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Does history repeat itself? Economic development and policy convergence in Vietnam and South Korea

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With one of the world's fastest rates of economic growth since the 1990s, Vietnam could be seen as Asia's next tiger economy. This study examines whether there has been policy convergence between the older East Asian developmental state model of economic development and that adopted by Vietnam. The economic development trajectories of South Korea and Vietnam are compared to identify similarities and differences. It was found that while policy convergence is evident there is also some divergence between the two countries.

Introduction

Many East Asian (EA) countries have experienced outstanding records of successful economic development that have attracted intense scholarly attention (Deyo 1987; White 1988; World Bank 1993). Initiated by Japan and followed by the four Asian 'tiger economies' of South Korea, Taiwan, Hong Kong, and Singapore, East Asia's distinctive model of government-led, export-oriented development has been described as the EA model of development and has been replicated, at least in part, by other developing countries in East Asia including Malaysia, Thailand, and Indonesia. More recently, it has been EA countries transitioning from centrally planned economies to market economies that have experienced impressive economic growth and development. The source of their success has revived interest in the EA development model to determine whether these transitioning economies are reproducing the classic EA model (Goydke 2002; Baek 2005; Boltho and Weber 2009; Stark 2010). This study aims to add to such enquiry through the comparative historical analysis of the development trajectories of South Korea and Vietnam, representing the old and the new faces of East Asian developmentalism.

South Korea (Korea, hereafter) is an example of the EA development model in which government took a proactive role in prioritising and directing economic development—a model known as developmentalism. In four decades, the country moved from being one of the world's poorest countries to becoming a member of the rich countries' club, the Organisation

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In common with Korea, Vietnam had been devastated by two decades of war (1955–1975) and started its journey in economic development from a similar position of being one of the poorest countries in the world. After a disastrous experiment with a centrally planned economy, the government launched a highly successful reform program known as *Doi Moi* (renovation) that directed Vietnam along the road to a market-oriented economy.

There are differences of opinion on the reasons for Vietnam's economic success. Some authors assert that the country's economic development has been a 'gradual process' driven by environmental factors rather than the government's program of reform (Fforde and De Vylder 1996). Others see Vietnam's economic success approximating to the government-led developmentalist model associated with EA countries such as Korea (Goydke 2002; Dixon 2003; Masina 2006, 2012; Beeson and Pham 2012). Additionally, scholars such as Pike (1994) argue that economic success since the adoption of *Doi Moi* has led to political changes that include the Vietnamese leadership softening its authoritarian grip, following the pattern of Korea or Taiwan, albeit to a much lesser extent.

What this study adds to the literature on economic development in East Asia is a comparative historical perspective that uses empirical data from two cases separated in time but which seem to have certain similarities. This analysis will determine whether there are substantive similarities indicative of policy convergence. Of particular concern is the role of government in the economic development of the two countries and whether it is possible to replicate the EA model long after it first appeared.

Policy convergence and isomorphism

How policies move in space and time has long been a subject of scholarly interest. A central concern has been the idea of policy convergence: whether policies are becoming more similar over time. Empirical studies have disagreed on whether such a process has been occurring. Some have identified convergence among industrialised societies of the West, judging them to be growing more alike largely as a result of the social and economic forces involved in industrialism (Inkeles and Sirowy 1983; Kerr 1983; Inkeles 1998). Modernisation theory, which guided policy during the first few decades of development in Third World countries also predicted convergence. It saw the process as the transformation of 'traditional' societies into replicas of the 'advanced' nations of the Western world (Moore 1963:89). In more recent years, the phenomenon of globalisation has renewed interest in policy convergence (Drezner 2001).

However, researchers adopting neo-institutionalist approaches have identified policy divergence as a feature of the contemporary world. Eisenstadt's (2000) 'multiple modernities' and Hall and Soskice's (2001) 'varieties of capitalism' are representative of this type of analysis. Such divergence occurs because of different institutional and opportunity structures (Hall and Taylor 1996; Knill 2005). Thus, in reviewing the experiences of development among Third World nations, Turner et al. (2015) have noted the wide variation in development trajectories and environments for policymaking and implementation in developing countries.

The explorations of convergence are most concerned with identifying the degree of similarity in national policy characteristics between different countries (Knill and Tosun 2012. This contrasts with policy transfer and diffusion literature whose focus is on the processes by which policies move in space and time. While the focus of this article is on the contents of policies and not the processes involved in their movement, our interest in convergence also extends to ideational matters as seen in whether there is a shared political-economic philosophy that distinguishes developmental states (Thurbon 2014).

Convergence overlaps with the influential concept of isomorphism that derives from sociology and refers to organisations becoming more similar over time. Dimaggio and Powell (1983) identify three types of pressures for isomorphism—coercive, normative, and mimetic—that in practice may be difficult to disentangle. Although initially intended for organisational analysis, isomorphism can easily be applied to policy and fits well with the notion of convergence. Together, they accommodate the idea that states will adopt the best practices of other states. However, it is recognised that diffusion of policies is most likely to occur between similar countries and that policies originating elsewhere may be resisted where they contravene domestic norms in a recipient country. Thus, we might expect convergence in some areas of policy and divergence in others (Knill 2005).

The EA model of economic development

The EA model and the role of government in the economy

Early scholarship in development economics endorsed the centrality of government intervention in economic development. Government would coordinate economic activities and initiatives, and step in when the private sector was unable or unwilling to invest (Adelman 1999). This model was much criticised during the 1970s for its failure to produce the predicted development gains, and government came to be seen as the problem for development rather than its solution (Greig et al. 2007).

This analysis gave rise to new lines of thought and advocacy that championed the efficacy of market mechanisms. This faith in neoliberal economics was exported across the globe. But, it too failed to deliver on its promises, and analysts, in the late 1990s, once again began to reconsider the role of government in economic development. While this was partly as a result of the criticisms of neoliberalism, it was also the case that a large body of evidence had built up about major state involvement being a key to the economic success stories of East Asian countries (Deyo 1987; Belassa 1988). Labelled by the World Bank as the East Asian Miracle, the rapid and sustained economic growth and development experiences of EA countries were seen as models for others to emulate (World Bank 1997). For many academic analysts, government intervention was singled out as one of the most important factors contributing to the 'miracle' and led to these countries being labelled 'developmental states' (Johnson 1982; Haggard and Moon 1983).

A range of common policies were identified as distinguishing features of developmental states. Among them were focus on high growth rates; high investment ratios; government control of finance including interest rates and bank loans; direct support for particular industrial sectors and selected large companies; emphasis on the manufacturing sector; and export expansion (Berger 1988; Boltho and Weber 2009). Politically, authoritarian governments were a common feature of the EA model, especially during the take-off period. Rapid industrialisation and economic growth were built on a political foundation of powerful leadership, strong commitment to economic development, elite bureaucracy, and the pursuit of performance legitimacy (Huff et al. 2001). Within EA countries, authoritarian government was justified by the incumbents of state office because it provided the necessary control over resources, personnel, and policy without the distraction of power struggles or conflicts between political parties and interest groups that might dilute the focus on economic growth (Sirowy and Inkeles 1990). Ohno (2003), however, saw authoritarian developmentalism as a temporary political system that would disappear once a certain level of socioeconomic development was reached. Sirowy and Inkeles (1990) also subscribed to the view that the authoritarian state would give way to democracy as part of the modernisation process.

The EA model: Northeast Asia versus Southeast Asia

While sharing many common features of the EA development model, the later developers in Southeast Asia diverged in some aspects from their predecessors in the Northeast. This was inevitable as the context in which economic development was taking place had changed. Neoliberalism had not affected the early developmental states but was moving into the ascendancy when the Southeast Asian states made their concerted push into rapid 'catch-up' development. One notable difference was the capacity of state leadership in economic development. While governments of the Northeast Asian developmental states implemented and planned staged approaches to economic development (Beeson 2004), Southeast Asian governments adopted a more *laissez-faire* orientation, depending more on market-based mechanisms and foreign direct investment (FDI), especially by multinational enterprises (Zysman and Doherty 1995; Jomo 2001). Furthermore, the Northeast countries had powerful state economic development agencies directing policy, while their Southeast Asian equivalents had lesser control over state policy (Doner et al. 2005).

The context in which these developmental states emerged also differed between the two regions and gave them particular characteristics. The Northeast Asian developmental states built effective capacities during a period of geopolitical insecurity and scarce resources. The Southeast Asian states were not motivated by such 'systematic vulnerability' (Doner et al. 2005). Thus, rapid economic growth did not have quite the policy preeminence among Southeast Asian governments as was evident among the Northeast Asian countries. The former had political goals that needed to be attended to, such as promoting inter-ethnic equality in wealth distribution and national unity in ethnically divided societies (Booth 1999), or protecting the economic and political interests of the ruling class (Woo-Cumings 1999).

Other variations in the policies of the regions' developmental states resulted from historical contrasts. As noted by Booth (1999), Southeast Asian states had different colonial legacies that led to different educational, social, and welfare environments than in the Northeast Asian countries (Zysman and Doherty 1995). Such divergence led Regnier (2011) to the observation that the Southeast Asian countries have moved towards being 'pragmatically hybridised' developmental states adopting a mixture of state-guided and market-based systems, whereas the Northeast Asian developmental states have evolved into democratic welfare states.

Culture and social characteristics have also allegedly contributed to both similarity and divergence in developmental paths. Thus, Southeast Asian countries have been confronted with internal conflicts derived from cultural, ethnic, and religious diversity (Croissant and Trinn 2009). By contrast, Northeast Asian countries, including Korea, have largely homogeneous societies whose populations have been seen to be more amenable to collective efforts to achieve national growth and development (Song 2003; Stubbs 2009; Routley 2012).

Despite these differences, many scholars have agreed that all economically successful states in East and Southeast Asia can be viewed as developmentalist according to their common denominator of having a dominant policy focus on promoting economic growth and development (Beeson 2004). In Thurbon's (2014:60) terms, this distinctive policy focus resulted from the 'developmental mindset' that represented 'the prioritization and unwavering commitment to the goal of economic growth'.

The EA model and democratisation

During the 1990s, East Asian developmental states began to 'evolve' or 'adapt' earlier approaches to economic development in the face of domestic and external challenges (Stubbs 2009; Wade 2018). The combined effect of the conclusion of the Cold War, accelerated globalisation, pressures for political democratisation, and the 1997 Asian Financial Crisis (AFC) produced environmental changes that necessitated modification of the developmental model from earlier decades.

In this rapidly changing environment, the original model of the East Asian developmental state had been 'weakened' (Pang 2000), 'transformed' (Kwon 2005), or was 'evolving' (Cherry 2005). There was considerable debate over whether the high levels of economic growth in East Asian countries could be sustained when faced with the demands of globalisation, neoliberalism, and democracy (Pang 2000; Yeung 2017). These factors put pressure on authoritarian governments to move towards more inclusive and competitive forms of government and society. One emerging theme was that the economic success of the EA model had generated rising income inequality, which increased social and political instability and thus led to popular pressure for political change (Kanbur et al. 2014). As a response, governments reoriented to become more inclusive and democratic. This change has been observed in most developmental states in East Asia, but more so in Northeast Asia than in Southeast Asia.

The paths to economic development in Korea and Vietnam

To facilitate the assessment of how much policy convergence can be identified between Korea and Vietnam, we have divided each country's developmental history into three stages. The stages for each country do not coincide. Rather they represent changes in the countries' developmental trajectories brought about by both international and domestic pressures.

Economic development in Korea from 1962 to 2016

Korea's economic development in the past five decades can be divided into three stages: (1) an authoritarian developmental state and rapid industrialisation (1962–1979); (2) a developmental state under challenges from economic liberalisation (1980–1997); and (3) a capable state and globalisation of the economy (1998–2016).

The first stage of Korea's economic development began with the emergence of the authoritarian developmental state under Park Chung-hee, an army general, who seized the presidency via a military coup in 1961 and assumed dictatorial powers for 18 years. He was able to build on the foundation of infrastructure created by the first post-war president, Syngman Rhee: a national road system, modern communications, and both primary and secondary schools that would produce an educated workforce to implement development plans. President Park committed the state to focus on developing the national economy, especially economic growth. This provided the claim to legitimacy for his dictatorship to exercise full control over state organisations, policy, and Korean citizens (Moon 2009; Kim and Vogel 2011). Based initially on massive foreign economic assistance, especially from the United States, and an educated, cheap workforce, the Park government instituted central economic planning and government intervention in the market through four government-led Five-year Economic Development Plans (FYEDPs) the first of which commenced in 1962. To obtain the desired growth, the Park government directed economic development to export-oriented industrialisation, focusing on expanding the manufacturing sector during the 1960s and heavy and chemical industries during the 1970s. The authoritarian developmental state during this period was very effective in achieving its economic goals, recording average GDP growth rates exceeding 10 per cent per year between 1962 and 1979 (World Bank 2018). To achieve this growth, Park relied on the emerging private sector conglomerate businesses, the *chaebols*, and gave them favourable treatment to facilitate production and export competitiveness. However, the impressive economic growth came at the expense of civil rights and democracy. Park's government-led development strategy also produced negative impacts on the economy, including the debt-based and volume-oriented expansion of the *chaebols* and structural imbalance in the Korean economy, which began to reduce Korea's export competitiveness and increase income inequality (Kim 1991; Ahn 1997). In this deteriorating context for sustaining the earlier levels of growth, the global oil crisis of 1979 resulted in the Korean economy suffering greatly. The assassination of Park in late 1979 added considerably to the social and political turmoil.

The second stage of Korea's modern economic development (1980–1997) began with another military coup led by army generals, Chun Doo-whan and Roh-Tae-woo, both of whom became president. During their presidencies, pro-democracy protests against prolonged authoritarian military rule erupted throughout the country, resulting in the re-establishment of the general presidential election system in 1987 and some dilution of the level of authoritarianism in the developmental state. This stage was affected by major changes in the international environment, including the end of the Cold War, the emergence of neoliberalism, and international energy crises followed by high levels of inflation.

In response to this environmental turmoil, the Korean government during the 1980s emphasised stability as a key element of economic policy. Various measures were put in place to control inflation and rectify prolonged structural imbalances in the economy such as the overinvestment in the heavy and chemical industrial sector during the Park government. Despite some political instability and an increasingly active labour movement, the Korean economy grew rapidly, owing to the continuation of government-led development plans, close cooperation with the *chaebols* and some favourable conditions in the international environment, including the three lows: low international energy prices and low exchange and interest rates (Collins 1990). Achieving an average annual GDP growth rate of 8.5 per cent between 1980 and 1997 (World Bank 2018) and a rapid increase in trade surplus, the Korean government began to experience external pressure, especially from the United States, for market liberalisation. In addition, many government interventions targeting the promotion of market competition resulted instead in increased industrial concentration, leading to the further expansion of *chaebol* power (Murillo and Sung 2013). In this context, the government of Kim Young-sam, the first elected civilian president since 1962, advocated 'globalisation' as a new growth strategy and Korea joined the World Trade Organization (WTO) in 1995 and the OECD in 1996. Kim Young-sam's government opened capital and financial markets and the rice market and loosened government control over foreign investment that had been used to protect domestic businesses. But, with economic structural problems lingering after the failure of reforms in the 1980s, the Korean economy plunged into deep trouble with the outbreak of the 1997 AFC.

The third stage (1998–2016) of Korea's economic development began in the aftermath of the 1997 AFC and was followed, a decade later, by the 2008 Global Financial Crisis (GFC). Each of these events posed great challenges for Korea's developmental state and led to policy changes, especially increased liberalisation. When a progressive politician, Kim Dae-jung, became President in 1998 in the aftermath of the AFC, the IMF specified a series of restructuring measures for the Korean government and economy as conditions for a rescue package. This liberalisation package included reforms to FDI, labour markets, *chaebols*, financial markets, and trade. The Korean economy recovered from the crisis quicker than any other country; but it entered a low-growth period with an average GDP growth rate of just over 4 per cent between 1998 and 2016 (World Bank 2018), accompanied by rising social inequality (Lee et al. 2012; Lee et al. 2013). Government-led neoliberal reforms were reluctantly imposed by the progressive governments of Kim Dae-jung and his successor Roh Moo-hyun, but were intensified and reinforced by conservative governments under Lee Myung-bak and Park Geun-hye (Kim 2015).

As the business environment became more unfavourable and FDI declined, the Korean government began to enter into bilateral free trade agreements (FTAs) from the late 1990s onwards, removing trade barriers such as tariffs and import quotas with other countries (Cheong and Cho 2009). Despite the neoliberal transition, the slowing rate of growth led Korean governments to still search for developmentalist opportunities that could be organised by the state (Suh and Kwon 2014). Recognising the previous success of interventionist economic policies, progressive governments supported venture companies in high-technology and knowledge industries, while conservative governments promoted massive construction projects and small and medium-sized enterprises (SMEs) in new industries. Unlike the policies of the previous authoritarian developmental state, the developmentalist approaches of this period supported the role of government as provider of welfare and as 'senior partner' rather than 'commander-in-chief' in the economy (Cherry 2005). Nevertheless, the state took a major role in the development of local Internet wireless technology platforms from the early 2000s while, post-2008, a government Five-year Plan for Green Growth was allocated US$97 billion, the equivalent of 2 per cent of GDP (Thurbon 2014). With the growth of civil society that led to democratic political transition, more emphasis was given to the efficiency of government and its role in an emerging welfare state. This enabled Korea's developmental state to transform or evolve into a capable state, expected to provide sustainable economic, social, and political development.

Economic development in Vietnam from 1975 to 2016

The history of Vietnam's economic development can be divided into three distinct stages: (1) the authoritarian socialist state with a centrally planned economy (1975–1985); (2) the socialist developmental state and the transition to a market economy (1986–2005); and (3) the advanced socialist developmental state and challenges from integration into the global economy (2006–2016).

The first stage covers the decade after the Vietnam War and was an era when the Communist Party of Vietnam (CPV) attempted to build an authoritarian socialist state through Soviet-style central planning. This was extremely challenging given the devastation caused by the war and the government's restricted access to foreign aid. Strained relations with China and the United States meant that Vietnam was heavily reliant on the limited economic, technical, and military aid from the Soviet Union and its European allies (Cima 2002). The CPV carried out transformational economic reforms utilising Soviet-style five-year economic development plans that emphasised the development of heavy industry and the collectivisation of agriculture. All private and public business establishments became state-owned enterprises (SOEs) that were the largest employers and the main drivers of economic growth (Wolff 1999). With resources allocated and utilised according to the ideologically driven plan rather than market demand, most state-run enterprises operated inefficiently (Vu 2002; Dang 2009). Even though the country was starting from an extremely low level of economic development, the average annual GDP growth rate was low at only 3.7 per cent during the years of central planning (Phan 2008). Vietnam's economy faced crises of food shortage and galloping inflation while corruption emerged as a significant problem (Shinn 1987). The central planning model of development had failed and radical economic reform emerged as a pressing need.

The second stage (1986–2005) of Vietnam's post-war journey covered the first two decades of radical transition to a socialist-oriented market economy. Under increasing pressure for economic reform the CPV launched its *Doi Moi* program in 1986, followed by further market reforms in 1989. The collapse of the Soviet Union and the communist bloc in Eastern Europe and the success of communist China's market reforms in the early 1990s strengthened the Vietnamese government's commitment to its own market-oriented solutions for economic development. The CPV played a leading role in the economic liberalisation process, providing the ideological rationale and political support for the government's series of Ten-Year Socio-economic Development Strategies (SEDSs) and Five-Year Socio-economic Development Plans (SEDPs) that were used to guide development activities along a state-controlled market path. They also enabled the establishment of legal frameworks and economic policies for private economic activities, finance, and foreign investment. The CPV changed the focus of industrial development from heavy industry to labour-intensive light industry oriented to exports, and introduced a system of Industrial Zones (IZs) in 1991. These were sites developed by government to attract FDI in export-oriented manufacturing through the provision of land, infrastructure, and financial incentives. This stage of industrialisation was facilitated by abundant labour and capital (Lam 2009). The liberalisation of agriculture freed up labour while a series of 'open door' economic policies increased the supply of FDI (Malesky and London 2014). As with Korea, high levels of investment in education ensured that those coming into the job market had the skills attractive to employers.

Enabling Vietnam's new external orientation were the normalisation of its relations with China in 1991 and the United States in 1995, and joining the Association of Southeast Asian Nations (ASEAN) in 1995. But the CPV had not abandoned the socialist economy. It regarded SOEs as an important tool for the state to ensure the effective implementation of macro-economic policies and achievement of economic growth. With annual GDP growth averaging 6.8 per cent over this period (World Bank 2017), macroeconomic stabilisation working well and exports increasing, the CPV had laid down solid economic foundations for Vietnam to continue to develop in later years.

The CPV's launch of *Doi Moi* also contributed to the country's transition to a 'socialist democracy', a less severe version of authoritarian rule. Following the issue of the Grassroots Democracy Decree in 1998, many civil society organisations were established to give the people at the grassroots more say in their own affairs (Larsen 2011). However, the CPV faced challenges in the transition to a market economy. The SOEs that dominated the industrial sector, continued to operate at a loss and were inefficient and prone to corruption while maintaining monopoly power (Sjöholm 2006; Nguyen and Van Dijk 2012). They emerged as a constraint on economic growth (Hiep 2017).

The third stage (2006–2016) of economic development began with Vietnam's accession to the WTO in 2006. This formally acknowledged the country's embrace of economic globalisation and liberalisation. However, it opened up Vietnam to intense competition with other newly industrialising export economies such as China and Indonesia. In addition, despite its positive impact on economic growth, the privatisation and liberalisation of *Doi Moi* resulted in significant increases in income inequality in Vietnam (Pham and Pham 2006). However, with bilateral trade agreements (BTAs) signed with WTO members and domestic political stability, the CPV successfully attracted large volumes of FDI during this period. This facilitated the expansion of IZs, thus boosting exports and human resource development as well as job creation and better living conditions for the majority of households (Ngoc 2016). With the increased integration into the international economy, the high rates of economic growth continued, averaging 6.2 per cent between 2005 and 2016 (World Bank 2018).

The GFC in 2008–09 did have adverse effects on Vietnam's export-led economy and produced high inflation, budget deficits, declining foreign exchange reserves, mismanaged fiscal and monetary policies, high unemployment, and sluggish commercial activities (World Bank 2010). But economic growth remained above 5 per cent (World Bank 2018). Nevertheless, appreciating the need to be more responsive to and capable of dealing with the new economic realities, the CPV again took a leading role in changing the country's economic structure to better fit the new environment. Government reforms concentrated on increasing efforts to attract investment in IZs and on improving the market competitiveness of SOEs which, although reduced in number, often remained inefficient monopolies and obstacles to Vietnam's economic development (Bui 2015). The already substantial and sustained flow of FDI into Vietnam has been boosted over the past two years by redirection of investment from China due to the trade war between the United States and China. In 2019, it was reported that

US$1.5 billion was arriving in Vietnam each month to keep the economic growth rate up at 7 per cent (Dapice 2019).

Discussion: looking for convergence

Government commitment to economic growth through authoritarian leadership

The first important shared feature of the EA development model is that both the Korean and Vietnamese governments prioritised and remained strongly committed to rapid economic growth. With both starting at extremely low levels of economic development, they saw economic growth as essential for nation-building and raising welfare, and as a necessary platform for further economic development. They shared a common 'developmental mindset'. It was also a major basis on which to claim political legitimacy for their authoritarian regimes. In both countries, the experience of hunger, poverty, and economic backwardness led the authoritarian rulers to make economic growth their primary aim. This was most dramatically emphasised in Vietnam when the CPV made the pragmatic decision to undertake the disruptive change of moving from an ideologically driven central planning model towards a market economy. It is also notable that economic take-off of both countries occurred within non-democratic settings, under authoritarian regimes able to dictate economic policies and procedures and with strong control over the political and social lives of their people.

Korea's transformation to a newly industrialised nation was led by military authoritarian governments. To enhance their regime's political legitimacy, authoritarian leaders pursued rapid economic growth as the nation's top priority and had monopolist power both in the decision-making process and in the allocation of resources (Kim 2004). In the name of economic growth, trade unions were banned and labour markets were tightly controlled. Political and labour protests were harshly repressed by government authorities.

In Vietnam, high economic performance was also deemed vital to restoring the CPV's legitimacy, which had been threatened by the economic and social crises under the socialist command economy until the mid-1980s. While building public trust and suppressing opposition, *Doi Moi* and ensuing economic liberalisation have enabled the CPV to maintain absolute authoritarian power for the past three decades (Malesky and London 2014; Nguyen 2016). This was also manifested in the severe regulation of labour relations, freedom of expression, and civil society activism (Freedom House 2017). Furthermore, the use of social media and the Internet by citizens to transmit uncensored information and organise dissenting voices have been highly restricted in recent years (BBC 2017). However, Kerkvliet (2019) has demonstrated that there has been considerable political activism that manifests in such events as strikes by factory workers—6600 between 1995 and late 2018—and large street demonstrations against the possibility of Chinese firms being granted 99-year leases at three IZs. The CPV and government have been tolerant of this activism and have even moderated plans because of such autonomous public action.

Active government intervention for the promotion of export and strategic industries

In both Korea and Vietnam active government intervention in the economy was of central importance to the development strategies adopted for rapid economic growth. Economic policies and objectives were set up and implemented according to medium- to long-term economic development plans devised by the governments to maximise growth. Both countries established powerful government ministries to increase the state's capacity to manage and control planning, investment, trading activities, and related policies.

In Korea, it was the Economic Planning Board (EPB), founded in 1962 and directed by President Park Jung-hee, whose role was to coordinate a broad range of economic policies related to the economic development plans. It was given considerable authority over other government organisations and private economic activities that enabled it to control and oversee the allocation of labour, materials, and capital resources including those obtained from foreign sources. Similarly, in Vietnam, the Ministry of Planning and Investment (MPI) was established in 1995 as a government agency performing the functions of state management over planning for national socio-economic development. The MPI was also responsible for both domestic and foreign investment, and policies relating to the establishment, development, and supervision of IZs, SOEs, and the private sector.

As part of national economic development plans, both Vietnamese and Korean governments selected an export-led growth strategy as a tool to achieve high economic growth. Both engaged in deliberate interventionist policies to promote exports. For example, the Korean government established the Korea Trade Promotion Corporation in 1962 and two export-processing zones (EPZs) in the early 1970s. It also adopted various other export promotion measures including the provision of export credits; tariff exemption for imports of intermediate inputs; indirect and direct tax exemptions on exports; and accelerated depreciation of fixed assets in major export industries (Koh 2010). Policy reforms relating to exchange rates, trade controls, and the financial sector were also designed to promote exports.

Like its Korean counterpart, the Vietnamese government also set up IZs to attract foreign investment and promote international trade (Le 2002).

Vietnam's economic growth has been export-led. In 1986, when *Doi Moi* was introduced, exports accounted for only 6.6 per cent of GDP, rising to 53.9 per cent in 2000, and reaching 93 per cent in 2016 (World Bank 2017). Perhaps indicating a connection with the Korean model of economic development, the Korean *chaebol*, Samsung has a major production base in Vietnam and is the country's largest exporter, accounting for roughly 20 per cent of the nation's total export turnover (Nguyen 2017).

Another shared characteristic is that both Vietnam and Korea fostered and supported the development of strategic industries. They were selected as growth engines through interventionist policies that involved the control and allocation of limited resources and finance. Investment was directed into key industries for each stage of economic development plans. In both countries, manufacturing industry, especially labour-intensive light manufacturing, assumed a great importance as the 'take-off' industry for export expansion (Kwon and O'Donnell Kwon and O'Donnell 2001; Nguyen et al. 2016). Diversification occurred as the economy developed but in both countries, despite liberalisation, government still engaged in the economy to a greater degree than is normal for market economies. Regardless of who was in power, each Korean government retained its faith in a government-driven approach and sought a new economic growth engine to further economic and social development. Even under a liberalised economic order and democratic rule, progressive governments promoted the knowledge and cultural industries as new growth engines while extensive construction projects and SMEs were supported by conservative governments. In Vietnam, even with the challenges of globalisation after its WTO accession in 2006, Vietnam under the leadership of the CPV directed large volumes of FDI into high and medium-high-technology industries including oil and gas, telecommunications, electricity, mining, and banking (Bureau of Economic and Business Affairs 2014).

Support for large-scale enterprises as the leading actors in economic development

The governments of Vietnam and Korea fostered the creation of large-scale enterprises and maintained tight relationships between those businesses and the state, which, among other things often granted monopolistic access to resources. In both countries, governments believed that large companies they selected and supported would play leading roles in generating rapid economic growth and achieving economies of scale. In Korea the large companies were the private sector conglomerates, the *chaebols*, while in Vietnam they were the leading SOEs.

In Korea, the nationalisation of the banking system in 1961 was the key action that gave the government direct control over the business sector. It enabled government to determine finance for the *chaebols*. The Korean government was empowered to openly support selected *chaebols* and particular industries with loans, relaxed regulations and tax cuts. Most of the *chaebols* had rent-seeking orientations and thus maintained close relationships with the government to sustain their economic position. They grew into mega-conglomerates by using debt-based and volume-oriented expansion strategies. The major *chaebols* became leading actors in Korea's economic development and wielded considerable economic and political power. In 2015, 58 per cent of Korea's GDP was generated by sales revenue from the top five *chaebols*, increasing from 37 per cent in 2008 (Chiang 2016). However, with their lack of transparency in management and decision making, and association with corruption, the *chaebols* and their expansion strategies became causes of long-standing problems of the Korean development model, including crony capitalism and the neglect of SMEs (Kang 2002).

Combining socialism with capitalism, the Vietnamese government favoured and protected SOEs as the pillars of the economy and the leading engines of growth. Despite the transition to a market economy, SOEs remained a pervasive and dominant feature of the economy in Vietnam and were protected by the state to serve as national champions. Like the *chaebols*, the Vietnamese SOEs grew in size and retained their economic importance. Although the share of SOEs in GDP declined after WTO accession in 2006, SOEs still contributed about one-third of Vietnam's GDP and controlled 70 per cent of fixed assets and 45 per cent of new investments in 2014 (Lakatos 2015).

In 2007, Vietnam adopted a strategy to exploit economies of scale in production and technology by transforming large SOEs into 19 State Economic Groups (SEGs), taking large conglomerates, particularly Korean *chaebols*, as role models (Lim 2014). SEGs were given monopoly status in many heavy industries and were protected from foreign competition. Whilst some SEGs, such as Vietnam Posts and Telecommunications Group (VNPT), Vietnam Electricity (EVN), and Petro Vietnam, improved their performance through achieving economies of scale and the introduction of better business practices, many SOEs proved to be too inefficient to compete effectively in the new globalised economy and acted as a drag on the Vietnamese economy, especially after the 1997 AFC. The huge financial losses incurred by Vinashin, an SOE that diversified far beyond its core business of ship building and repairing, provides an outstanding example of SOE mismanagement and corruption (Nguyen and O'Donnell 2017). By contrast, the remarkable growth, both domestically and overseas, of the telecommunications company Viettel, demonstrates not only how a SOE can be agile and proficient in business but also how to take advantage of privileges granted by the state (Nguyen and O'Donnell 2017).

Political transition and changes in the role of government

Where Korea's and Vietnam's development trajectories have clearly diverged is in the field of political development and the scope of government control. However, there are similarities between the political regime that characterised Korea's early developmental years and that of Vietnam until now. Korea was under authoritarian military rule but underwent democratisation in the late-1980s, whereas Vietnam has remained a one-party authoritarian state ruled by the CPV.

In Korea, despite the impressive economic growth record achieved by the authoritarian developmental state during military rule, the process of government-directed development generated economic, social, and political inequalities that led to increased resistance to the political order from labour and students, and later by a broader coalition of citizens that culminated in democratisation (Kim 2003; Song 2003). The ending of military rule and the re-establishment of the general presidential election system in 1987 signalled the formal start of political democratisation. As a response to the growing democratic movement, the authoritarian developmental state underwent a transformation to a more socially responsive and democratic state. The actions of government began to be manifested in conflicting forms, with policies representative of both the developmental state model vying with those of a neoliberal nature, depending on the strength and ideology of the incumbent government (Suh and Kwon 2014). But with democratisation and membership of the OECD came pressure from at home and abroad for the implementation of welfare policies, albeit not to the degree found among European members of the OECD (Kwon and Holliday 2006; Yang 2017). While some view Korea as a successful example of how a developmental state achieves a balance in economic and political openness and socioeconomic development (Mo and Weingast 2013), it has still been necessary for citizens, in large numbers, to assert their rights and protest injustices through street demonstrations (Lee 1993). The most recent and most significant of these saw millions turn out over a period of 6 months in 2016–17 to protest against corrupt actions by President Geun-hye Park and her associates (Turner et al. 2018). This show of popular solidarity against the integrity of state institutions and their incumbents led to the impeachment of the President and her imprisonment along with other officials and cronies.

In Vietnam, the role of the government also changed in response to external influences. Its introduction of a socialist-oriented market economy in the 1980s initiated transformation from a backward agricultural economy into a developmental state (Masina 2012). The state's earlier control of the economy could not be maintained as in order to sustain economic growth, the institutional infrastructure of the Vietnamese economy had to be realigned to meet market requirements (Gainsborough 2010). First, as the market-based economy expanded and was integrated into neoliberal-driven globalisation, the government's autonomy in economic policymaking was greatly reduced. Second, with the erosion of Vietnam's competitiveness in labour-intensive industries, the government was increasingly required to search for new growth engines. Third, the government needed to realise its vision of a socialist state but simultaneously address income inequalities and other demands from society. This changing environment led the Vietnamese government to become more adaptive to deal with the socioeconomic challenges it faced. In other words, it moved to having more macro control than rigid micro control over all areas of the economy; it needed to introduce and consistently operate institutions that were required to manage a complex market economy; it had to establish labour policies acceptable to international regimes; new industry policies were needed to maintain economic growth in line with changes in the global economic environment; and infrastructure was required to service and encourage that growth.

Although Vietnam conforms to fundamental aspects of the EA model in terms of economic development policies and changes in the nature of government's role in the economy, a fundamental constraint on the emergence of a fully fledged EA development state model lies in contrasting political ideologies. With an ultimate political goal being the realisation of a socialist state, Vietnam is run by a single party; others are illegal. Although the CPV's rigidity has been softened to some extent as seen in its tolerance of political activism related to worker and community grievances, it maintains a monopoly on power and does not allow political challenges to its authority. Dissent is suppressed. And while citizens have access to the Internet and social media, the state has attempted to increase its control over electronic communication and the content of what citizens transmit and receive (Luong 2017).

Vietnam has not undergone political transformation as in Korea. As the Korean economy matured and incomes grew, citizens increasingly became aware of inequalities and injustices at home and the democratic politics practised in other advanced capitalist economies. This emboldened them to voice opinions, organise themselves and pressure government until democratisation was obtained in the late 1980s. There is no sign of any official intention or significant citizen pressure to follow the same route in Vietnam.

The developmental trajectory adopted by Vietnam necessitated the adoption of institutions and rules that are integral elements of a market economy. The CPV and government thus had to lessen the control that initially extended over all economic activities. The state had no alternative if it wanted sustained economic growth. The process has been accelerated by Vietnam's increasing integration into the global economy and the need to fit with the rules and organisations governing it.

But the Vietnamese state has ceded much less power to society than in Korea. The CPV and government remain pre-eminent in policy and crack down on any opposition to the official line. The print and broadcast media are all state controlled while civil society is restricted in size, scope, and autonomy (Nguyen 2013; Murray 2017).

Conclusion

The answer to the question of whether Vietnam's economic development policies have followed those of the EA growth model, especially Korea, is both yes and no. There is policy convergence but there is also some divergence; isomorphism in some respects but not in others. Where convergence is found in the economic policies that provided the foundation on which Vietnam's success has been built and in the resolute maintenance of a developmental mindset. It followed Korea in being an authoritarian state in which economic growth was prioritised and where government made significant interventions to promote exports and strategic industries. In both cases, large-scale enterprises were selected as the leading actors for economic development and given favourable treatment by the state. Also, they both necessarily adapted or evolved to align with the changing global environment that accompanied the rise of neoliberalism (Wong 2004; Thurbon 2014; Wade 2018).

But divergence can be found. The large enterprises in Korea, the *chaebols*, are private sector concerns while Vietnam's large enterprises are SOEs. FDI has been of much greater importance to Vietnam where the government has worked hard to attract investment into its many IZs. But where the divergence is most marked is in political development. Authoritarianism was toppled in Korea by popular pressure whereas in Vietnam there is no threat to the dominance of the CPV. The advent of democratisation in Korea also saw the introduction of a welfare state like in other OECD countries and the political leaders having to craft policy that had appeal for the public that voted them into office. In Vietnam, the CPV and government hold sway in policymaking and impose stiff penalties on those who criticise the official line. Accountability is an internal matter for the CPV and government, not the citizens, while transparency is considerably more limited than in Korea.

The convergence that has taken place involving the building blocks of economic success has resembled the Northeast Asia EA model more than the Southeast Asian variant, although there are commonalities between all of them. One of these is the way in which Vietnam and its predecessors have been very pragmatic in their choices of economic development policies. They have followed a model of selecting and adapting policies seen to be successful elsewhere and eschewing those that are judged to be incompatible with the domestic environment. And this is why the new Asian tiger of Vietnam has utilised some of the basic policies of Korea and the EA model but not all and not always in quite the same manner.

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