The Role of Government in Economic Development
— An Asian View — *

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I : Historical Development of Governmental Role in Economic Development in Asia

In an economic history of contemporary Asia, governments in many countries have played very important role to lead economic development of their lands. The Meiji government of Japan, the governments of Thailand and the Philippines in 1930’s, socialist states in China and other parts of Asia as well as several governments led by nationalistic leaders in newly independent countries after the World War II, all have demonstrated an importance of leadership of government, especially in an early stage of economic development. Let me explain about this in more details.

Japan:

Modern history of Japan after the Meiji Restoration in 1868 clearly shows that the Japanese government has been one of the most important players in an economic development of Japan. By using governmental investment and various type of assistance in order to establish and to develop many of leading industrial sectors starting from the textile industry, then to the iron & steel industry and many other important sectors, the Japanese government could successfully bring about the economic development of her country to the level of one of the most powerful economic powers of the modern world.

During this process of economic modernization, by using assistance of the government, dozens of big private companies have grown to lead a capitalist economic development of Japan. At the same time, in spite of the fact that the government has been continually

* This paper was originally presented to the seminar held by Moscow State Lomonosov University in Moscow, October, 5—10,1992.
playing powerful role in the economic development, some of the basic principles for a capitalistic economy and society has been kept in modern Japan.

Contrary to the feudalistic society under the Tokugawa Dynasty period, all the people were allowed to live any place they like and to move anywhere they choose and also to get any job they can find. That is to say, people were allowed to sell their labor power as a kind of merchandise which was freed from a status as a property of feudal lord. According to the definition of Karl Marx, this progress assures the introduction of capitalist economic system in the Meiji Japan. The Meiji government also permitted the freedom for her citizen to establish companies basically in any field. Capitalists were allowed to produce any product they like and to set the price freely for their products and merchandises as well as to sell them in any place they like. Even foreign capitals were invited to invest in Japan, especially as in the field of electric industry where big companies like the General Electric has come to invest.

However after the Great Depression which had badly affected on Japanese economy, the government of Japan began to increase her control of the economy. Especially during the long war period which has started in 1931 when the Japanese army began to invade the Manchuria province of China and has been terminated by the surrender of Japanese Empire in 1945, almost all important sectors of Japanese economy have been under the control of the government of Japan. Since 1938 when the National Mobilization Act was proclaimed, all important economic facilities like companies and factories as well as all important economic goods including labor were kept under control of the government. All the labor movement was prohibited. During the Pacific War period which has started in December 7th of 1941, government control of Japanese economy has reached its peak.

Since March of 1943, five important economic sectors including the iron & steel, the coal, the light metal, the shipbuilding and the aircraft were kept under the order of the prime minister of Japan. The industries which were regarded as non-military purposes like textiles have received the order to produce the goods for the war purpose. The transportation and the electricity industry as well as all the human resources were solely mobilized for the war purposes. The companies regarded as important for conducting war were given the highest priority to receive materials, labor power and money by submitting their powers to manage their companies to the government.

After the World War II, the authority of the Japanese government was forced to decline by the introduction of a new power of the Allied Occupation Forces led by the United States.

By the order of the Allied Forces, the total system of war economy controlled by the
Japanese government was destroyed completely. The leading enterprises called the Dai-Batu which have formulated big concerns were ordered to dissolve themselves. The big landlords in rural areas were also ordered to submit their lands to landless poor farmers. The labor movement was legalized again. Many leaders in the military, government and business regarded as responsible for the war were expelled from their former positions. The result was the total confusion.

To save starvation, scarcity of materials, hyperinflation and total collapse of social order, naturally it became necessary to reestablish a kind of economic control system by the government of Japan.

To serve the purpose, in August 1946, the Headquarters for Economic Stabilization was established under the direct control of the prime minister of Japan. This Economic Stabilization Headquarters made a general planning for production and distribution of important materials and merchandises and also controlled price of goods as well as labor management, finance and transportation. Since the beginning of 1947, to solve persistent scarcity of materials, what we called “The Priority Production System” was introduced. The purpose of this system was, by intensively investing capitals, materials and labor forces into two basic economic sectors which produce most important basic materials for all industries. The industries were the iron & steel and the coal. By increasing the production of iron & steel as well as coal, the Japanese government intended to stimulate the increased production of other economic sectors.

Thanks to these economic policies, until the end of 1940's economic situation of Japan began to be stabilized. Though private companies were recovering their economic powers and beginning to play main economic role as was the pre-War period, the Japanese government also could retain a strong power for economic management by the success of the above mentioned economic recovery policies whose results were creation of a big central government with strong economic ministries as well as many governmental corporations which specialized on various economic sectors.

By the stimulus of the Korean War started in 1950, swiftly overpassing the pre-War industrial production level in 1951, economy of Japan has begun to develop very rapidly during 1950's. Big change of the U.S. Asian policy in which Japan was allowed to become a kind of strong economic power to counter the menace of communist expansionism also has served the economic development of Japan. By leading this economic growth, the role of Japanese government as a main player within the capitalist economic system of Japan was well established. A unique system of the Japanese economic society in which, while private capitals were main promoter in economic development, the government and its
agencies were always good advisers and supporters for them and sometimes were very
harsh directors, was thus maintained not only in 1950's but also until today.

This recent history of Japanese economy teaches us that a kind of the best mix of private
economic activities and some extent of state participation in economic management of a
country is desirable to attain a positive economic growth.

Asia besides Japan:

Before the World War II, there were very few independent countries in Asia. In East
Asia, the Korean peninsula and Taiwan were under the colonial rule of Japan. Though the
Chinese government could keep an independent status of China, many foreign powers were
easily expanding their economic, political and sometimes military influences in China by
using weakness of the central authority of this vast country. Then there were not much
room for East-Asian countries except Japan to exercise their governmental power in
economic fields.

In Southeast Asia, there were no independent countries except Thailand. The situation
was true in South Asia too. The Great Britain, the Netherlands, the France and the United
States have colonized these areas with the purpose to use rich natural resources in the
region for the industrial development of them. The mineral, agricultural and forest
products like tin, iron, tea, sugar, cotton, teak and rubber were exported to the colonial
powers to be used for industrial production and daily lives of the advanced societies.
Almost all the industrial products to be used in these Asian countries were imported from
the colonial powers.

This typical type of international division of labor under the colonial economic system
in Asia has begun to develop since later half of the 19th century and has reached its peak
in the 1920's. However, because of the devastating effects of the Great Depression which
has started in the United States in 1929, this system of world colonial economy was
severely damaged. The tremendous amount of decline of industrial production in the United
States as well as in the Western Europe has brought about serious decline of export for the
side of Asian countries. During this period of the Great Depression in early half of 1930's,
the export of Asia has been reduced by nearly 50% in almost all countries. Many Asian
countries were forced to reduce their import and had suffered from severe shortage of
industrial products which they could not make by themselves. Because of decline of living
conditions in the colonies, there were seen several violent revolts by the peasents and
laborers in various parts of Asia.

Under these circumstances, to save the worsenning economic situation, in a few countries
of Asia, there have appeared some strong interventions by the governments in the economic
field. Without mentioning the case of the Japanese government who has begun to increase her interventions in the economy to conduct the aggressive war in China, we can point out two governments for their constructive role to reconstruct their economies. They were the governments of Thailand and of the Philippines.

The economy of Thailand was badly affected by sharp decline of her main export good that was the rice. However the Thai government led by a king and his advisers consisted of the nobles could not do anything to save her deteriorating economy. On June 1932, a coup d’etat led by the young military officers and their allies among civil servants has successfully destroyed an absolute monarchy and established a constitutional monarchy with a new government consisted of young revolutionaries.

This new government which has been able to suppress a revolt by the royalist armed forces in 1933 whose result was the defection of the king of Thailand to Europe has begun to intervene into economy to rebuild the country. Main features of the economic policies of the new government were to initiate an industrialization of Thai economy by increasing governmental assistances to private capitalists or establishing stateowned factories. The new government was also trying to elevate a Thai nationalism to fill the vacuum which was created by absence of the king by building up a strong military force to challenge colonial powers surrounding the country. At the same time, the government who was eager to establish an economy which was controlled by Thai nationals, has began to impose various restrictions on economic and social activities of Chinese residents who have long dominated the economy of Thailand. The Chinese residents were forced out of some of the occupations which were designated as reserved for Thai nationals. The Thai government also has restricted educational activities of the Chinese. This was the first incident of anti-Chinese policies which were repeated by the nationalist governments in Southeast Asia after the World War II.

This nationalist economic policy by the Thai government has continued until the end of World War II when Thai leaders who were allies of the Imperial Japan during the War have found themselves in an embarrassing position. The Thai government has naturally revised her anti-Chinese policies. However the leadership of Thai government in the economy was basically kept without much difference.

The Philippines was under the colonial rule of the United States since the end of the 19th century. However, to the surprise even for the nationalists of this country who were fighting for the independence of the Philippines, the U. S. government in 1934 approved the independence of the nation after July of 1946 and also admitted an autonomy by the Philippine government on domestic affairs after 1935. Behind this decision by the U. S.
government there were strong pressures by the U. S. sugar industry and labor organizations who were irritated by the import of sugar as well as by the influx of labor force from the Philippines. Those two interest groups in the U. S. had a hope to reduce their rival goods by cutting a political tie with the Philippines. If the Philippines were kept as a U. S. colony, it was very difficult for the U. S. government to pose a restriction on import from the colony.

However, for the new Philippine government which was formed by the president Keson in 1935, it was quite a heavy task to rebuild an economy which was badly affected by the Great Depression. At the same time, the new government had a task to establish an economy which could stand up by her own legs by reducing dependence on the U. S. economy.

To attain these goals, the new government has started a plan to build up a manufacturing industry by establishing several “National Development Companies” under which factories like textile, canned foods, sugar and paper manufacturing were managed. The government also began to intervene into the trade sector which has been monopolized by the Chinese, for examples, by establishing a national rice and corn trading company.

The Philippine government like the Thai has shown a nationalist tendency by refusing foreign ownership on the land and the mining companies in the Philippines after her independence in 1946.

Thus, in the late 1930’s, by using the shock of the Great Depression, in two nations in Southeast Asia there have emerged a new era of the state intervention by national governments into their economies to establish a kind of self-sustainable economy. This tendency by a national government to aim a self-sustainable economy has spreaded over many parts of Asia after the World War II.

Asia besides Japan after the World War II:

After the World War II, the role of government in economic development has increased in many parts of Asia. Though, in case of the Philippines, in spite of the fact that this country has attained the independence in 1946, role of government was reduced considerably. The main reason for this was that, because of destruction of the Philippine economy during the War, the post-War government was forced to seek economic aid from the United States who has wished for an economic development by using initiative of private capitals including U. S. capitals.

However, generally speaking, the role of government in economic development has increased in the post-War Asia.

Firstly, the birth of the Socialist states in the continental Asia has spreaded the areas
which were governed by the economic control of the government. In 1948, in the northern half of the Korean peninsula, the Democratic People's of Korea was established by the Korean communists assisted by the USSR. This was the first socialist state in Asia.

In October 1949, communists of China have successfully established the People’s Republic of China which has extended her economic control over vast region of the continental Asia. Under the communist rule, especially during the Korean War period which has started in 1950, what was called the remnants of the capitalist or feudal economic system were wiped out in many parts of China. Almost all manufacturing industries as well as the transport, the communication and the commerce were nationalized. All the landlord both in rural and urban areas were confiscated their properties. Until 1954, the socialist economic system was firmly established in China and the new government has initiated an ambitious economic development plan which aims to construct an industrialized state based on heavy industry within a short period. The Chinese government who adopted a Soviet model of economic development was also so eager to receive economic assistances from the USSR.

Since 1954, by the ceasefire agreement of the Geneve conference on the Indochinese War, the northern part of Vietnam was allowed to become an communist state which also has followed the Soviet type of economic development. In the north Vietnam, the socialist government has nationalized all important mining and industrial facilities and has initiated the collectivization of agriculture.

Thus, after the World War II, the role of the government has increased drastically in many parts of Asia because of the emergence of Socialist states in the post-War Asia.

However, importance of the government in economic development has increased even in Asian nations which have basically followed the capitalist way of economic development. The reason for this was that many newly independent countries which have emerged in Asia after the World War II have sought to hasten economic development by using the state power in their economic management. Let me explain about this a little bid in detail.

After the World War II, following after the independence of the Philippines in 1946, India and Pakistan in 1947, Burma and the North and South Koreas in 1948, Indonesia in 1949 have all become independent states.

During 1950's, the states in Indochina and the Federation of Malay have attained the independence in each countries.

However, for newly independent states in Asia, it was not so easy task to build up strong and self-sustainable economies in their lands. Internal political instability has prevented an economic progress in some countries like Burma and Malay. Besides the Korean War which has completely destroyed economies of two Korean states, because of continuing
war and political instability, there was also no chance for the Indochinese states to make their economies stable.

Thus, generally speaking, in the first half of 1950's, there were no significant interventions by the government in economies of the capitalist states in Asia except India where the central government has began to exercise some extent of state interventions in her economy.

Frankly speaking, because of a rise of price of minerals and agricultural products during the Korean and Indochinese War period, many countries in Asia besides the war areas could get some economic benefits by exporting their primary products with a good price. Then, in many of Southeast Asian nations like Thailand, Burma, Malay and Indonesia, their governments allowed private capitalists to work freely by refraining themselves to intervene into economies.

However, in late 1950's, mainly because of the end of war boom, price of minerals and agricultural products has began to fall. This unfavorable turn of economic situation has badly affected economies in Asian countries including Socialist states which have depended upon the export of primary products for their economic development. As the result of this economic situation, there have arisen severe political turbulences in some of Asian countries. And the economic and political methods which were taken by each government to cope with this difficult situation have divided economic prospect of each nations in the coming decades.

In Burma and in Thailand, the militaries of both nations have come to power to calm down political disturbances in their countries. However, the Thai military regime which has started in 1957 and the Ne Win regime of Burma since early 1960's have taken quite different economic policies in each countries.

In Thailand, the military regime has allowed free economic activities of Chinese capitalists by abandoning their traditional anti-Chinese policies at least in an economic field and also has invited foreign investments from the Western countries with favorable conditions for the foreign investors. Thanks to this open economic policy, the Thai economy has begun to recover since the end of 1950's and has increased its speed of development during 1960's. Especially, during the Vietnam War period which has started in 1965, the Thai economy could get benefits of the war by receiving a lot of Western economic aid which was aimed to assist the front-line state against the communist expansionism. The foreign aid that has served the construction of infrastructure of Thai economy again could pave the way to get more foreign investments. Thus the Thai economy could achieve a surprising economic growth since the middle of 1960's toward 1970's.
In Burma, the economic policy of the military government which has firmly took power since 1962, was quite contrary to the policy by the Thai army. By the name of "The Burmese Way to Socialism", the military government has nationalized almost all sectors of economic activities from the manufacturing, the food processing including rice mills, the transport, the foreign and domestic trades including retail shops to the banking industries. The Chinese people who was the dominant power in the trade sector and the Indian population who was influential in the financial sector were all forced to abandon their traditional business.

Instead of private merchants and capitalists, the military government has established an national trade net-work by opening many cooperative stores mainly in cities and also has ordered to farmers to go to rice mills to sell their rice with officially controlled prices.

The result of this Burmese type of socialist revolution by the army was total collapse of economic system of Burma. The farmers were so reluctant to sell their rice to the government with a low price that export of rice which was a main source of export of Burma has begun to drop very sharply. Naturally the government was forced to restrict the import. Then a shortage of all kind of imported goods has arisen. Even for nationalized factories, it has become very difficult to get machine parts and raw materials to continue their production. Thus, within a short period, it has become very difficult to find necessary goods for daily life in the cooperative stores or governmental stores. Then, people were forced to turn their eyes to the black markets which has been opened by Chinese who has lost their jobs.

Thus the Burmese economy has begun to enter a phase of reproduction on a regressive scale. However, because the military government has not basically changed their economic policies since then until today, there has been almost no economic progress in this country with rich natural resources. Thus a strong intervention by the government in Burma has failed to produce any fruitful result.(1)

In Indonesia, since the middle of 1950's, the central government led by President Sukarno has been facing a deteriorating economic situation by the lowering price of the primary products.

To solve the situation, since 1957, President Sukarno has began to introduce very nationalistic economic policies. Firstly President Sukarno has ordered to nationalize all important economic properties which were owned by the Dutch capitalists who have been

allowed to continue to control Indonesian economy by the special treaty with the Sukarno regime when the Dutch was forced to recognize the independence of Indonesia in 1949. Secondly, President Sukarno has ordered expulsion of the Dutch people from Indonesia and the former enterprises operated by the Dutch were put under the management of the governmental corporations.

This anti-Dutch policy by the Sukarno regime has naturally faced a severe resistance by the Dutch and the pro-Dutch Indonesians including some groups in the Indonesian armed forces. The anti-Sukarno civil war has blown up in Sumatra and other parts of Indonesia islands in 1958.

In addition to this anti-Dutch policy, the Sukarno regime has also introduced another kind of nationalistic economy policy in which Sukarno ordered the closing of commercial activities in the rural areas by the Chinese who was again influential in the Indonesian economy.

Though the Sukarno regime could suppress the revolt within three years, the result of his nationalistic economic policies and the civil war has completely disturbed the economic development of Indonesia. The export trade was badly affected and the government was forced to reduce import of industrial goods. Then a severe shortage of manufactured goods has arisen, then hyperinflation has followed.

This desperate economic situation has been worsened by another war by Sukarno against the Malaysia since 1963. The new Federation of Malaysia which were consisted of four former colonies of the Great Britain has started in September of 1963. President Sukarno has understood this Federation as an enemy state which was created by British imperialists to block the anti-imperialist expansionism of President Sukarno.

Because of the anti-Malaysia struggle by President Sukarno, the trade relation between Indonesia and Malaysia has been cut and the economy of Indonesia has been further worsened. With this deteriorating economy, a rivalry between the Indonesian army and the communist party who were competing each other to get a political initiative for the post-Sukarno era has developed and this rivalry has led an abortive coup d'état by the pro-communist faction within the Indonesian army in September 30th of 1965.

The total collapse of the communist party of Indonesia and the loss of power of Sukarno who was sympathetic with communists after the abortive coup has brought about a new age in Indonesia under the Suharto regime which was firmly supported by the army. The Suharto regime has abandoned the anti-imperialist policies by the Sukarno regime and has invited economic investments and assistances from the Western countries and also has liberalized economic activities by the Chinese. Then, by new leadership of Gen. Suharto,
Indonesian economy has begun to develop vigorously.

In other parts of Southeast Asia, economic situation was not stable at all in a decade since the middle of 1950's. In case of the Philippines, however, there was no significant increase of the governmental power in this country where the economic leadership was in hands of a few big capitalists and landlords. The unstable economic situation in the South Vietnam during the latter half 1950's has led a revolt by the peasant in the Mekong delta against the pro-Western regime in Saigon. The result of this internal disturbance was the Vietnam War which has prevented any kind of economic development in the Indochinese states after 1960's.

The economic situation in the Socialist Asia during these years was not so clear especially in the North Korea and in the North Vietnam. However, it was known that the communist government of China has faced to the difficulty in financing the cost of her industrialization plan. To save the situation, the communist party under the leadership of chairman Mao Tsutung has introduced a large scale of collectivization of agriculture and has mobilized mass of peasant into public construction works in rural area as well as even into steel manufacturing within villages by using primitive method. In factories, workers were expected to work hard without asking for wage increase and machines were used to the limits without enough maintenance and supply of new machines and parts.

The result of this national economic campaign named as “The Great Leap” which has aimed to elevate an economic level of China to a level of the Great Britain within 15 years was a total collapse of Chinese economy whose production of both in agriculture and manufacturing industry has fallen dramatically.

After this national disaster, rivalry within the communist party of China between the hardcore communists and the reformists has become keen and another political and economic turmoil which was called as the Great Cultural Revolution has followed since 1965. This period of the national catastrophe has lasted until 1976 when Chaiman Mao has died and his hardcore followers named The Gang of Four has lost their power.

II : New Era of an Open Market Economy in Asia

Development of an open market economy in Asia since 1965:

As stated above, to solve the economic slowdown since the middle of 1950's, some Asian nations has mobilized their governmental power in management of their economic affairs through the leadership of a strong president or the armed forces or the communist party.
However, the result of this economic intervention by the government was very negative in all countries except in Thailand, at least in terms of economic development.

In case of Thailand, the military has liberalized economic activities by domestic and foreign capitalists while the army has successfully kept their seats in executive rooms in big companies by exchange of their favors to capitalists when they have wished their help to get something like governmental approvals in their business.

However, economic interventions by the Burmese army and the Sukarno regime through the nationalization of foreign capitals and regulations on foreign business class have, economically speaking, totally failed.

By learning lessons from these experiences, Indonesia has changed her economic policies drastically under the Suharto regime, though the tough Burmese nationalists within the army has kept their nationalist type of socialist economy by sacrificing economic development.

Thus, following Thailand, Indonesia could firmly proceed to an economic development since late 1960’s under an open market economic system with some controlling power by the hands of the military.

Besides Thailand and Indonesia, Malaysia and Singapore, who has proclaimed independence from Malaysia in 1965, have been developing under open market economies, though in Malaysia there were some regulations on economic and other activities by the Chinese who was dominant in economy and in Singapore the government and the public corporations were playing important role in economic field in cooperation with private capitals consisted of the Chinese. In the Philippines, its open economic system has kept under the Marcos regime which has started in 1965.

In August 1967, five Southeast Asian nations all of which have began to develop under open market economies, namely, Thailand, Malaysia, Singapore, Indonesia and the Philippines have formed ASEAN(Association of South-East Asian Nations). Since then, ASEAN has become a symbol of success of an open market economic system in Southeast Asia by steadily developing their economies.

In East Asia, besides Japan who was becoming a strong economic power through high economic growth during 1960’s, the Republic of Korea has began to develop her economy since the middle of 1960’s by the close cooperation between the military government who has took power in 1961 and business community. Side by side with South Korea, Taiwan and Hong Kong have been developing their market economies mainly by expanding their exports to the United States.

Other Asian countries, namely China, North Korea, Burma and three states of Indochina
could not develop their economies through 1960's because of various reasons.

However, since the visit by President Nixon of the United States to Peking, within the leadership of the communist party of China, reformist faction has began to increase influence. Finally after the purge of "the Gang of Four" in October 1976, China has opened her economy to the West. At that time, Chinese government declared that they had adopted a modernization policy in her economy as well as an opening policy of her economy to the economic cooperation with the western world.

This opening of Chinese economy toward the western world has meant that the region under an open market economy in Asia has expanded its territory dramatically. Of course, a market economy in China has been under the restriction of the communist government. There are still no freedom for the people to choose the place to live, the occupations they like. It is basically prohibited to trade lands and houses. The state-owned factories which constitute majority of manufacturing industry are still strictly controlled by the government on their production plan and management and in many cases are assisted by the government fund for the red deficit they have suffered in their operation.

However, Chinese economy has increased its extent of economic freedom year by year and recently Chinese leaders have begun to say that major portion of Chinese economy has now been under the market economic system.

This drastic change of Chinese economic policy could not influence, at least in a short period, upon other socialist states in Asia like North Korea and Indochinese states. Especially, Cambodia and Vietnam, both of them have attained glorious victories in their struggles against U. S. imperialism in 1975, have chosen to build their economies by their own socialist economic systems.

Cambodia under the Pol-Pot regime has by using the name of communism expelled all urban population who used to be consisted mainly by Chinese and Vietnamese. All population was ordered to work in rural areas in the collective farms and all factories and other economic facilities were nationalized. All people who has resisted orders and almost all highly educated people who were regarded to have a tendency for the pro-West have been killed by the new regime.

The Pol-Pot regime was also so nationalistic that they have demanded toward the Vietnamese government to yield the Vietnamese territory where Cambodian has regarded as their own land. This territorial dispute has resulted in the border war between the two communists states in 1977.

While being involved in the dispute with Cambodian communists, Vietnam herself has faced their own troubles. The beginning of troubles was a decision by Vietnamese govern-
ment who has united the North and the South of her country into one state in 1976 to hasten her economic development by nationalizing the trade and industrial sectors in the South where the Chinese was dominant economic power under the capitalist regime. This decision has brought a kind of panic to the Chinese population throughout Vietnam who has begun to worry about the deteriorating relation between China and Vietnam after China has shown a sympathetic attitude to Cambodians in their war against Vietnam. A lot of Chinese has begun to flee from Vietnam by boats or on their foot to neighboring countries. Because of this incident the relationship between China and Vietnam has further worsened.

In this circumstance, the Soviet Union has decided to help Vietnam in her struggles against China and Cambodia. This Soviet’s decision has led a new war in Cambodia at the end of 1978 when the Vietnamese army has began to invade into Cambodia with support of the Soviet Union. Angered by the Vietnamese invasion into a friendly country, China has begun to attack Vietnam since February of 1979 while sending military assistance to the Pol-Pot army. Thus a new Cambodian War has started to last more than ten years. By this devastating war, Cambodian economy has been destroyed completely and Vietnam has exhausted her energy by the endless war against Cambodia and China.

It was in late 1980’s that Vietnam, suffered by worsening economy and shocked by new foreign policy of the Soviet Union, has decided to withdraw from Cambodia and to embark upon a new road of economic development by abandoning strict control on her economy. Farmers were freed from collectivization of agriculture and allowed to sell their products freely and the Chinese was once again permitted to engage in their economic activities.

The Nort Korean government has been so rigid to keep her socialist economic system until recent days. However, also affected by the end of Cold War, in recent one or two years, the North Korea has began to show some indications to increase her economic contacts with the West.

Thus, finally, because of the end of Cold War, Vietnam and the North Korea have begun to approach to the open market economic system.

**In search for a coexistence of state-control and open economy:**

As above mentioned, Asia is, in its almost all region except Burma and North Korea, under an open market economic system with some regulations by the government.

The main reason why they have adopted an open market economic system is in their economic and political experiences in their recent history in which the state controlled economies have given them severe lessons.

Japan had entered the war with an economy which has been strictly controlled by the government and has been defeated.
China has experienced an economic disaster by an excess intervention into economy by the communist party during the period of "Great Leap" as well as the turbulent years of the Great Cultural Revolution.

In Southeast Asia, Burma has shown a bad example of state intervention into economy and Thailand has shown a good example of the effect of reduced state intervention into economy. Indonesia also has experienced an economic collapse by Sukarno's nationalist economic policies.

Vietnam has suffered an economic retreat by increasing government intervention in economy and Cambodia has shown the worst example of state control of economy.

Learning lessons from these bitter experiences, most of Asian countries have basically changed their state controlled economies into more market oriented economies.

Of course, it is not correct to say that most of Asian countries are under an open market economic system because there are still various extent of interventions by the governments in each countries.

However the most important point is the fact that a main trend of economy in many countries in Asia is oriented toward an open market economic system.

At present world, there are no open market economies free from governmental interventions. For example, according to the Bureau of Labor Statistics of the U. S. government, in October 1991, for the first time in the history of the United States, the number of government jobs — including federal, state and local — grew to 18,410,000, surpassing manufacturing jobs, which had fallen to 18,388,000. The most recent statistics tell us that in July 1992, the number of government jobs grew to 18.6 million, while manufacturing jobs fell to 18.2 million.(2) This was the latest result of the increased government intervention in the United States which has started in early 1930's during the years of New Deal policy.

In present Japan too, in spite of the fact that, through 1980's by the name of privatization campaign, the national railway lines and other state corporations including a big communication corporation have been privatized, the government of Japan is still playing various important economic role in Japan today.

Since late 1989 when the Bank of Japan had forced up interest rates, stock and land prices of Japan whose spectacular rise created what we called "the Bubble economy" began to tumble dramatically. Because of this Japan's "Bubble Burst", more than 10,000 Japanese companies came into bankruptcy in 1991 with a record $60 billion in debt. To brake this downward slide of Japanese economy, in the end of August of 1992, the Japanese government took a strong step to revitalize Japanese economy by mobilizing new funds of about U. S.

Dollars 90 billion. The government also has extended an advise for the big companies not to sell the stock they hold and has tried to establish an organization to buy the land to support falling land price. This presents the latest case of intervention by the Japanese government into economy and majority of business community welcomed these governmental initiatives.

In Asia besides Japan, we can say that the role of state in economy is, generally speaking, wider and stronger than in Japan. The lingering political instability in many parts of Asia has necessitated for Asian countries to have strong governments. Without political stability, there is no hope for economic development in any country. Thus, for Asia in the near future, we cannot expect an economic situation where all economic activities are free from governmental interventions. This would be true even in advanced countries like the United States and Japan.

As a conclusion, we would be able to say that a kind of best-mix of state-intervention in economy and free market economic system is most favourable pattern for economic development in almost all countries in the present world.