China’s Development Policy Compared with Japan’s and the NIEs’:
The “Flying-Geese” Paradigm of Stages-Specific Strategies

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Abstract

China’s economic ascent owes much to its proactive policy for catch-up development. Despite their different historical backgrounds, there are many similarities between China’s current catch-up development policy and Japan’s early postwar and the NIEs’ more recent counterparts. They all have succeeded in quickly modernizing their economies by absorbing Western technologies and emerging as economic powers. Japan’s success, along with the NIEs’, clearly had strong demonstration effects on China’s decision to follow the paths of its neighbors’ catch-up by opening up to, and capitalizing on, the capitalist world. No doubt, China must have studied closely how other East Asian economies had achieved their economic successes. After all, all Asia’s “miracles” have been made under the liberal capitalist order of trade and investment created by the advanced West, especially by the United States. Yet East Asia did not succumb to the Washington Consensus and instead formed the “Beijing-Seoul-Tokyo or BeST” Consensus for development (Lee, Mathews, and Wade, 2007).

Catch-up growth is basically “derived” in the sense that any latecomer learns from and adopts the leading countries’ patterns of technological and industrial development. China woke up to this opportunity and quickly opened the doors for the world. This pattern of emulation has been replicated in the latecomers’ growth processes across the region, as posited in the “flying-geese” theory of tandem growth and regional agglomeration (Ozawa, 2009, 2011a).

The financial dimension of catch-up growth is equally as crucial as real-sector development, since how to raise capital for, and finance, a process of structural change in the real economy is of paramount importance in emerging economies.
One feature of China’s development strategy distinct from its East Asian brethren is that it is far more outwardly open and integrative, far more strongly market-driven, and far more consumption-oriented than the “closed-economy” strategy of infant industry protection and restrictive importation of luxuries pursued by early postwar Japan (Ozawa, 2011b). Japan is perhaps the very last country that successfully adopted the conventional Listian tradition of infant-industry protection, even minimizing inward FDI at home. Taiwan and South Korea, though more open to foreign multinationals, also adopted the conventional protectionism of import-substitution for high-technology industries (Ward, 1990; Noland and Pack, 2003).

The key themes of this paper are (i) catch-up growth involves structural changes up the ladder of economic development, (ii) the ladder, therefore, needs to be defined (here in terms of a reformulated FG model of industrial upgrading), (iii) catch-up policies must adapt to different stages of growth, and (iv) within this analytical framework China’s catch-up strategies are examined in comparison with its more advanced neighbors’ experiences.

References


