



The Political Economy of East Asia

(BPEP-SHU 9042)

Monday & Wednesday
3:45 pm – 5:00 pm
Room N202

Instructor: JING QIAN

Logistics

- Check your attendance record on Brightspace
- Complete the Group Formation Form by 11:59pm TODAY
 - Assignment begins on Tuesday and announced on Wednesday
 - More about the group project on Wed.
- Quiz 1 ends at 11:59pm TODAY
 - Quiz 1 grade available on Tuesday
 - Quiz 1 recap on Wednesday

Let's continue





Hong Myung-bo
Head Coach,
South Korea Men's National Soccer Team



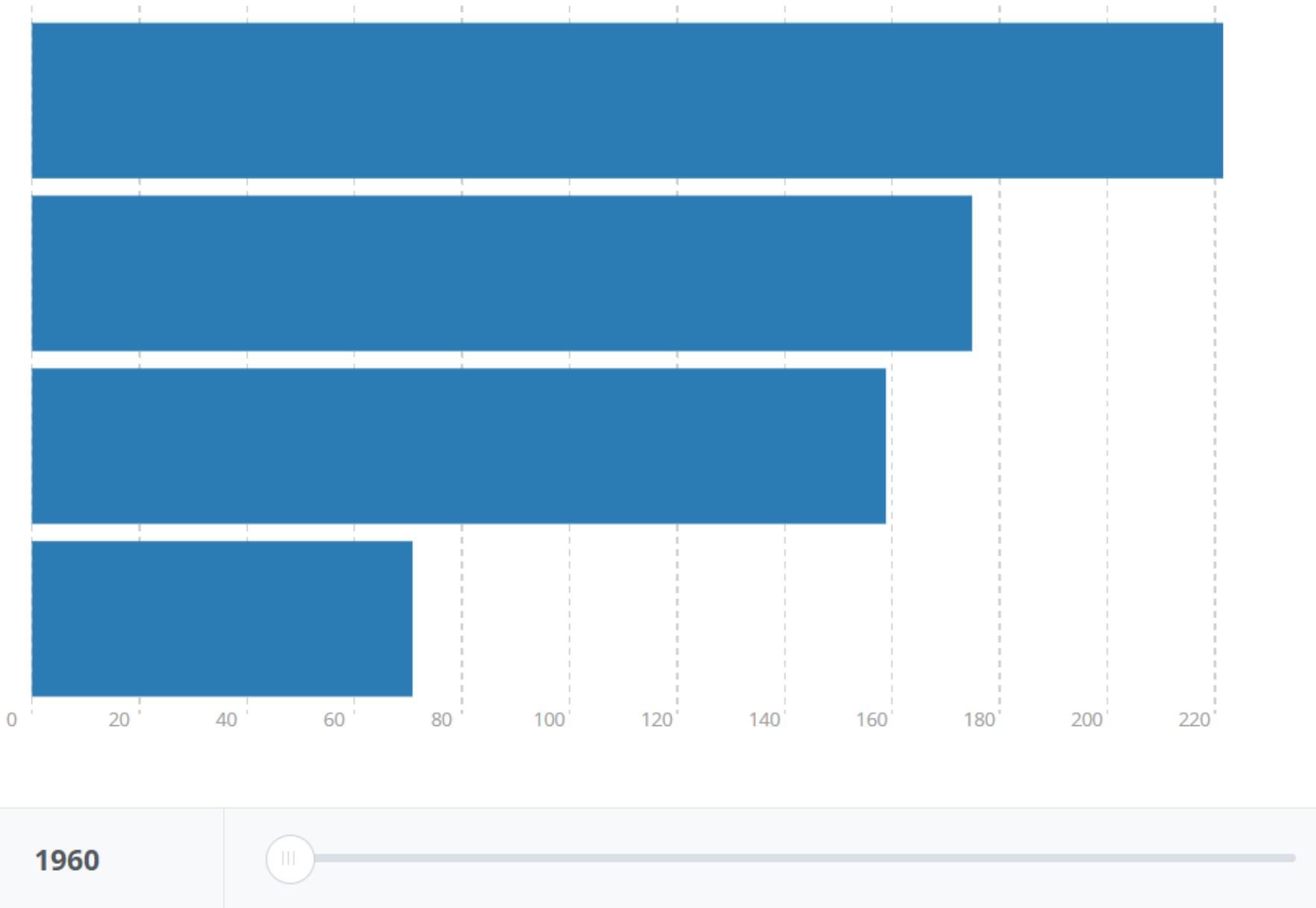
Pohang Iron & Steel Co., Ltd

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Which bar is :

- Ghana
- Haiti
- South Korea
- Zambia

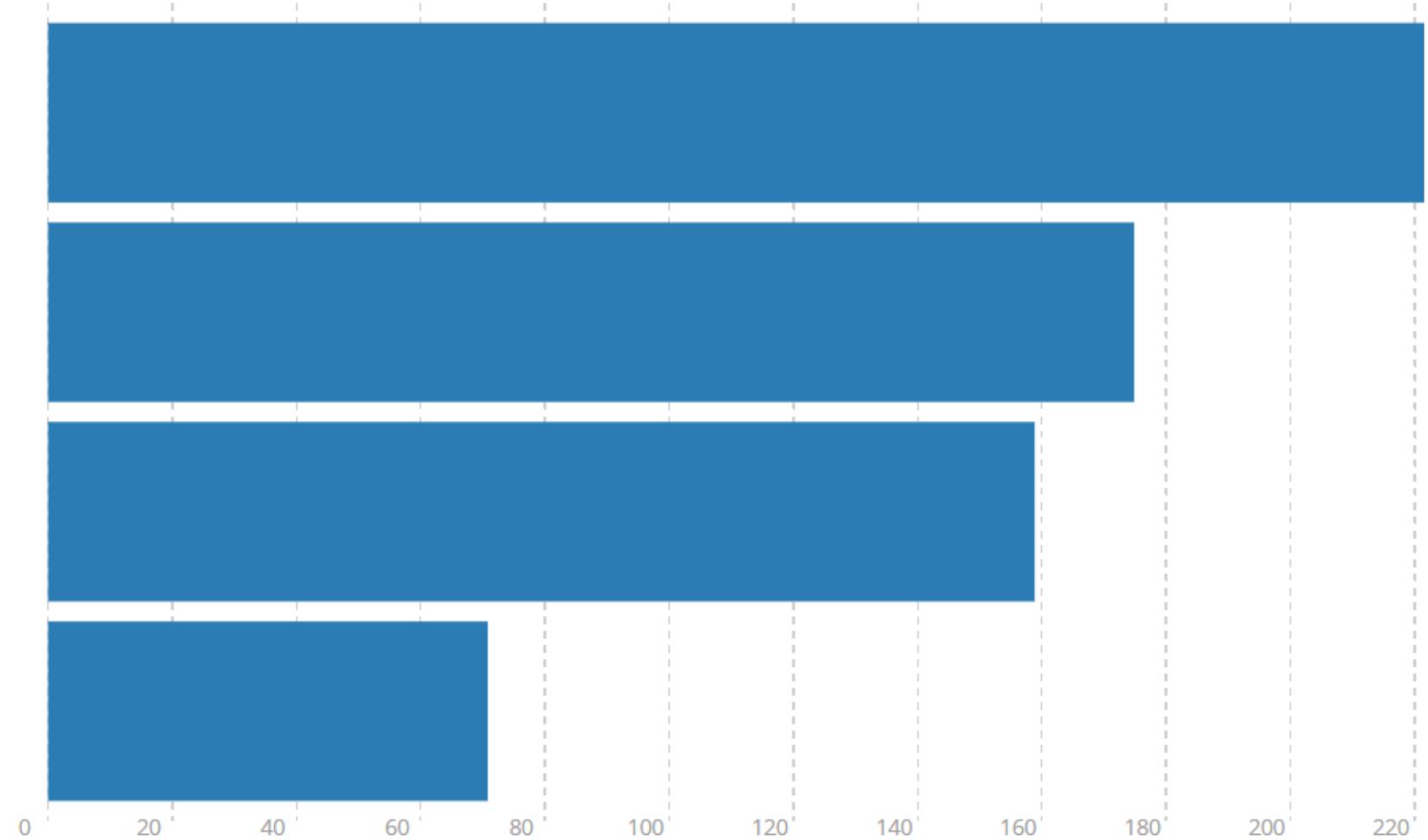


Zambia

Ghana

South Korea

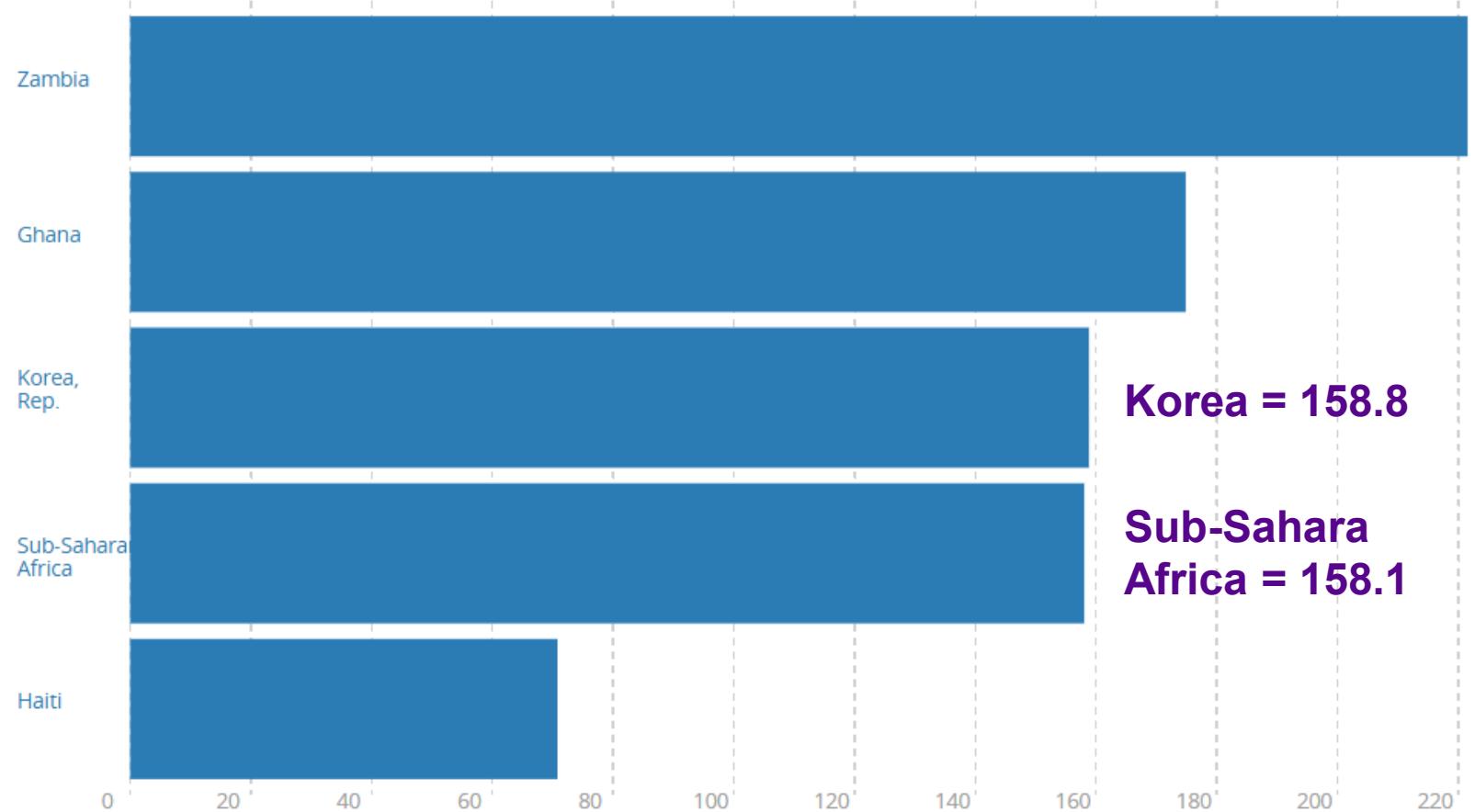
Haiti



1960

III

S. Korea was REALLY POOR in the 1960s



1960



GDP per capita in 1960

South Korea Wants An Integrated Steel Mill



WORLD BANK GROUP

"expressed the view that an integrated steel mill in Korea was a premature proposition without economic feasibility"

"[South Korea] had no comparative advantage in the production of steel"

1968

- **Apr. 1** Established Pohang Iron and Steel Company. Mr. Tae-joon Park took office as its first president
- **May 20** Opened the Pohang Construction Office, dubbed Rommel House



Top producers by volume [edit]

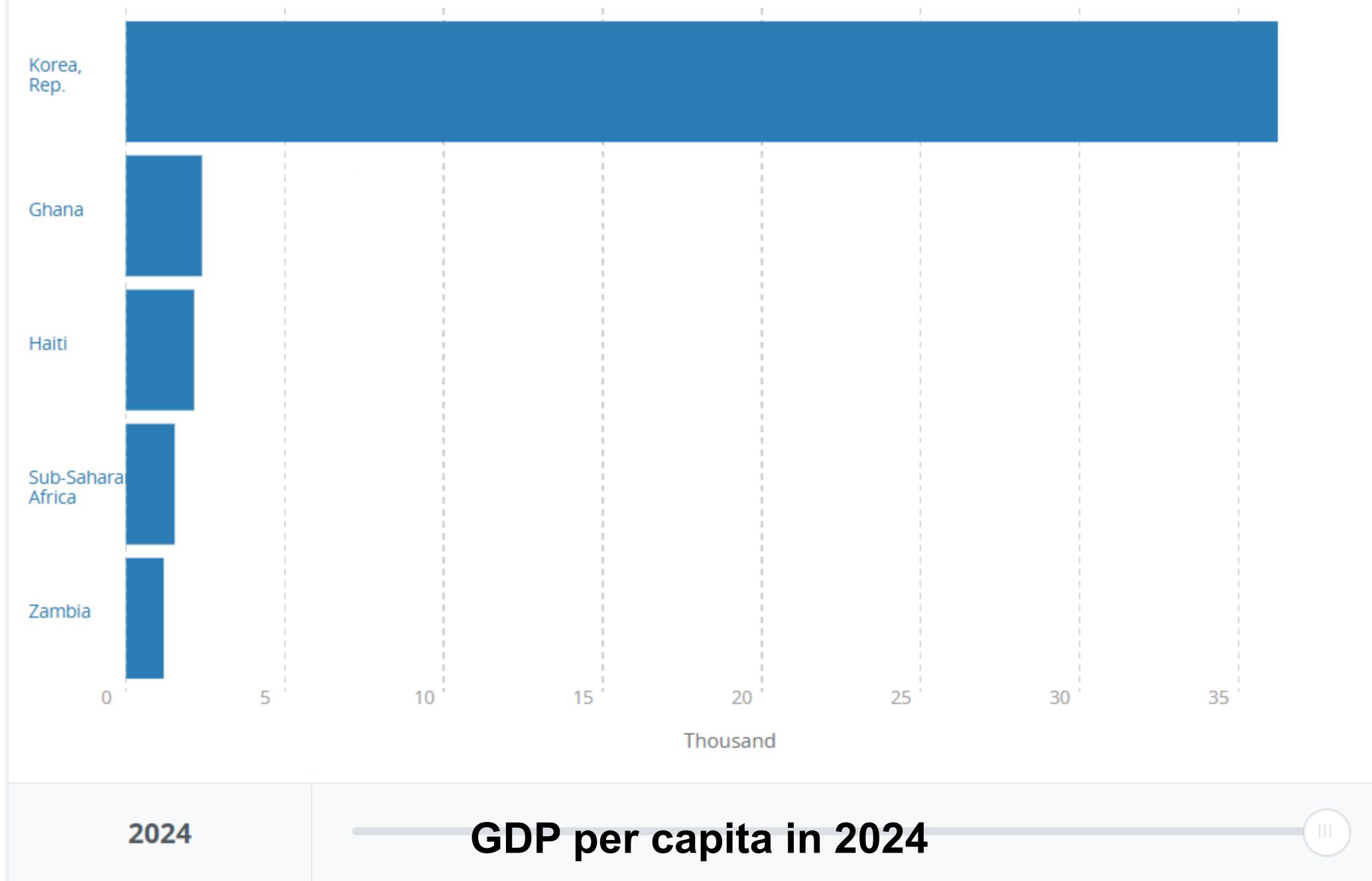
Nº	Company	Country	2024[1]	2023[2]
1	Baowu	China	130.09	130.77
2	ArcelorMittal	Luxembourg	65.00	68.52
3	Ansteel Group	China	59.55	55.89
4	Nippon Steel	Japan	43.64	43.66
5	Hesteel Group	China	42.28	41.34
6	Jiangsu Shagang	China	40.22	40.54
7	POSCO	South Korea	37.79	38.44
8	Jianlong Steel	China	39.37	36.99
9	Shougang	China	31.57	33.58
10	Tata Steel	India	31.02	29.50



Seoul in 1950s



Seoul in 2020s







Shanghai in 1996



Shanghai in 2017

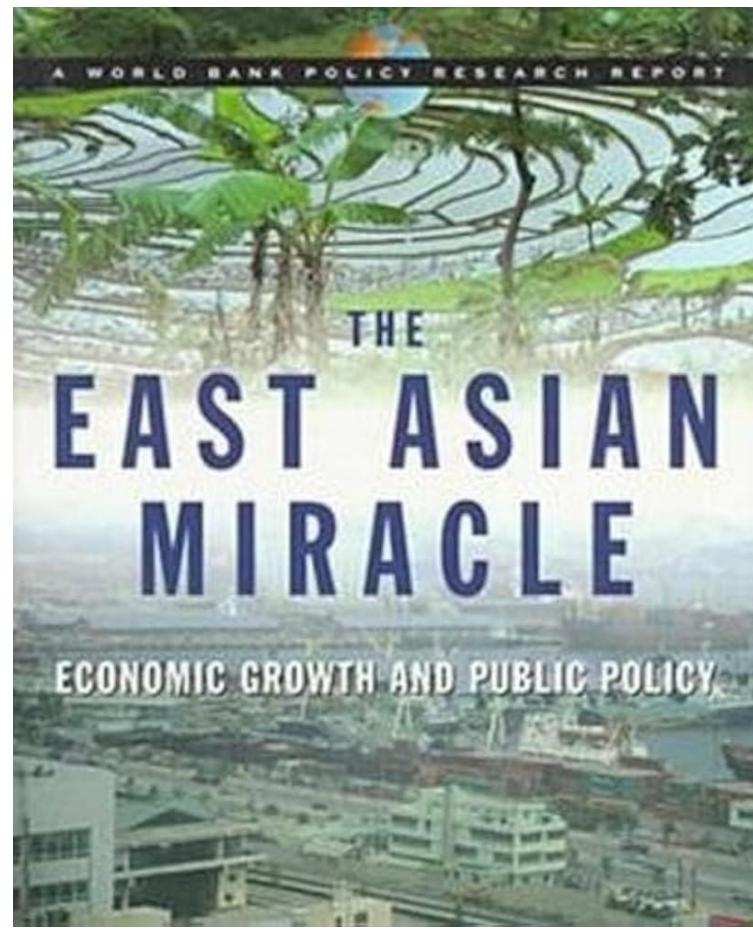
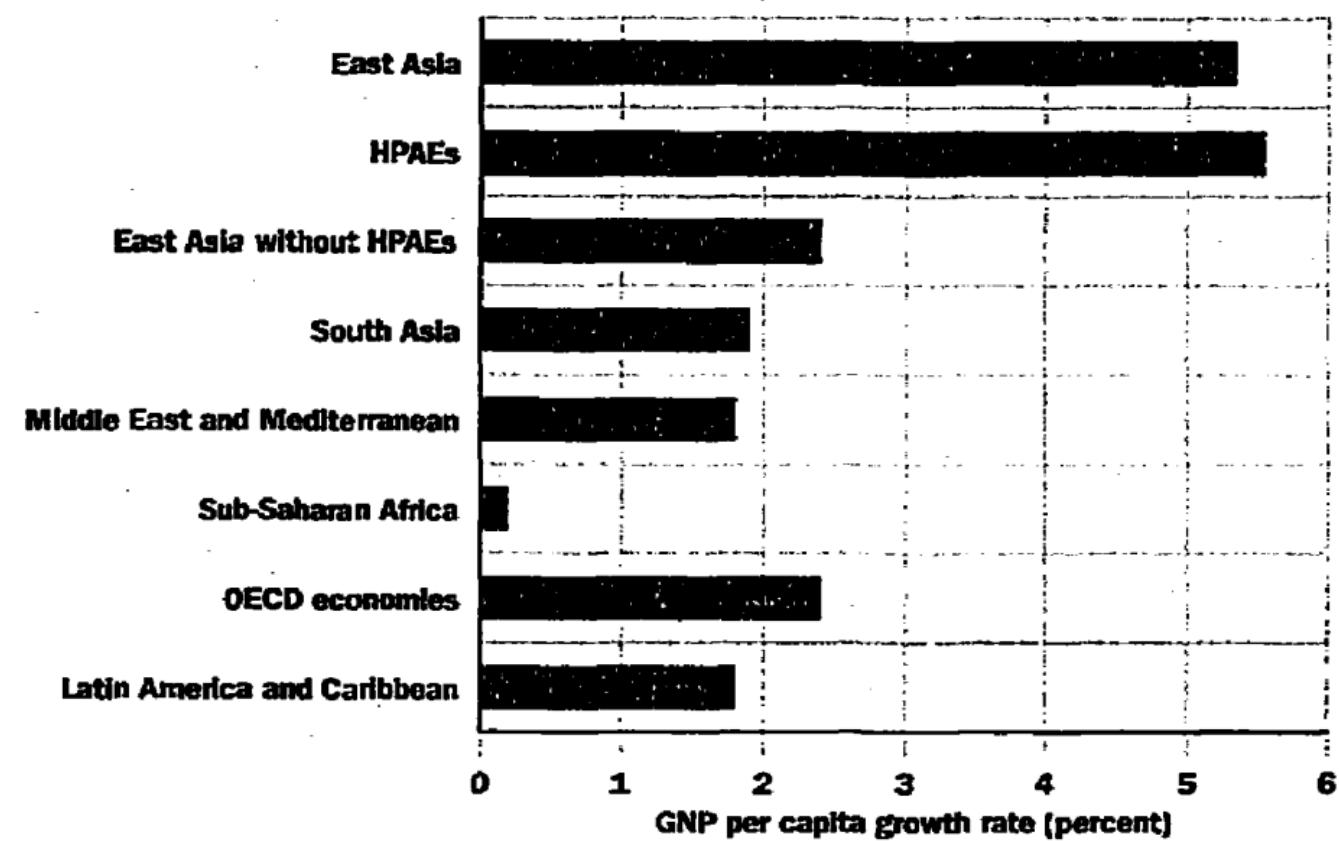


Figure 1 Average Growth of GNP per Capita, 1965–90

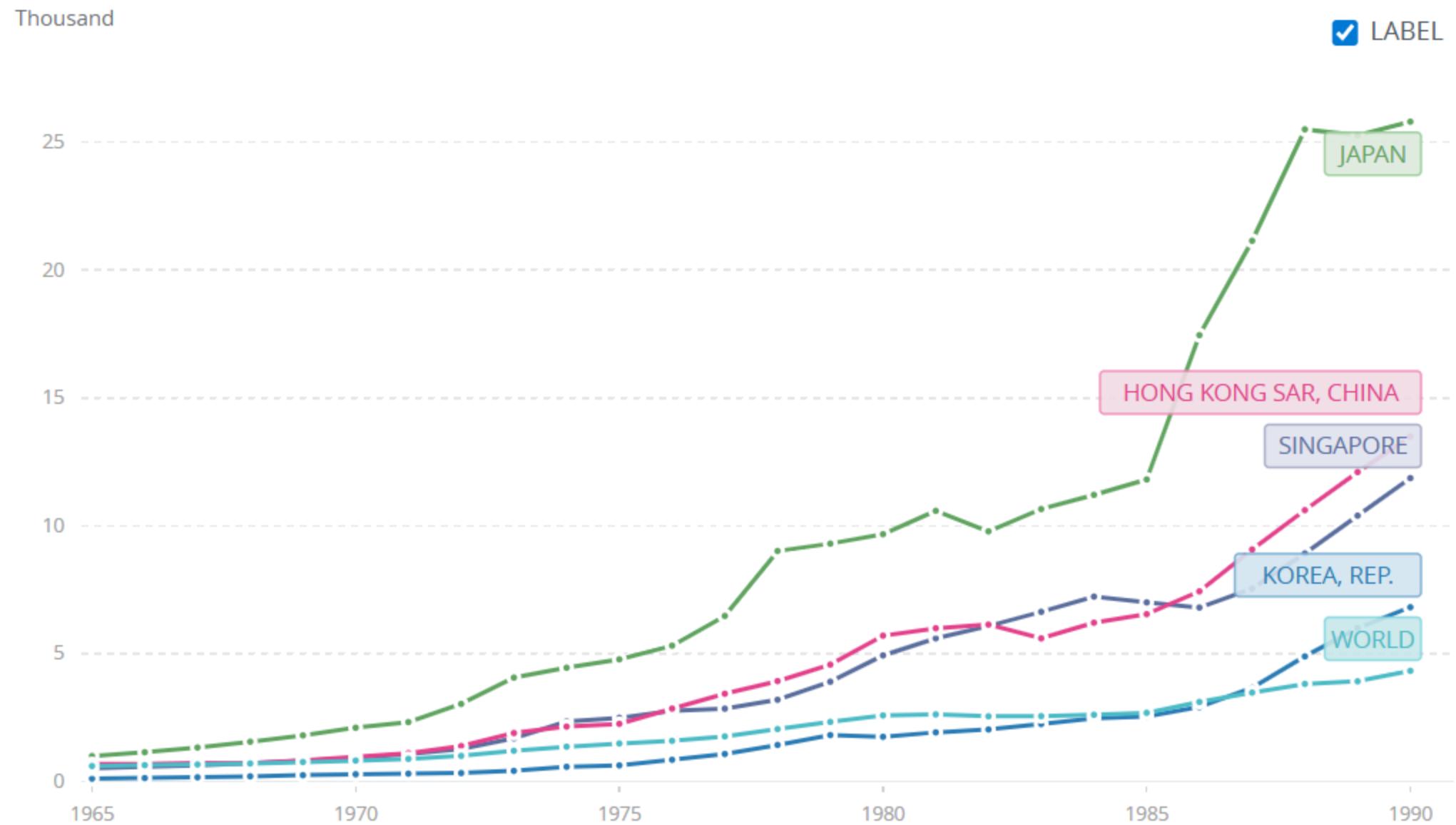


Source: World Bank (1992d).

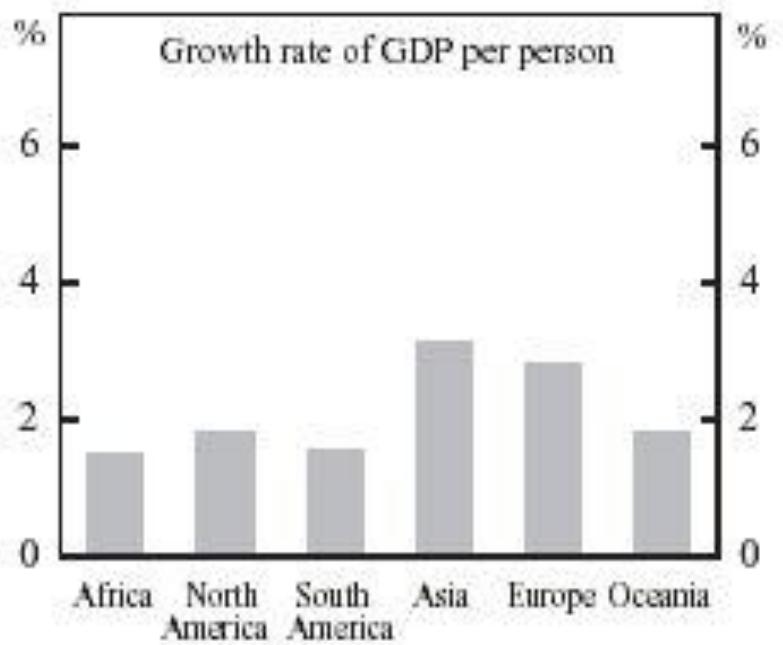
High-Performing Asian Economies (HPAEs)

- **Japan**
- **Four Tigers**
 - Hong Kong, South Korea, Singapore, Taiwan
- **Newly Industrializing Economies (NIEs)**
 - Indonesia, Malaysia, Thailand

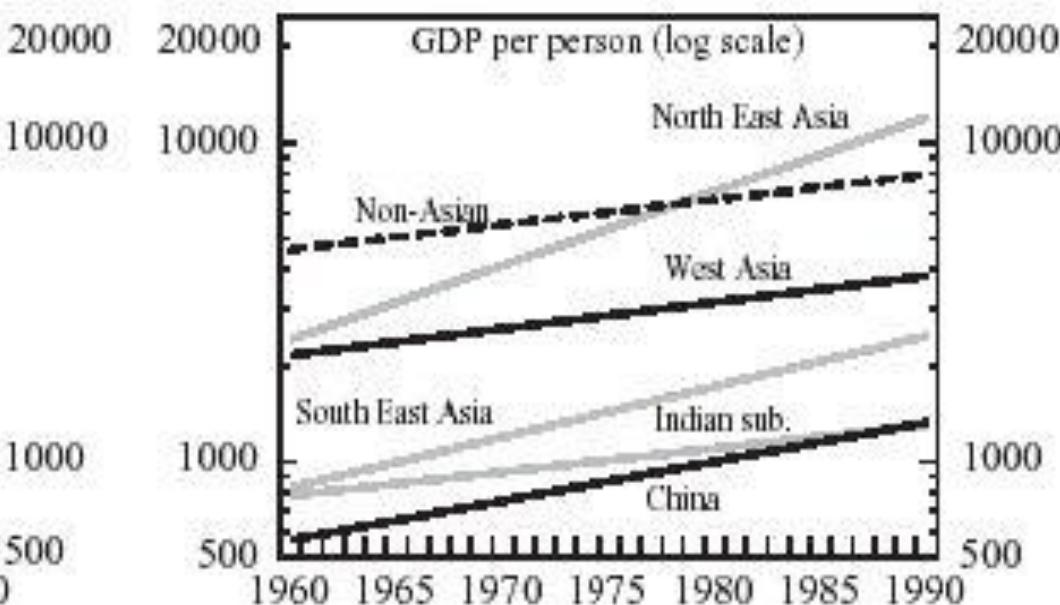
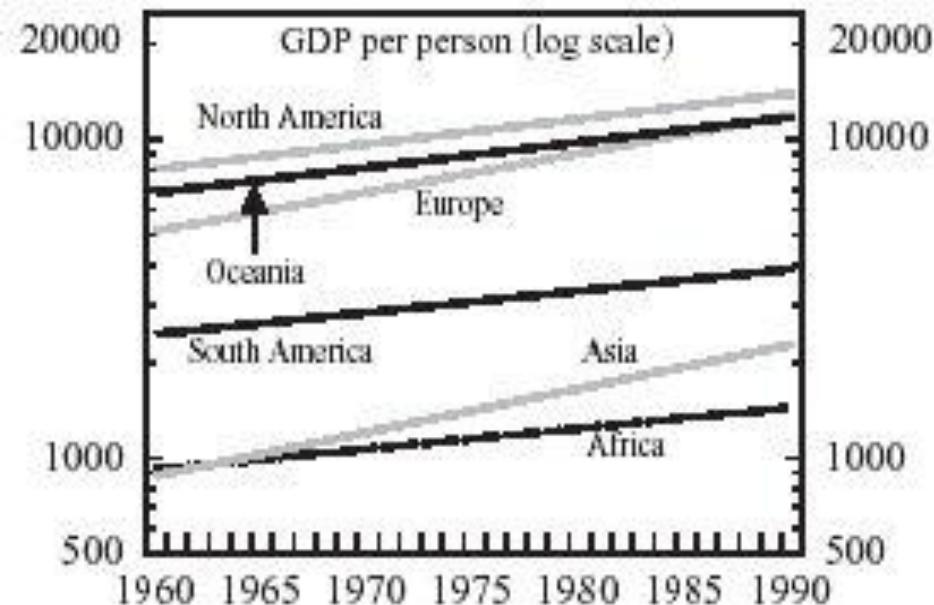
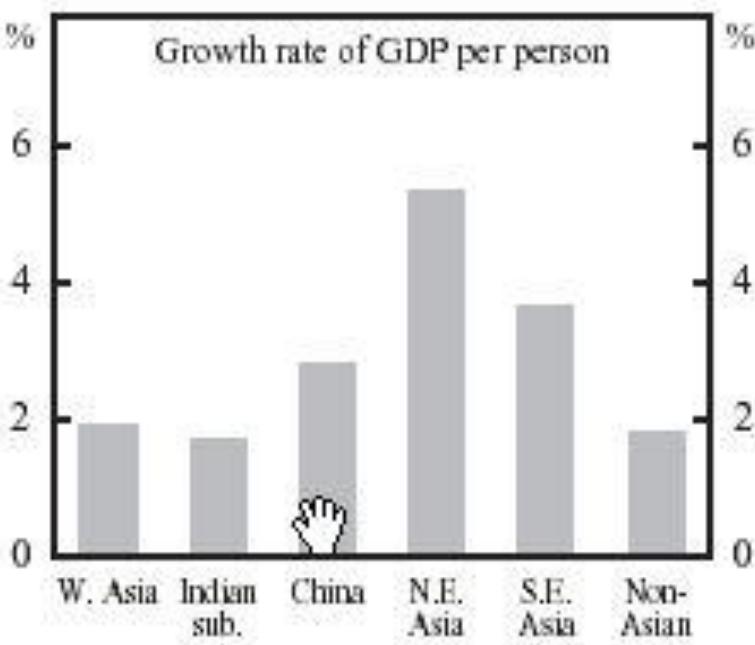
High-Performing Asian Economies (HPAEs)



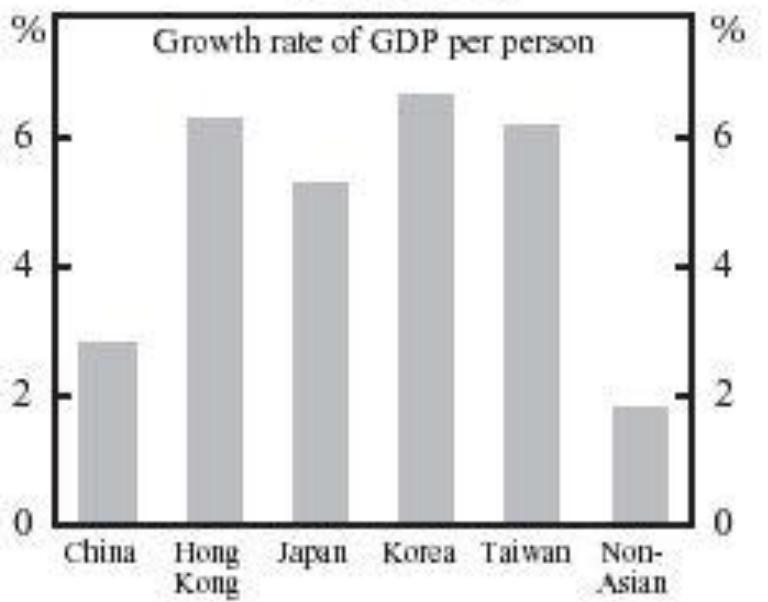
**Figure 1: World Growth
(1960-1990)**



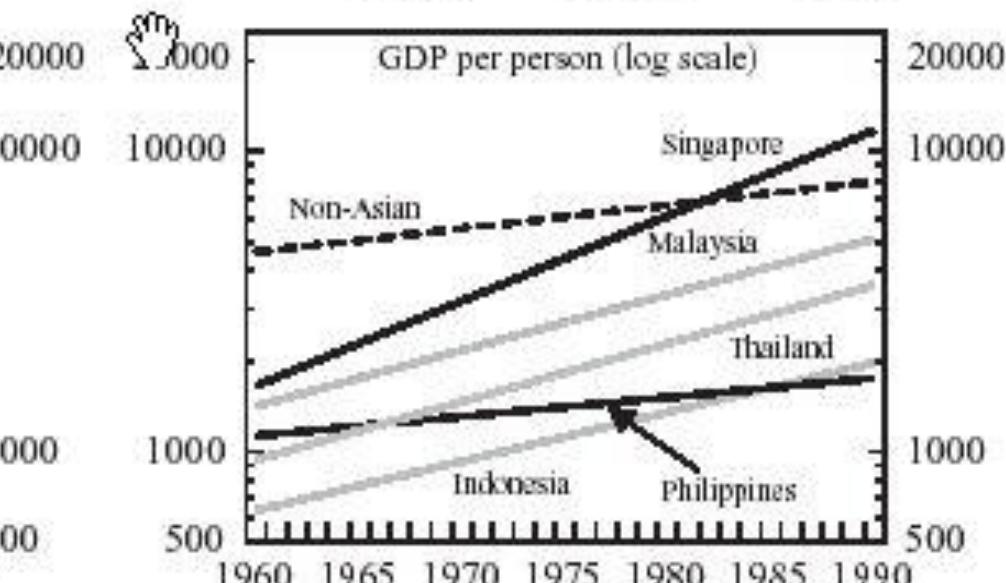
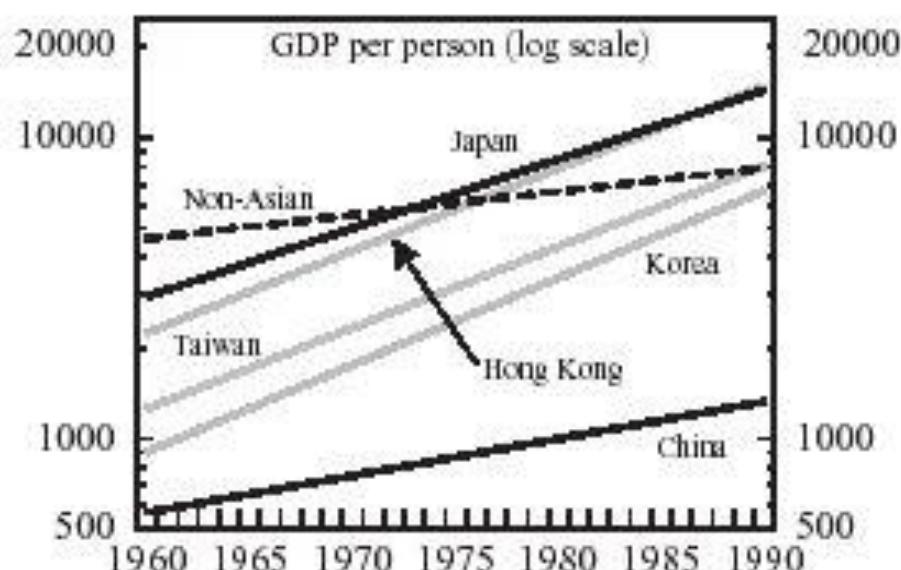
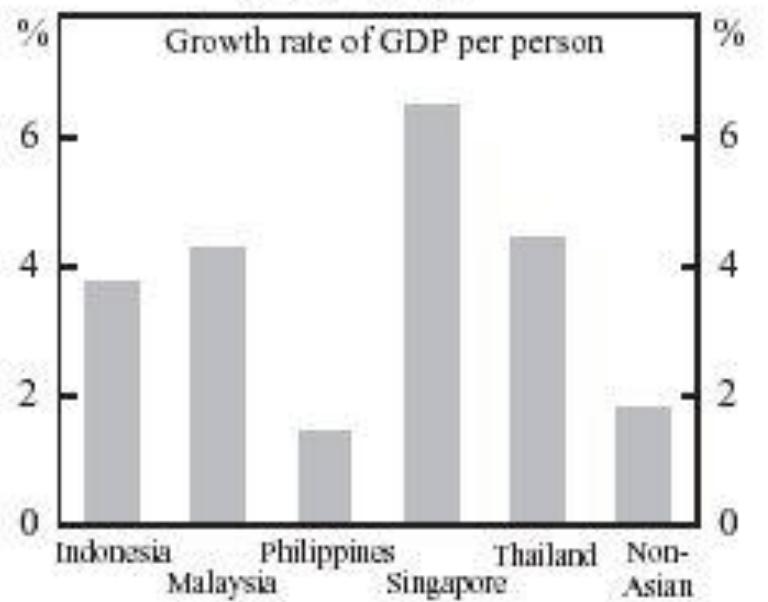
**Figure 2: Asian Growth
(1960-1990)**



**Figure 3: Growth in North-East Asia
(1960-1990)**



**Figure 4: Growth in South-East Asia
(1960-1990)**

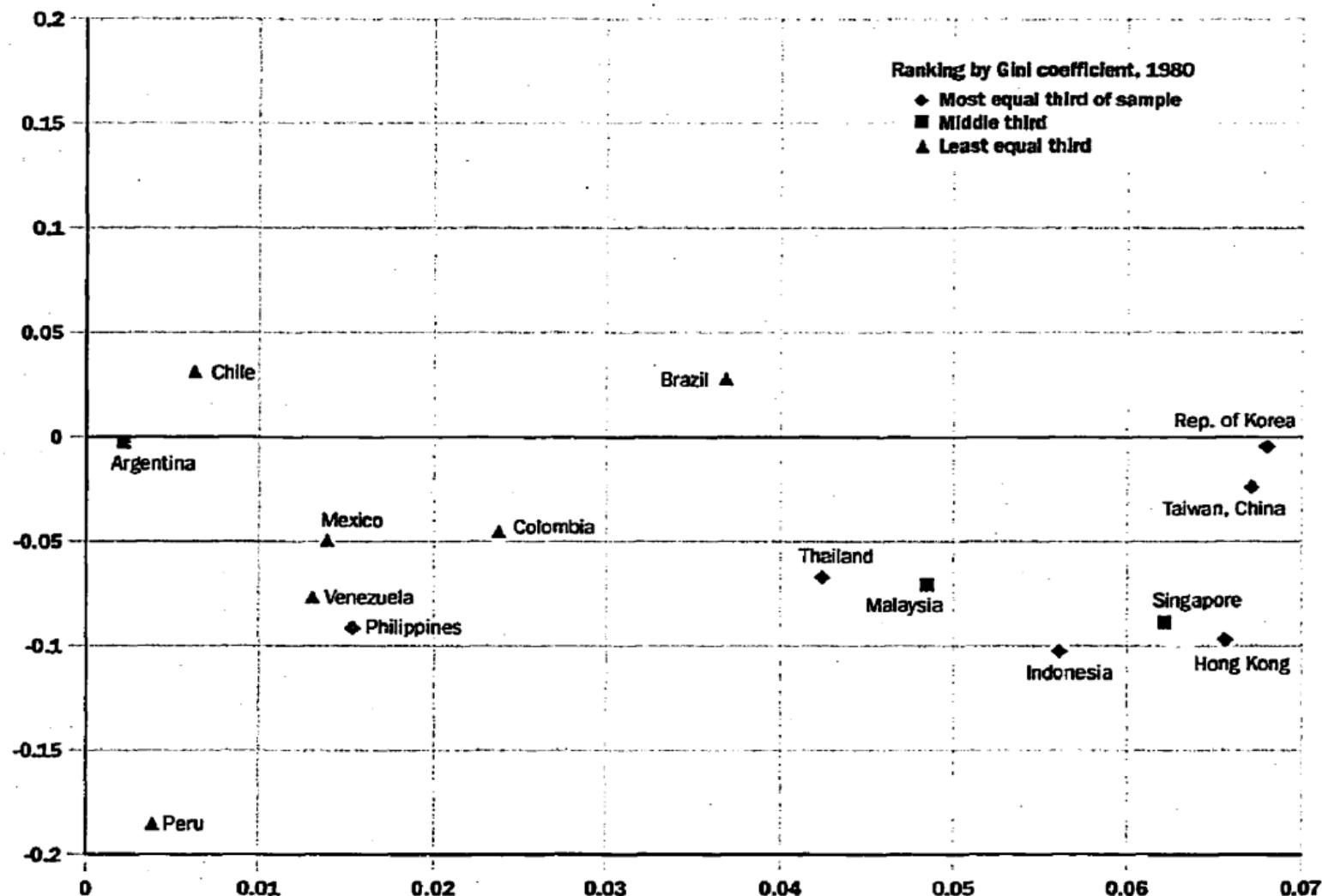


Note: GDP per person measured in PPP 1985 dollars.

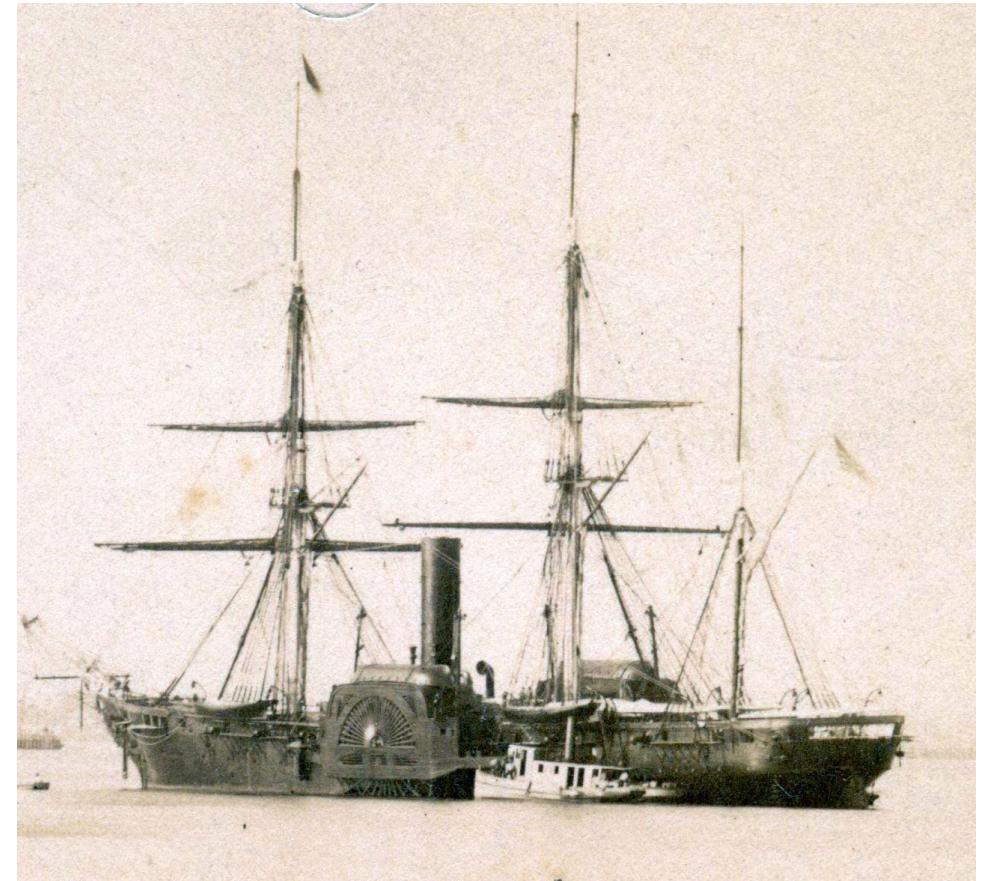
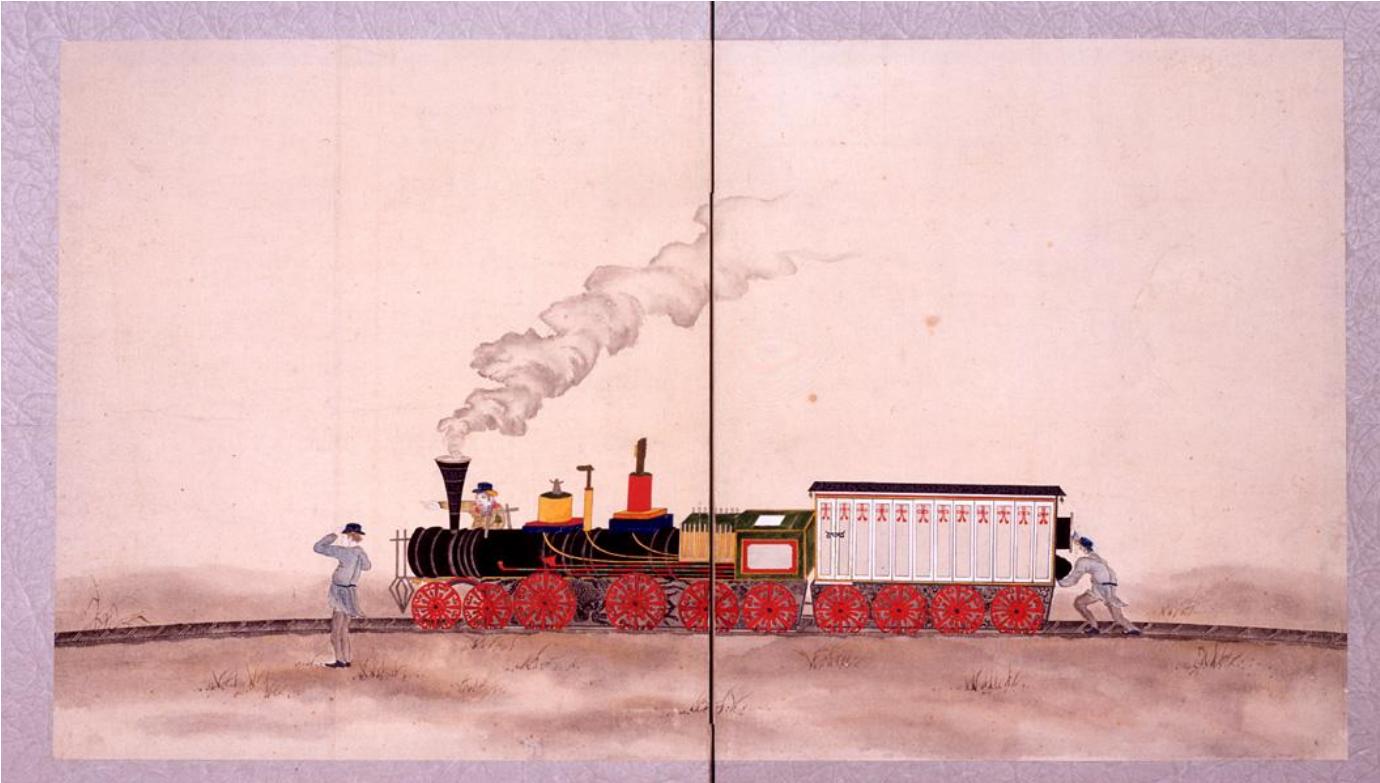
Rapid Growth with Equality

Figure 3 Change in Inequity and the GDP per Capita Growth Rate

Change in average Gini coefficient (1980s minus 1960s)



The Locomotive and Black Ships



Susquehanna
Perry's "Black Ship"

Meiji Restoration



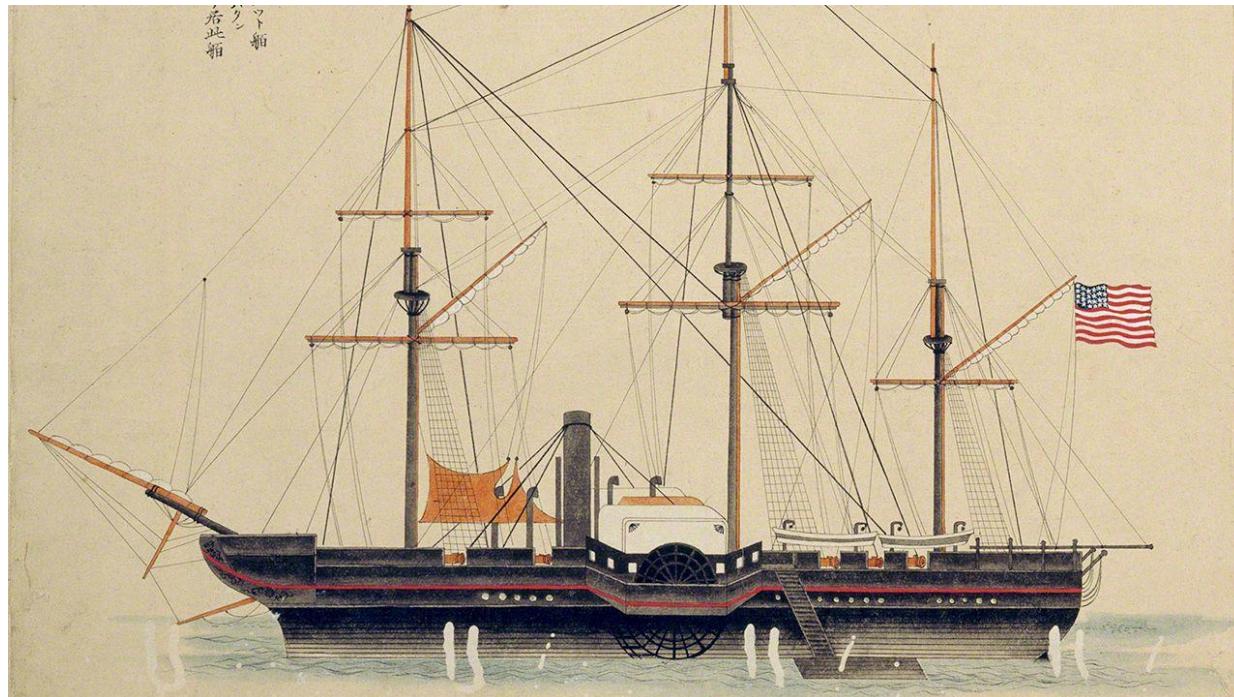
Meiji Restoration



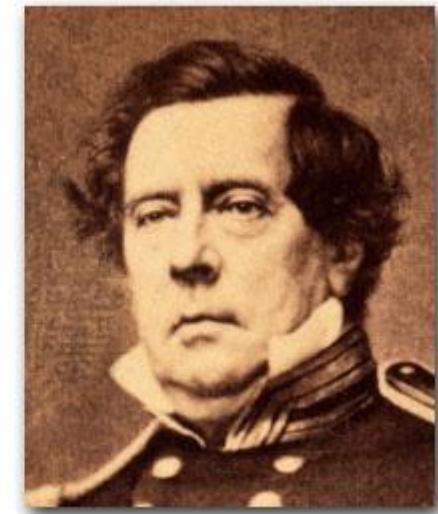
Emperor Meiji 明治天皇
1851-1912

- **Institutional Modernization:** Political centralization and abolitionment of the feudal domain system
- **Datsu-A Ron (“Leaving Asia”):** Ideology of abandoning the “stagnant” East to join the “civilized” West as a survival strategy
- **Fukoku Kyohei:** “Enrich the country, strengthen the military” — modernization as a defensive reflex against Western colonization

Matthew C. Perry's Arrival at Japan (1853)

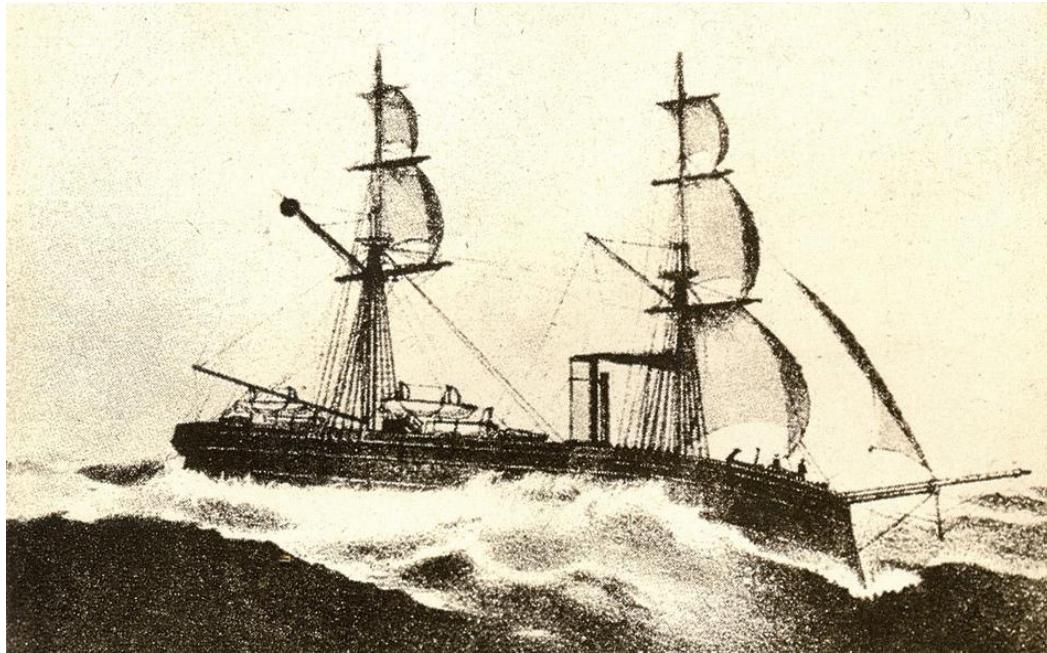


“Black Ship”



Matthew C. Perry
(1794 – 1858)

The Ganghwa Island Incident (1875)



Japanese Gunboat Un'yō



Inoue Yoshika
(1845 – 1929)

Japanese Colonization of the Korean Peninsula

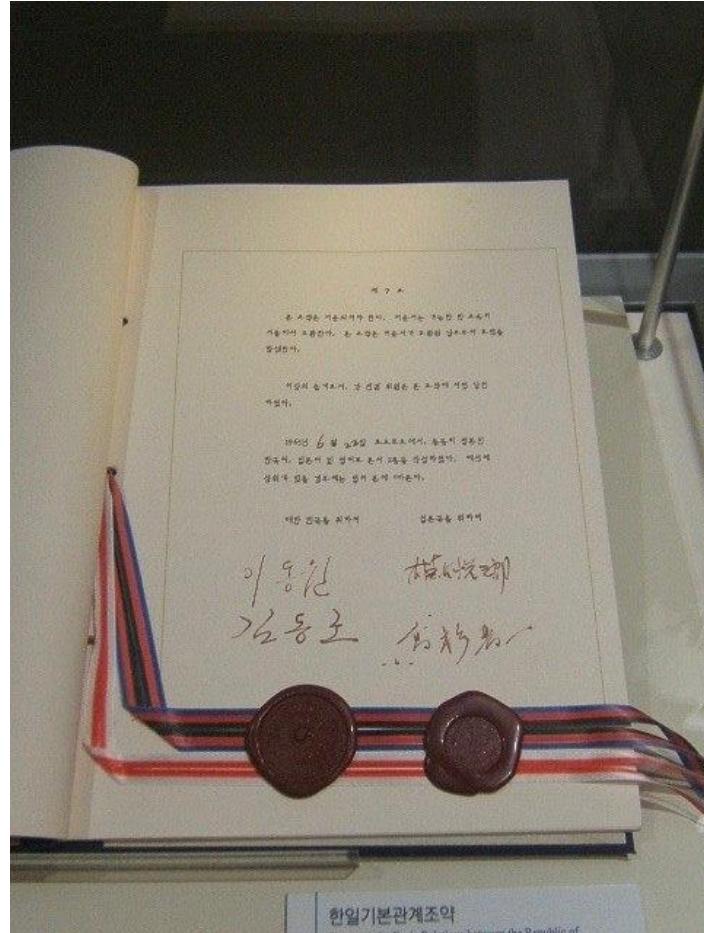
- **1876 Treaty of Ganghwa:** Japan mimics Western gunboat diplomacy; "opens" Korea and legally severs its tributary ties to China.
- **1895 Treaty of Shimonoseki:** Following Sino-Japanese War, China cedes **Taiwan** and recognizes Korea's "independence" (removing Chinese influence).
- **1905 Eulsa Treaty:** Japan wins Russo-Japanese War; Korea becomes a **protectorate**, losing all diplomatic sovereignty.
- **1910 Annexation:** Korea formally colonized; Japan begins "**Developmental Colonization**" (building the industrial foundation for later growth).



The Logic of Expansion

- **Social Darwinism:** Meiji leaders believed Japan must be a "player" or a "prize."
- **Security Cordons:** Neighbors viewed as "vacuums" of power; Japan must fill them before the West does.
- **Resource Trap:** Industrialization required coal/iron that Japan lacked; colonies provided captive markets.
- **Legacy:** This era built the "Industrial Skeleton" (railroads, steel mills) that stayed in place after 1945.

The Treaty on Basic Relations Between Japan and the Republic of Korea (1965)



- **Normalization** of relations between Japan and Korea
- **Invalidate** all previous unequal treaties
- Settlements of claims (**reparations**)
 - \$300 million grants
 - \$200 million low-interest loans
 - \$300 million private loans

posco

A Tale of Two Chips

The Conglomerate

- Makes Everything
- ~ 20% Korea's GDP



The Foundry

- Makes One Thing
- ~ 70% Market Share

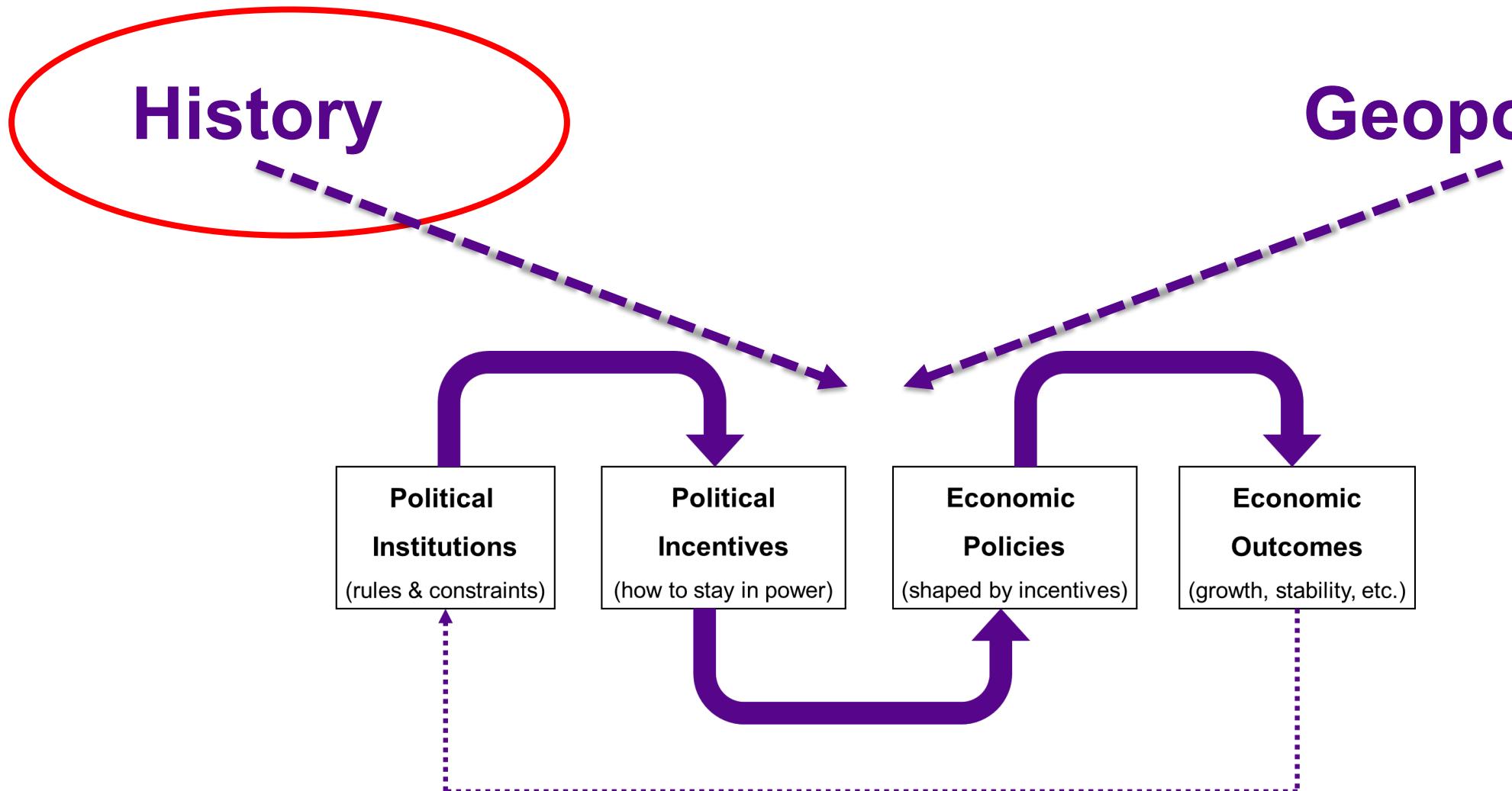


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Foundation II: History

The Imperial Legacy of Japanese Colonialism

- Initially: Taiwan and Korea as agricultural appendages
- Early 1930s: War Preparation
 - Industrial development
 - Heavy industries
 - Economic infrastructure
- Initial industrial foundation for Samsung and TSMC



History

Geopolitics

**Political
Institutions**

(rules & constraints)

**Political
Incentives**

(how to stay in power)

**Economic
Policies**

(shaped by incentives)

**Economic
Outcomes**

(growth, stability, etc.)



The Asian “Anti-Communist Bulwarks”

The Cold War in Asia, 1945–1960



Geopolitical Foundation: The Cold War

- American Occupation in Japan
 - Break up industrial concentration -> greater competition
 - Land reform -> improved agricultural production
 - Democratize labor -> Higher wages & consumption
- Land reform in Taiwan and South Korea using aid as leverage
- Forge close economic ties between Japan and Taiwan, South Korea, and Southeast Asia
- Direct economic benefits with military procurement and bases

Geopolitical Foundation: The Cold War

- “The East Asian Deal” — The Asymmetric Trade Deal
 - **US Side:** Opened the world’s largest consumer market to East Asian exports with low tariffs.
 - **Asian Side:** Allowed to maintain “Infant Industry Protection” — high tariffs and subsidies — to build domestic brands (e.g., Toyota, Samsung) while excluding foreign competitors.
 - **The Security Subsidy:** The US "Security Umbrella" allowed these nations to keep military spending exceptionally low (often <1% of GDP), diverting massive capital into industrial investment instead.
 - **Technology Transfer:** Under the "Cold War umbrella," the US facilitated the flow of patents and technical "know-how" to its allies to accelerate their industrial catch-up.

Was There Truly a “Miracle”? ——“Paper Tigers”?

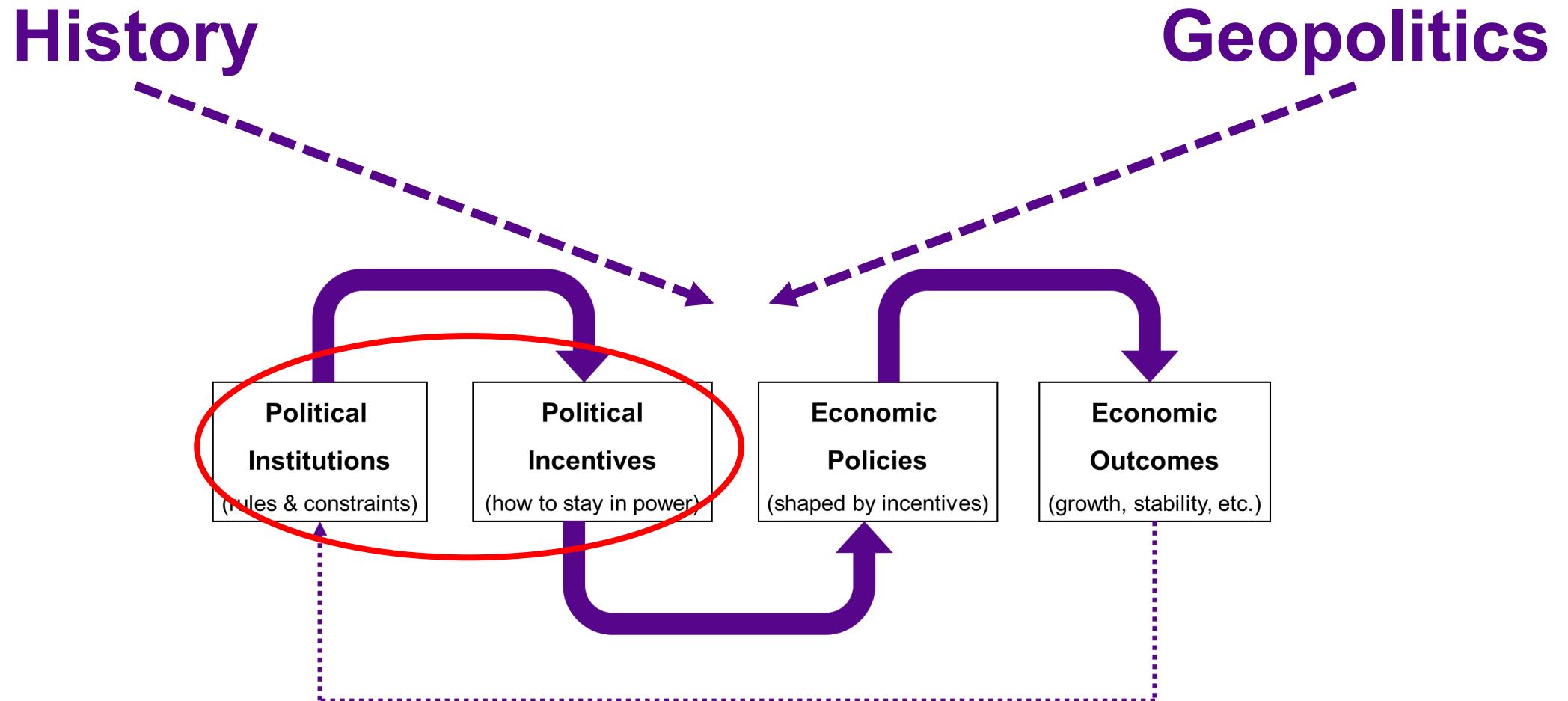
The Myth of Asia’s Miracle

Paul Krugman



- Soviet Union growth pattern
 - Mobilization of resources
- Asia growth pattern
 - Two-thirds of the growth **is input-driven**
 - The remaining third is attributable to increased efficiency or **total factor productivity (TFP)**
 - $Y = A * K^\alpha * L^\beta$
- *Once one allows for their rapid growth of inputs, the productivity performance of the “tigers” falls “from the heights of Olympus to the plains of Thessaly.”*

The Political Economy Process



Wednesday: Developmental States

Thank You!

