

**International Conference: Auckland Sessions**  
***Compressed Development in Emerging Asia***

**7 December 2011**

**Decima Glenn Room  
3<sup>rd</sup> floor, Owen G. Glenn Building  
12 Grafton Road  
Auckland**

**New Zealand Asia Institute, University of Auckland  
NZ Contemporary China Research Centre, Victoria University of Wellington**

*DRAFT 2 November 2011*

**International Conference: Auckland Sessions**

*Compressed Development in Emerging Asia*

**Wednesday, 7 December 2011**

**Background**

The Asian Financial Crisis of 1997-98 had serious repercussions for the ‘miracle’ economies of East Asia, and in the view of many undermined the credibility of the ‘East Asian model’ of economic development. A decade later the Global Financial Crisis had serious repercussions for many ‘western’ economies and, in the view of many, undermined the orthodoxy of the policies associated with ‘Washington Consensus’ institutions. Asian economies have once again become a focus of attention and debate, but what of their development models? Are recent developers, notably the emerging giants China and India, pursuing essentially the same models as ‘late developer’ exemplars Japan and Korea, or those prescribed by the ‘Washington Consensus’, or something different? If different, how different? With what consequences?

The Auckland Sessions build on the largely Japan-China comparison of the Wellington Sessions, with a somewhat wider geographical scope. There will be a particular focus on the time and timing dimensions of development in Asia, the importance of which have been recognised in concepts such as ‘compressed development’ (Whittaker et.al., 2010), ‘compressed capitalism’ (D’Silva, in preparation), and so on. Building on Gerschenkron (1962), these authors argue more or less explicitly that the path of development in Asia is far from uniform or unchanging, and that the ‘late development’ path followed by Japan and South Korea has become increasingly difficult if not impossible for current developers to follow, and that a new path which engages in global value chain (GVC) production dynamics rather than nationally bounded manufacturing systems has emerged. Developing GVC engagement can accelerate development, but also create limits and deficiencies. A key question is if these deficiencies in compressed developers will be short-lived or effectively permanent.

The most successful recent developers face compression in terms of development time or stages, such that sequential developments in early and even late developers now occur simultaneously. This produces new policy dilemmas in the realms of education, public health and social cohesion, and threatens new forms of unbalanced growth. At the same time, some of these challenges also confront the now-developed economies of East Asia, as well as industrialized economies in the West, adding an additional impetus for understanding the dynamics of compressed development.

While recognising the diversity and complexity of Asia in terms of history, endowments, political systems, and socio-cultural factors, the Auckland Sessions will bring scholars of development economics, political economy and related disciplines from New Zealand, East Asia, Europe and

North America to re-examine Asia through the lens of compressed development, its challenges and dilemmas.

Funding from the following organizations is gratefully acknowledged:

- The Japan Foundation ([www.jpf.go.jp/e/](http://www.jpf.go.jp/e/))
- Korea Foundation ([www.kf.or.kr](http://www.kf.or.kr))

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***Programme***

Venue:	Decima Glenn Room, 3 <sup>rd</sup> Floor, Owen G. Glenn Building, 12 Grafton Road
8:30am	<b>Arrival</b>
9:00am	<b>Welcome</b>
9:15-10:45am	<b>Session 1: Compressed Development in Emerging Asia</b>
	Chair: Tim STURGEON, Massachusetts Institute of Technology
	Speaker 1: Hugh WHITTAKER, New Zealand Asia Institute <i>What Is Compressed Development, and Why Does It Matter?</i>
	Speaker 2: Anthony D’COSTA, Copenhagen Business School <i>Compressed Capitalism and Compressed Development: Competing or Complementary Explanations for Late Industrialization in Large Countries?</i>
	Speaker 3: Jan-Sup SHIN, National University of Singapore <i>Compression, Substitution and Complementation in Economic Development: The East Asian Experience in Comparative Perspective</i>
10:45-11:00am	<i>Coffee Break</i>

- 11:00-12:30pm      **Session 2:      Changing Developmental State in East Asia**
- Chair:              Ken JACKSON, University of Auckland
- Speaker 1:        Tianbiao ZHU, Peking University  
*The Developmental Role of the State: From Late Development to Compressed Development*
- Speaker 2:        Bai GAO, Duke University  
*Classical versus Neo-liberal: The Chinese and Japanese Developmentalism in a Comparative Perspective*
- Speaker 3:        Hyun-Chin LIM, Seoul National University  
*Reconsidering the Developmental State in Asia: South Korean Experience in Comparative Perspective*
- 12:30-1:30pm      *Lunch*
- 1:30-3:15pm        **Session 3:      Global Value Chains: Opportunities and Traps**
- Chair:              Xiaoming HUANG, New Zealand Contemporary China Centre
- Speaker 1:        Tim STURGEON, Massachusetts Institute of Technology  
*Innovation and Technological Learning: Global Value Chains and Prospects for Local Industry and Enterprise*
- Speaker 2:        Momoko KAWAKAMI, Institute of Developing Economies  
*Innovating Global Value Chains: The Creation of the Netbook Market by Taiwanese Firms*
- Speaker 3:        Tomoo MARUKAWA, Tokyo University  
*The Emergence of China's Photovoltaic Industry*
- Speaker 4:        Lei SONG, Peking University  
*Foxconnization: Technology and Capability Building in China*
- 3:15-3:30pm:      *Coffee Break*

3:30-5:00pm

**Session 4: Human Development, Social Sustainability and Policy Challenges**

Chair: Natasha HAMILTON-HART, University of Auckland

Speaker 1: Toshie OKITA, New Zealand Asia Institute  
*The Challenge of Disaggregation: Social Policy and Economic Development*

Speaker 2: Nigel HAWORTH, University of Auckland  
*Compressed Development? Human Resource Development in China's Growth Model*

Speaker 3: Bill PRITCHARD, University of Sydney  
*Compressed Development and the Policy Challenges of Contemporary India*

5:00-5:40pm

**Conclusion**

Hugh WHITTAKER, NZAI and Xiaoming HUANG, NZCCC  
With overall comments from Mon Han TSAI, Chiba University

6:30pm:

*Conference Dinner*

Hammerheads Restaurant, 19 Tamaki Drive, Orakei, Auckland

## ***ABSTRACTS FOR AUCKLAND SESSIONS***

### **Session 1: Compressed Development in Emerging Asia: Overview**

#### **What is Compressed Development, and Why Does It Matter?**

**Hugh Whittaker**  
**New Zealand Asia Institute**

Timing matters for development. Features of Japan and South Korea's rapid emergence, including the role of the 'developmental state', business groups and state-business interaction patterns, for example, are attributed to their 'late development'. The compressed development perspective argues that more recent developers such as China face yet a different timing environment. They also face an even greater degree of 'compression' of development stages than late developers, which presents them with new challenges. Compressed development is an evolving perspective which explores these challenges through a comparative, cross-sectoral and multi-level approach, in the context of emerging Asia. This presentation gives an introduction.

#### **Compressed Capitalism and Compressed Development: Competing or Complementary Explanations for Late Industrialization in Large Countries?**

**Anthony P. D'Costa**  
**Asia Research Centre, Copenhagen Business School**  
**Denmark**

This presentation reviews two interpretations of and (thus frameworks for) economic transformation processes in large late industrializing countries, namely, India and China. The purpose is to critically assess the similarities and divergence in the frameworks and thus experiences of contemporary industrialization and development in the two countries. The two approaches -- compressed capitalism (D'Costa 2011) and compressed development (Whittaker et al. 2010) -- developed independently, share the general understanding of the role of the state in late industrialization, the difficulties in reproducing late industrial experience under contemporary conditions, and so on, but the objective is also to identify significant points of departure, and ultimately to offer a synthesis of the perspectives.

#### **Compression, Substitution and Complementation in Economic Development: The East Asian Experience in Historical Perspective**

**Jang-Sup Shin**  
**Department of Economics, National University of Singapore**  
**Singapore**

This paper clarifies some major concepts in the catching-up process, namely, 'compression', 'substitution' and 'complementation' by comparing Gerschenkron's 'patterns of

industrialization', Hirschman's 'late-late industrialization' and Whittaker *et al*'s 'compressed development'. It then re-interprets the East industrialization during the last half century in terms of their degrees and patterns. It focuses on the experience of Japan, South Korea, Taiwan, Singapore, and China. It also examines challenges of continual transitions they face as their economies mature and are further open to global forces. It concludes with exploring the 'developmental space' for other latecomers.

## **Session 2: Changing Developmental State in East Asia**

### **The developmental role of the state: from late development to compressed development**

**Tianbiao Zhu**  
**School of Government, Peking University**  
**China**

This paper investigates how the developmental role of the state has shifted from the era of late development to that of compressed development. The state plays a key but different role in promoting development under both conditions. In the former it has to plan the catching-up steps and implement the development strategies forcefully; in the latter it has to be consistently adaptive to the challenges from economic, political, social and cultural dimensions as a result of compression of development stages. Despite the differences, the essential requirements for the state to be successful are the same, i.e. high degree of state autonomy and capacity. China is used as a primary example, and some other developing countries as comparative cases. The focus is on industrial development.

### **Classical versus Neo-liberal: The Chinese and Japanese Developmentalism in a Comparative Perspective**

**Bai Gao**  
**Department of Sociology, Duke University**  
**USA**

Different from the classical developmentalism of Japan that emphasizes protection of domestic markets, high value added self-owned brand name products, Chinese new developmentalism actively seeks opening up domestic markets for international capital, use cheaper to participate in global division of labour, and manufacturing trade led exports and generate economic growth. The rise of China's development model reflects not only the different historical conditions of the new era of globalization, but also carries on the historical legacies of China's foreign relations since the Opium War.



## **Reconsidering the Developmental State in Asia: South Korean Experience in a Comparative Perspective**

**Hyun-Chin Lim**  
**Seoul National University Asia Centre**  
**Korea**

Recent Asian development experience challenges existing models of Western capitalism. It has shown the compatibility of state and market, the efficacy of long-term planning, the importance of good education, and the function of a disciplined work ethic. The developmental state model was blamed for the Asian economic crisis in the late 1990s, but in the aftermath of the global financial crisis, assessment has been reversed. In the meantime, some Asian countries renovated the developmental state model. Paradoxically, for example, restructuring measures implemented under the IMF neoliberal structural adjustment programs accelerated the reformulation of the developmental state in South Korea. The paper proposes that the developmental state is reappearing in some of Asian countries, albeit in changed form. Implications are considered.

### **Session 3: Global Value Chains: Opportunities and Traps**

#### **Innovation and Technological Learning under Compressed Development: Global Value Chains and the Prospects for Local Industry and Enterprise**

**Timothy J. Sturgeon**  
**Industrial Performance Center (IPC), MIT**  
**USA**

Advances in information technology, which enables business processes to be partitioned and relocated, and the rise of industrial capabilities in less developed countries, which offers a place to relocate them, have enabled the production of goods and services to become increasingly fragmented across borders. The emergence of *global value chains* (GVCs) has fundamentally altered the process of economic catch-up. With strong GVC-engagement, developing places can experience either radically accelerated (compressed) industrialization, or marginalization in low value added segments. This paper explores whether negative aspects are transitory or enduring through a series of industry and company case studies. Several promising approaches to overcoming barriers to local innovation and technological learning are highlighted, as are some apparently enduring barriers to local learning.

**Innovating Global Value Chains: The Creation of the Netbook Market by Taiwanese Firms**

**Momoko Kawakami**

**Institute of Developing Economies - Japan External Trade Organization  
Japan**

In this paper I explore the process of the creation of the netbook market by Taiwanese brand-carrying firms as a case of a disruptive innovation by latecomer firms. I investigate the process of market creation by Taiwanese firms and the responses of other value chain actors to this innovation, and elucidate the underlying dynamism that unfolded along with the rapid expansion of the netbook market. By so doing, I will explain how firms from Taiwan – the homeland of international subcontracting production – broke the Intel-centric industrial regime and exploited the market opportunities that had been suppressed by powerful platform leaders of the industry.

**How Did Chinese Entrepreneurs Compress the Development Path? The Case of the Photovoltaic Industry**

**Tomoo Marukawa**

**Institute of Social Science, Tokyo University**

**Japan**

Until recently Japanese manufacturers were the leading force in the global photovoltaic (PV) industry, accounting for half of global production in 2004. Chinese entrepreneurs entered the industry only after 2001, but have since taken the leading position, accounting for half of global production in 2010. The Chinese PV industry is the most recent, and perhaps the most dramatic case of ‘compressed development.’ This presentation explores how this was possible. Along with factors common to other cases of compressed development, such as insertion in global value chains and ‘modularization’ of production technology, two additional factors are notable: the globalization of fund-raising and technology strategy. The presentation contrasts the fund-raising and technology strategies of Japanese manufacturers and Chinese start-ups to explain the reversal.

**Foxconnization:**

**Chinese Corporations’ Choice of Technique and Its Impact  
on Capability Building in the Era of Compressed Development**

**Song Lei**

**School of Government, Peking University  
China**

The ‘compressed development’ perspective, while pathbreaking in its multifaceted approach to development, leaves some issues insufficiently addressed. First, while global value chains have clearly shaped the development processes of electronics and automobile industries, similarities and differences by industry are not clarified. Second, the role of the state is essentially adaptive rather than pro-active, leaving globalization forces as the main driver.

This paper focuses on Chinese corporations' choice of technique in motorcycle and automobile industries, especially their choice of low-end modular technical solutions. In doing so, they act Foxconn, the leading EMS (electronics manufacturing services) provider in electronics industry and China's biggest exporter. We term this trend 'Foxconnization', which profoundly shapes the process of Chinese corporations' capability building.

## **Session 4: Human Development, Social Sustainability and Policy Challenges**

### **The Burden of Disaggregation: Social Policy and Compressed Development**

**Toshie Okita**

**New Zealand Asia Institute, University of Auckland  
New Zealand**

From the compressed development perspective, recent developers face 'double burdens' or challenges in social development as a result of the compacting of different stages of development. They also face a very different context – era – for social development and policy than earlier developers, generating a 'burden of disaggregation.' First, from the 1980s consensus of social prerequisites of development began to dissolve. Second, development and structural adjustment programmes became increasingly fragmented through targeting and 'projectization.' Third, this was promoted by a proliferation of actors (professionals/specialists, NGOs, etc.) and processes (e.g. public-private partnerships). These developments can be seen in education and health in China. Assessment is attempted at the level of family strategies rather than economic impact.

### **Compressed Development? Human Resource Development in China's Growth Model**

**Nigel Haworth**

**Business School, University of Auckland  
New Zealand**

The Compressed Development model argues that developing countries "must find ways to participate, add value and specialize" in global production systems. It also suggests that a "double challenge" exists for education ( in terms of foundation education and preparing labour for modern production systems). This paper addresses these aspects of Compressed Development, using China as a case-study, particularly in relation to the significant employment relations changes introduced in 2008, and the priorities established by Chinese leadership for HRD activities within the APEC HRD process. It finds support in evidence that China is seeking a significant upgrading of its employment arrangements, and is also seeking to improve its HRD to meet the challenge of modern production systems.

## **Compressed Development and the Policy Challenges of Contemporary India**

**Bill Pritchard**

**School of Geosciences, University of Sydney  
Australia**

The concept of compressed development focuses attention to the multiplicity of policy frameworks governments need to simultaneously pursue in generate gainful global economic engagement. India's 'noisy democracy' represents an attractive site for investigation of these challenges. Rapid economic growth during the past decade has generated infrastructure bottlenecks and diverging life circumstances for the country's rich and poor. 'Inclusive development' has the catchphrase of the central government to deal with these issues, but the translation of these principles into policy has been mired. Using the concept of compressed development, and using examples from Bangalore and the nationwide boom in supermarket retailing, the paper illustrates the complexity of the policy challenge which is endemic to India's contemporary position.