broadly shared among the population of their countries. This is evidenced by the fact that the distribution of wealth in the best performing East Asian economies has been surprisingly even. Contrary to that, inequality and poverty has risen in Central Asia since the beginning of transition (Pomfret (2003), p. 9), while rising profits from oil exports in Kazakhstan were came mostly to the benefit of a newly rich class and the expensive new capital in Astana (Spechler (2008), p. 33-34)

4.3 Exogenous success factors and constraints

A successful developmental regime has to have to power to enforce economic reforms even if they are unpopular, but it has to be weak enough to be dependent on some kind of legitimacy. It is extremely questionable whether the exogenous factors that are relevant for Central Asia will commit the authoritarian regimes in this region to a strategy of economic modernization and development. However, the conditions in the different Central Asian republics are quite diverse. .

Raw materials are unequally distributed in the region. The two countries that have currently the highest GDP per capita are Kazakhstan and Turkmenistan. Both have major reserves of oil and natural gas and benefited from the soaring prices of these highly exportable goods in the last years. However, from the perspective taken in this paper, the abundance of such important natural resources and the economic reliance on their exportation also brings major hazards. One of the major hazards is that the political elites, especially in the case of authoritarian regimes, use the easily accessible revenues either for financing unnecessary projects that are supposed to alter the national prestige or even as a source of personal wealth, which has happened to a different degree in both countries (Spechler, (2008)). The conditions in Kazakhstan and Turkmenistan differ in this respect dramatically from the high-performing East Asian economies. The situation is different in Uzbekistan, Kyrgyzstan and Tajikistan, since the economy of neither of these countries is dominated by the export of natural resources which inhibits the exploitation of easily available profits through the regimes.

Another important difference between Central Asia and pre-growth East Asia is that the external threats are less preeminent for the Central Asian republics. While they are surrounded by countries that are economically and militarily significantly stronger, neither Russia nor China has particularly hostile relationships with the countries in Central Asia. While it may be possible that one of these major powers seeks to gain a dominating influence in the region in the future, both have been engaged in regional cooperation with the Central Asian regimes (Pomfret (2003), p. 10).

There are also some conditions that could be beneficial for the emergence of developmental states in Central Asia. As Spechler argues, the Soviet Union had a positive influence in the region in terms of infrastructure and physical capital that is comparable to the Japanese legacy in Korea and Taiwan (Spechler, 2000a). Furthermore, while external threats are largely absent, ethical heterogeneity in the Central Asian republics may represent an internal threat that leads to similar positive results if the regimes come to the conclusion that they have to seek legitimacy because the possibility of internal unrest endangers their position.

5 Conclusions and suggestions for further research

In many ways, the East Asian developmental state represents a suitable reference model for the Central Asian transition economies. The conditions in Central Asia in the political sphere are more similar to the authoritarian governments at the beginning of the fast growth in East Asia than they are to the developed Western economies. However, it remains highly questionable whether the Central Asian republics will really enjoy economic success that is in any ways similar to the East Asian experience. Until now, the regimes in the region still have to prove that they are committed to economic development and there is not concrete evidence that distinguishes the Central Asian regimes from authoritarian governments in the vast number of developing countries that have not been able to accede to the group of developed economies.

Among the Central Asian economies, it seems that Uzbekistan is the countries that have better chances to pursue the path of a developmental state. As Spechler argues, the Uzbek government has already proclaimed that it will rather seek to emulate Japan and South Korea than the liberal Western economies (Spechler (2000a; 2000b). It remains to be seen how credible this commitment is, since the external threats to Uzbekistan are not particularly strong.

The scope of this paper has been limited and therefore, the analysis has to remain rather superficial. For further research, it would be beneficial to conduct a more thorough and detailed analysis of the Central Asian republics. However, both reliable data and scientific research on these economies is comparably sparse, which makes this task quite challenging. Furthermore, it would make sense to incorporate not only the most prominent examples of developmental states, namely Japan, South Korea and Taiwan into the analysis, but also economies that were recently able to catch up with the high-income countries such as Malaysia, Indonesia and Thailand. These countries have more natural resources and faced less external threats that their Northeast Asian peers. In spite of this comparative lack of exogenous constraints, the governments of these countries have achieved an impressive growth record.

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