**Pacific Asia: Economic Interdependence and the Developmental state**

**Administration**

**21107321 Lee Seon Ju**

Asia provides essential material for the debate over whether the international economy can be seen as one system or as an interplay between three regional economies. The recent dramatic collapse of many national economies in the region demonstrated the interconnected nature of global finance and also led to a vigorous debate over the impact of globalization on the region.

The rise in the international status of cities such as Singapore and Hong Kong and the economic strength of national economies such as Japan mean that any claim for a global economy operating, as an integrated system, across the world has to encompass these cities and countries.

As we will see, there are many differences between the Asia pacific region and the North American and European regions that we have already explored.

▶ From economic miracle to economic crisis

This region has exhibited extreme contrasts of economic fortune in its recent history. Over the last twenty years the economy of the region has become increasingly globalized with large inflows of capital.

The economic development of the region has been labeled as following the 'flying geese' model. This model describes the development of the regional economy driven by the gradual and international diffusion of technology and economic roles.

Japan is the lead 'goose' and as it develops economically it draws behind it other national economies in a V formation. Japan is followed by the Asian new industrializing economies of Hong Kong, Singapore, South Korea and Taiwan, then ASEAN countries and then China.

Over time a complex network of economic linkages develops with cities at the heart of the connections.

The literature on the 'miracle' tends to polarize between market and state explanations. In 1993, Although arguing the sources of success lay in macro-economic policies, made some concessions to the idea that state intervention had sometimes, though exceptionally, had a positive impact.

Such explanatory differences also appear in the analysis of the crisis. Institutional investors and speculators became worried about the region and started to move capital out. This had a major impact on the urban environment as many sites that were cleared for development, often involving the displacement of communities, remained vacant.

The crisis was caused by states not responding to market signals.

Opening up the Asian economies has led to the 'inflow of short-term speculative "hot money" and the search for easier profits in land, property and stock market speculation'.

As the region moves out of crisis, the experience has demonstrated variation in both the economic ability of a country to withstand the pressures.

▶ Implications of 'catch up'

Some of the cities of the region are the most polluted in the world, although again there is considerable variety across the region. Those with the highest level of economic development have now generally solved problems of industrial pollution.

The quality of the environment is also an important factor in the intercity competition the attract scientific, high technology and research based industry. One of the post crisis effects has been a greater consideration of the environment. The region has experienced some major environmental disasters, such as the forest fires in Indonesia, that have had an impact beyond national boundaries.

▶ Developmental state

State intervention was designed ‘to restrain competition in order to concentrate resources in strategic in strategic industries and maintain orderly economic growth. The state had to orchestrate a process of ‘catch up’ and provide support to national companies that economic growth became the primary aim of government.

The ‘developmental state’ was developed in the context of industrialization but how did it respond to the newer economic forces of globalization? The push of the powerful international lending agencies has been for deregulation and privatization in national economic planning and this has usually been the condition for loans. This has a particular impact in pacific Asia given the developmental state legacy.

If Asia retains its state involved approach then of course it destroys the argument that globalization leads to a powerless national state.

One of the features of this region is the role played in economic development by the nation state. This role is usually given the title ‘developmental state’.

▶ City hierarchies and networks

The global economy has led to the integration of economic activities in the region. It has also led to interdependency between cities. The interdependency has arisen from both market forces and the active involvement of nation states. World cities in the region have been formed a result of two main forces, the decisions of transnational corporations of locate activities within the cities and the governments active promotion of the city’s development.

Global industrial centers include Bangkok, Jakarta and Shanghai. Typical of these cities is a decline in agriculture and a rise of industrial concentrations in the outer rings of the city, including government sponsored industrial parks.

Geographically this functional city system has developed within an urban corridor stretching from Seoul and Tokyo through Shanghai, Taipei and Hong Kong to Bangkok, Singapore and Jakarta.

▶ Cities

The cities of the region have been growing fast as a reflection of the ‘miracle’ performance of their national economies.

All cities aspiring to world city status have been developing high quality central business districts that can cater for international standards. This effort has usually included the creation of landmark buildings to provide the appropriate image of dynamism.

This creates great contrast between the existing population and new globally oriented activities.

Often there is a political dimension to this spread as administrative boundaries divide areas, leading to clashes of political priorities.

Competition for inward investment has also led to the proliferation of deregulated spaces, of free zones, throughout the region, for example the Shenzhen and Pudong special economic zones.

▶ Local pressures

The developmental state involves the acceptance of strong national leadership and this can be detrimental to public participation.

Now pressures building up in many states to challenge the centralized approach and bureaucratic domination. These pressures are likely to provide the impetus for a reformulated approach in the future and there have been moves towards more accountable and elected government.

Regimes can no longer rely on the development state model of offering economic growth as an alternative to political involvement. New forms of legitimacy are needed.

City government and urban planning can play a key role in making decisions more transparent and moving away from the old triad of national politicians, bureaucrats and developers.

Whatever route adopted, national and city governments in this region are likely to have a role in shaping the future.