"Can we relate economic performance to policy unambiguously?: Lessons from the experiences of Latin America, East Asia, China and India"

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Can we relate economic performance to policy unambiguously?

Lessons from the experiences of Latin America, East Asia, China and India

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Abstract

Economic policies influence the economic performance of a country. Policymakers are often trying to form the types of policies which countries should adopt in order to develop. But what types of policies is a question arises always. What is the role of policy in economic performance? This paper is an attempt to check whether we can infer about policy on the basis of economic performance. By analyzing the experiences of Latin America, East Asia, China and India we found that there is no unique universal policy which is consistent in all situations. Success of a particular policy not only lies on the policy taken but also on the characteristics of the country and its institutional background. The study reaches the conclusion that economic performance cannot be unambiguously related to Policies.

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In 1750 Per capita GDP of the developed world was $182 at the same time it was $ 188 in the third world countries. Per capita Gross Domestic Product (PCGDP) of developed world grew to $ 2737 in 1979, at the same time third world showed $ 355. (Bairoch and Mauric, 1981). It is evident from simple observation that different countries have different level of growth. How the developed world move ahead and how the third world countries fallen back after experiencing initial advantage? Why homogenous countries are experiencing different level of growth? Were the developed world adopted good policies and the third world adopted bad policies? Can we look at performance and infer about policy? These are the fundamental question which policy makers of all over the world facing by the last five decades. Explaining such a vast differences in economic performance are one of the fundamental challenges which economists are facing.

There is no doubt that policies do have an influence over performance as it gives incentives for investment and also set up a complementary atmosphere for investment. "Policies can exert a quantitatively large influence on the average growth rates of economies operating in isolation. Policies can display these effects because they influence private incentives for accumulation of physical and human capital. Policies can also provide incentives in open economy through taxation and other policies". (King and Sergio, 1990*)*. In a certain extent polices influence the economic development of a nation. But what type of policy a country can adopt? Is there any unique universal policy which is applicable in all situations like Washington Consensus[2]?

The objective of this study is to look whether performance can unambiguously relate to policies or not and also to look whether the performance of some policies are same for all countries or not[3]. The study has certain inherent limitations because governments are taking a large number of policies at a time, even if no policy is taken is also a policy (Friedman[4]). The impact of any particular policy on a country's economic performance is a very difficult job to judge. When we get right down to business, there aren't too many policies that we can say with certainty deeply and positively affect growth.

[2] The term Washington Consensus was coined in 1989 by J.Williamson to describe a set of 10 policies for developing countries prescribed by the Washington DC based institutions, such as IMF, World Bank and US Treasury department.

[3] Percapita GDP growth rate tariff rate and export growth rate were used to compare performance with literature review.

[4] From Dornbush, 1993, 'Policymaking in the Open Economy '(pp. 1-16). Oxford University Press. New York

(Harberger, 2003)[5]. There could be many reasons; say for example the duration for implementation of a policy and its realisation could be very long. Or sometimes we get some outcome from a policy that was not intended and we end up in not realising that this result is because of the implementation of that particular policy.

Since we are talking about policy and performance, it is very essential to first explain how we are defining policy. The word "policy" is not a tightly defined concept but a highly flexible one, used in differently on different occasions. In the Webster's dictionary, policy is defined as a specific decision or set of decisions designed to carry out a certain course of action and performance is defined as the manner of functioning. In this study we define policy as a course of action of the government to achieve economic growth and performance is as the outcome of a policy.In order to achieve certain goals and objectives for economic and social development, government designs some policies as instruments. Hence, these policies are designed to achieve some goals and the outcome of the adoption of these policies is the performance. For economic policies the performance can be measured as an increase in country's GDP or GNP, improvement in HDI, improvement in industrial production, and reduction in poverty etc.

We begin by analysing how the notion of universal policies is come up with the existing literature and theoretical back ground. In the second section we take a detailed look at economic performance of some selected countries from Latin America,[6] East Asia[7], India and China in the light of economic policies suggested by the Washington consensus and international policy makers such as IMF and World Bank for macroeconomic stability. In the third section we look at various trade policies adopted by these countries in comparison with some performance indicators and conclusions are drawn in the last section

1. Origin of the notion of universal policy;

The notion of universal policy came after 1980s. It was believed on the basis of neoclassical model, which states that poor countries can catch up with the growth performance of the rich countries. A key prediction of the neoclassical growth model is that the income levels of poor countries will tend

[5] From Rodrick D. (2003), 'Gowth Strategies' NBER working paper.10050
[6] Argentina, Brazil, Mexico , from Latin America
[7] South .Korea, Hong Kong, Singapore and Taiwan from East Asia

to converge towards the income levels of rich countries as long as they have similar characteristics[8]. But neoclassical model lack of empirical reality. Since the 1950s, the opposite empirical result has been observed. The developed world appears to have grown at a faster rate than the developing world, the opposite of what is expected according to a prediction of convergence. However, a few former poor countries, notably Japan, South Korea do appear to have converged with rich countries.

After the Second World War an opinion was developed that third world countries should adopt the economic policies of the developed countries so that growth could be accelerated. Leading international policy makers from the World Bank, IMF, and OECD[9] are frequently make the case that integration into the world economy is the surest way to prosperity (Sanyal, 2007). Development policy has always been subject to fads and fashions during the 1950s and 1960s, "Big push", planning, and import-substitution were the rallying cries of economic reformers in poor nations. These ideas lost ground during the 1970s to more market oriented views that emphasized the role of the price system and outward-orientation (Rodrick, 2003). Further in the early 1980s economists are came with macroeconomic policies for the developing countries, like stable real exchange rate, fiscal prudence, controlling inflation, efficient capital markets etc. By the late 1980s views had developed around a set of policy principles that John Williamson (1990) termed as the "Washington Consensus[10]". These policies were termed as a desirable policy framework for economic growth (Rodrik, 2005). Policy makers all over the world looked in this direction and they gave more attention to the urgent problem of poor countries.

2. Economic performance and policies: Experiences of different countries;

Of course policy can influence economic performance, but can we unambiguously relate this performance to a particular policy? is the question then come. This study is an attempt to address this question by analysing the experiences of Latin America, East Asia, China and India for the last three decades. In this section we are comparing the policies adopted by the above mentioned countries with the universal policies suggested by the international policy makers. We are testing our

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[8] See, Solow, Robert M. (1956). 'A contribution to the theory of economic growth'. Quarterly Journal of Economics.
[9] Organisation for Economic Co-operation and Development
[10] The term was first put forth by John Williamson in 1989.

hypothesis by comparing the per capita GDP growth rate of different countries in the International policy notion. Consider the following table, which shows the growth experience of four different countries.

Table.1

Real per capita income of some selected countries in different periods, (1960=100 $).

Country	**1960**	**1970**	**1980**	**1990**
India	100	116	127	177*
Korea.	100	172	320	683
Peru	100	130	145	102
Zambia	100	123	106	80**

* 1989, ** 1987 , Source: Rodrik (2005)

All the countries are started at a same base level in 1960. , but things changed drastically with the passage of time. South Koreas per capita GDP grew by seven times during the period 1960 – 1990 where as Zambia was below their 1960 level. Why this dissimilar experience? What role to policy in their performance? We can look at the policies adopted by different countries. East Asia has been the fastest growing area in the world for the past three decades. The economies of Japan and the newly industrializing economies (NIEs) of Hong Kong, Singapore, Korea, and Taiwan have been hailed as models of achievement for other emerging economies. (Rodrik, 2006). Table.2 below shows the standard ideal policies adopted by East Asia with respect to institutional domain level. Majority of the East Asian countries marked a significance departure from the ideal policies suggested by the Washington consensus. Singapore and Hong Kong are the exceptions among East Asian countries; they were the strong followers of universal policies along with Latin American countries, it is shown in the table.3 below.

Table 2

Ideal Policy & East Asian Pattern

Institutional domain	Standard Ideal	East Asian Pattern (Excluding Hong Kong, SGPR and China)
Property rights	**Private, enforced by the rule of law**	**Private, but government control by the law (esp. in Korea).**
Business–government relations	**Arm's length, rule based**	**Close interactions**
Financial system	**Deregulated, securities based, with free entry.**	**Bank based, restricted entry, heavily controlled by government.**
International capital flows	**"Prudently" free**	**Restricted (until the 1990s)**
Public ownership	**None in productive sectors**	**Plenty in upstream industries**

Source: Rodrik ,2005

Up to the 1997-98 crises, South Korea was perceived as one of the most impermeable economies to foreign investment. Very strict controls were imposed on inward FDI in terms of technology transfer, local content, and export quota stipulations. Where such foreign investment was permitted, it was often guided into specific sectors with the aim of cultivating the techno-industrial learning and other adaptive related capacities (Mardon, 1990).

Table.3 gives us macroeconomic policies adopted by the Latin American countries, Hong Kong, Singapore, India and China. In the case of Latin America, they adopted almost all of the macroeconomic policies prescribed by the international policy makers. They adopted more liberal policies like privatization, de regulation, and secure property right for opening the market.

Hong Kong and Singapore are the best examples of Latin America they also adopted the following policies. But China was a significant departure from it though they started reforms since 1978. They adopted more inward orientation policies at least up to 2001[11] like no deregulation no private property regime and public sector undertakings. Up to 1991 India done little privatisation, deregulation but having private property right[12]. Public expenditure was very high, no fiscal discipline and very little tax reforms. But during the reform period, India and China were adopted the following policies in Brief (i) the abolition of industrial licensing; (ii) the liberalization of inward foreign direct and portfolio investment; (iii) elimination of import licensing and the progressive reduction of non-tariff barriers; (iv) financial sector liberalization, (v) and the liberalization of investment in important services, such as telecommunications.

[11] China's accession to WTO

[12] India and China adopted more liberal policies in 1990s

Table 3. Macroeconomic Policies Adopted

Policies prescribed by Washington consensus	**Policies adopted by Argentina**	**Policies adopted by China**	**Policies adopted by Hon Kong and Singapore**	**Policies adopted by India Up to 1991**
Privatization, secure property rights, deregulation *(Towards a market economy)*	*Privatization, deregulation, secure property rights.* *800 PSU privatized*	Public Sector. HHRS. no private property regime	*Privatization, deregulation* *Secure property rights.*	Slow Deregulation. little privatization *Secure property rights.* De licensing (After 1990s)
*Fiscal discipline, tax reform, Reorientation of public expenditure, liberal interest (*Macroeconomic discipline)	*Tax reform, reorientation of public expenditure,*	Appended a market system to planned economy. High PE. Tax reform in 1994(VAT)	*Fiscal discipline, tax reform*	High PE No fiscal discipline.
Openness to DFI, unified and competitive exchange rate. (Openness to the world) [13]	*Trade Liberalization, fixed exchange rate(Exchange rate board also)*	Trade regime highly restricted (After 1990s trade openness}	*pegged exchange rate* *Trade liberalization*	Trade regime highly restricted Liberalization of investment
Source:: Rodrik 2006				

[13] Trade openness will discuss in detail under section 3.

Now we can look at performance. Latin America is a prime candidate for comparison with East Asia. These two regions are the most industrialised in the developing world, with Mexico, Brazil, and Argentina being the Latin America analogues of East Asia's "Four Tigers" (South Korea, Taiwan, Hong Kong and Singapore) in the past decade; however, Latin American nations have found it difficult to maintain their previous levels of growth, (Hoffman, 2000).

Latin American countries tried very hard to implement the universal policies. From the mid-1980s to the late 1980s onward, these countries did a significant amount of privatisation, deregulation, and liberalisation. They stabilised their economies, brought inflation down, unified currency markets, liberalised trade but their per capita GDP growth rate was less than five per cent during the period 1980 to 2010. Per capita GDP grow only three fold in 2010 as compared to 1980. On the other hand though Singapore and Hong Kong from East Asia were adopted most of these policies they could attain a growth rate of seven percent per annum in per capita GDP during this period. Contrary to this South Korea and Taiwan were followed less of the liberal policies; they have under taken a lot of public sector enter prises and private property right, but they could also able to keep momentum in their growth rate. India and China were adopted less of liberal policies up to 1990s after that they gradually moved to an open economy. They could also maintain an average growth rate of more than 7 percent per annum in capita GDP by the last three decades. During this period the performance of China was magnificent; their capita GDP is 44 times higher in the year 2010 than that of their 1980 level.

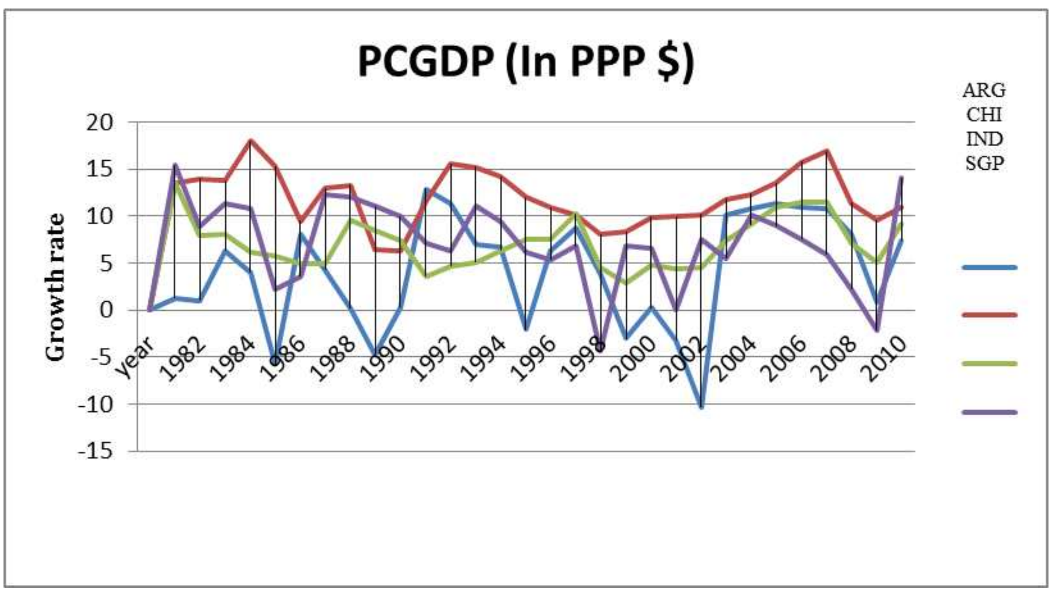
Table .4. Economic Performance.

Country	Scores based on Original Washington Consensus policies adopted (out of 10)	Per capita GDP(PPP, US $)		Average Annual Growth rate (1980-2010)	PCGDP IN 2010/ PCGDP 1980
		in 1980	In 2010		
South-Korea	5	2302	34,834	9.3	16
Taiwan	5	3,352	40396	6.2	12
Hong Kong	9	6,668	45,277	6.5	6
Singapore	8	6,954	57,238	6.9	8
China	6	251	10,139	11.5	40
India	6	416	3,563	7.3	8
Argentina	8	4,861	15,603	4.3	3
Mexico	7	4,927	16,461	3.4	3
Brazil	7	3,740	11,805	3.5	3
Source: World economic outlook database-October 2010[14]					

[14] In the second column the numbers are counted from various articles like Rodrik, 2005, williamsons 1994 (see appendix table.1 for more detailes)

The lessons from the experiences of different countries are that economic performance differs across countries though they followed similar or dissimilar policies. Argentina, Singapore and Hong Kong were followed most of the liberal policies suggested by international policy makers but only countries like Singapore and Hong Kong could sustain their growth rate, Latin American countries are far below their growth rate in 1970s. Countries like India and China started more liberal policies only in 1990s and Figure .1 shows that s they could keep their growth rate not only in the 1980s (less liberalised) but also 1990 onwards (more liberalised period). “I think one has to concede that some of the East Asian countries, …notably Korea and Taiwan, were far from pursuing laissez-faire…..but this does not prove that their rapid growth was attributable to their departure from liberal policies,….. There were two other East Asian countries that grew comparably rapidly like Hong Kong in which the state played a much smaller role a model of laissez-faire that the world has ever seen. (Williamson,2003).

Figure1.



Source: World Outlook Data base IMF October 2010

The immediate implication from this is that there are many other things than policy which affects economic performance of a country. There is very weak evidence that macroeconomic policies, financial policies, and trade openness have predictable, robust, and systematic effects on national growth rate. (Easterly, 2001). So a particular set of social, political, trade and economic conditions can be especially beneficial, even necessary for the reform process". (Gereffi, 1989).

A noteworthy argument is from Summer is "I would suggest that the rate at which countries grow is substantially determined by three things: their ability to integrate with the global economy through trade and investment, capacity to maintain sustainable government finances and sound money; and their ability to put in place an institutional environment in which contracts can be enforced and property rights can be established. I would challenge anyone to identify a country that has done all three of these things and has not grown at a substantial rate" (Summers, 2003). In the next section we are going to look the role of trade policies in economic performance of these countries.

3.Economic Performance and Trade Policy;

In this section we are looking the role of trade policy in this distinct growth experiences. After 1950s most of the newly independent countries were adopted protectionist inward oriented trade policies. Vast empirical literatures are supported this protectionism. Prebisch suggests that developing countries should pursue an import substitution industrialization strategy to avoid the problem of secularly deteriorating terms of trade (Prebisch, 1959). But in the 1980s arguments has been raised for international trade because of the growth experiences of East Asian and Latin American countries. In this section our objective is not to look whether international trade affect economic performance or not but is to look whether the same policies have produced same result in our study region and also to look whether we can infer about trade policies on the basis of economic performance. So it is better to narrate the existing literature on trade and economic performance.

Many studies are in favor of international trade. According to a policy paper of IMF in 1997 "Policies toward foreign trade are among the more important factors promoting economic growth and convergence in developing countries." This view is widespread in the economics profession as well. Krueger (1998), for example, judges that it is straightforward to demonstrate empirically the superior growth performance of countries with "outer-oriented" trade strategies. Stiglitz in 1998 pointed out the relationship between policy and performance. "Most specifications of empirical growth regressions find that some indicator of external openness-whether trade ratios or indices or price distortions or average tariff level-is strongly associated with per-capita income growth”. According to Fischer (2000), "Integration into the world economy is the best way for countries to grow."

Does international trade stimulate Economic growth rate of countries? Economists are arguing that trade policies do affect the volume of trade, of course. But there is no strong reason to expect their effect on growth to be quantitatively (or even qualitatively); Trade policies can have positive effects on welfare without affecting the rate of economic growth similar to the consequences of changes in trade volumes that arise from, say, reductions in transport costs or increases in world demand (Deardorff, A, 2001). But Hall and Jones (1997) argue that 'there is a great deal of empirical and theoretical work to suggest that the primary reason that countries grow at such different rates for decades at a time is transition dynamics'

Comparing trade policies with references to economic performance also have more methodological problems. Because each and every countries were involved in a large number of unilateral, bilateral and multilateral trade agreements between different countries like North American Free Trade Agreement (NAFTA[15]), South Asian Free Trade Area (SAFTA[16]), Trade and Investment Framework Agreements[17] (TIFTA), India ASEAN treaty etc. There are currently 205 agreements in force as of July 2007. All of them are joined in many trade, economic and Customs unions, so trade policies of a particular country may differ with different countries. For easiness here we are taking the trade policies in a broader sense with special attention to the Free Trade Agreement under WTO.

[15] North American Free Trade Agreement, 1994

[16] South Asian Free Trade Area, 2004.

[17] Trade agreement of united states with different countries.

Brazil, which is the largest Latin American economy, is the country that uses the new forms of protection most effectively. Brazil uses a large variety of instruments, such as unexpected tariff increases, changes in import procedures and the more classical antidumping, safeguards and countervailing subsidy procedures. Many of these measures are introduced with suddenness and often violating basic commitments. Hence Brazil has more liberal trade policies as comparing to other countries in our study as a result their tariff rates are low 7.2 percent which is showed in the table 3.1 below.

Mexico also took the mix of both protectionist and liberal trade policies. Mexico appears to be increasing the use of technical and labeling requirements that do not conform to international standards. Moreover, there are complaints about the introduction of new procedures without sufficient advance notification to trade partners. The overall applied tariff rate of Mexico was 7.9 per cent which is highest among the Latin American counties but significantly low as comparing to India and South Korea.

Table 3.1

Trade policies and protection rate adopted by different countries

Measures	**Countries adopted**
IMPORT PROCEDURE • Import and customs encumbrances • Import licenses • Other Tax and Charges	Argentina, Brazil, S.Korea, Taiwan, China
Unexpected tariff increases	Brazil, India, China, S.Korea
Antidumping and countervailing	Mexico, Argentina, India, Taiwan
Safe guards	Brazil
Tariff escalation	Mexico
Labeling requirement	Mexico, India,
Special Agricultural protection	All
Free Trade	Hong Kong, Singapore
Source: Brock et all, 2001	

Country	**Over all applied tariff, 2004**
Argentina	5.6
Brazil	7.2
Mexico	7.9
S.Korea	11.9
Taiwan	6.9
Hong Kong	0.2
Singapore	0.3
India	28.3
China	9.8

Argentina has changed its economy from a substantially closed system to an open-oriented economy with important increases in the stability of the trade regime. Nevertheless, some areas which are problematic remain closed such as protection in some agricultural sectors, and special protection for some manufactures such as toys, textiles, clothing and footwear. Moreover Argentina has imposed “statistical” levies on imports, which introduce uncertainty among exporters. “Overall, Argentina is a country that has eliminated most of the important restrictions of trade “(Eduardo L, 1997).

South Korea and Taiwan are relatively open economies after decades of gradual liberalisation, but they have sent mixed signals on market based reforms recently. (Razeen et all, 2005*).* South Korea applied more restrictions on imports so their tariff rate was much higher (11.9 percent) comparing to other East Asian economies. Hong Kong and Singapore had least tariff rates among the East Asian countries. China became a member of WTO only by December 2001. But China has come far, especially with the biggest dose of trade and FDI liberalisation the world has ever seen. The protective impact of classic non-tariff barriers has come down to less than 5 per cent. The simple average tariff has come down from 42 per cent in 1992 to 9.8 per cent after WTO accession in 2001. China's WTO commitments are by far the strongest of any developing country in the WTO. As a result, its levels of trade protection are distinctly low by developing country standards.

Prior to 1991, India was in the archetypical import substituting regime with "one of the most complicated and protectionist regimes in the world (Naim, 1999). However, following steps towards the unshackling of its trade regime, India's simple average tariff rate has come down significantly from 128 percent in 1991 to about 34 percent in 2000 and 28.9 percent in 2004. The trade-weighted tariffs were declined from 87 percent in 1991 to around 30 percent by 2000, while the maximum tariff rate fell to 45 percent in 1997, having hovered at 355 percent in 1991; this still leaves high protection in agriculture and services. It is interesting to note that this corresponds to the decelerating trend in economic growth in the latter half of the 1990s compared with the first five years since the crisis of 1991 (Naim, 1999). After 1990s India started to liberalisation of trade which included the elimination of import licensing and the progressive reduction of non-tariff barriers.

From the above paragraphs it is quite clear that almost all the countries were adopted protectionist policies during 1980s. But after 1990s most of them were reduced their tariff and non-tariff barriers in to a large extent. India is a best example of this policy changes the simple average tariff rate has come down from 134 percent to 28.9 percent. Does the above all countries have similar growth experience?

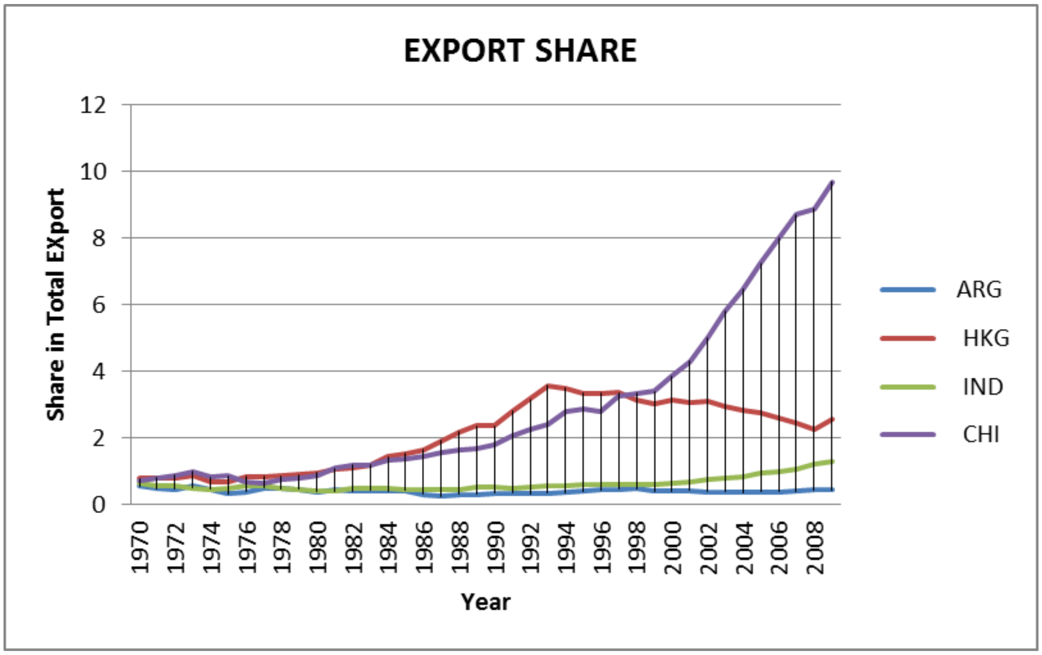
Table 3.2

Trade performance of different countries

Country	Export In million $		Import In million $		Share of world export		Export 2009/1980	Export Growth Rate.1980-2009
	1980	2009	1980	2009	1980	2009		
South-Korea	17512	361614	22292	322843	0.86	2.9	21	24.2
Taiwan	19786.	203691	19763	174582	0.97	2.64	11	20.2
Hong Kong	19751.	318510	22447	347311	0.97	2.56	16	17.6
Singapore	19375	269832	24007	245785	0.95	2.17	14	21.3
China	18099	1201790	19941	1004170	0.88	9.7	67	24.4
India	8585	162621	14864	249585	0.42	1.4	19	17.3
Argentina	8021	56065	10545	39104	0.39	0.45	7	7.53
Mexico	18031	229683	22143	246104	0.88	1.84	12	19.6
Brazil	20132	152995	24961	133553	0.98	1.23	8	15.6
Source: UNCTAD,2011								

The export share of china in the world's total export has increased from 0.88 percent in 1980 to 9.7 percent in 2009. From the figure 3.1 below it is clear that the export share of China began to increase from 1981 onwards. The total export of china has 67 times higher in 2010 than that in 1980. South Korea, Taiwan, Singapore, Brazil, Mexico and India were also improved their export in the world's total export. But Argentina showed only a slight increase during this period. South Korea, India and Hong Kong marked more than 15 fold increase in their total export in 2010 along with China.

Figure. 3.1



Source: UNCTAD, 2011

Hong Kong, Argentina and Singapore has less protectionist policies while India and South Korea has more inward oriented policies as per the table. But the economic performance in terms of export growth rate is different among the homogenous group of countries. All this shows that there are other things than policy which do affect the economic performance of a country. In this respect various literatures show that institutions are enough roles in differing economic performance across countries. "It has become clear that Institutions like property rights, appropriate regulatory structures, quality and independence of the judiciary, and bureaucratic capacity could not be taken for granted in many settings and that they were of utmost importance to initiating and sustaining economic growth (North and Thomas, 1973). A similar opinion was as "a source of exogenous variation in institutions is required to estimate the impact of institutions on performance. (Acemoglu et all, 2001). Banerjee and Iyer (2002) found that "Large differences in income and growth rates across Indian states are mainly due to institutional differences'. The international policy makers were also agreed that there is no universal policy which is consistent in all the situations. The way in which a policy is adopted is also a matter of great concern. "Whatever the policy area, there is no single formula applicable to all circumstances; policies' effectiveness depends on the manner in which they are discussed, approved, and implemented..." (Lora, (2001).

Civil and political situation, educational system etc are also affecting the economic performance of a country. Economists have the opinion that political stability is one of the essential things for long term economic growth of a country. "For the main message that I take from the kind of evidence presented here is that it is not whether you globalize that matters, it is how you globalize. The world market is a source of disruption and upheaval as much as it is an opportunity for profit and economic growth. Without the complementary institutions at home in the areas of governance, judiciary, civil and political liberties, social insurance, and of course education—one gets too much of the former (policy) and too little of the latter(growth performance" (Rodrick, 1997). Researchers have also stressed the role of party systems: the degree of party discipline, party-system fragmentation, leftist strength, and the balance of partisan forces all affect the success of economic adjustment (Geddes, 1995; Haggard and Kaufman, 1995).

5. Conclusions:

The relationship between policy and performance are ambiguous. Same policies show different performances in different countries. The ideal policies suggested by the international policy makers have lack of empirical support. Most importantly, an attempt to give policy suggestion to some country for economic growth may not work because each country is unique. What (policy) is good in one country may not be good in another. Economic performance depends not only on policies but also on geography, institution, trade, education; politics etc. An immediate implication is that growth strategies require considerable local knowledge and policies should be initiated at the local level. To conclude we can say that policy and performance are related, but ambiguity comes in the relationship between policy and direction of economic performance and also is that there is no unique universal set of rules which is consistent in all the situations. We need to get away from formulae and the search for elusive 'best practices'.

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Table.1

TABLE 3
THE "WASHINGTON CONSENSUS" AND EAST ASIA

Elements of the Washington Consensus	South Korea	Taiwan
1. Fiscal discipline	Yes, generally	Yes
2. Redirection of public expenditure priorities towards health, education and infrastructure	Yes	Yes
3. Tax reform, including the broadening of the tax base and cutting marginal tax rates	Yes, generally	Yes
4. Unified and competitive exchange rates	Yes (except for limited time periods)	Yes
5. Secure property rights	President Park starts his rule in 1961 by imprisoning leading businessmen and threatening confiscation of their assets.	Yes
6. Deregulation	Limited	Limited
7. Trade liberalization	Limited until the 1980s	Limited until the 1980s
8. Privatization	No. Government established many public enterprises during 1950s and 1960s.	No. Government established many public enterprises during 1950s and 1960s
9. Elimination of barriers to direct foreign investment (DFI)	DFI heavily restricted	DFI subject to government control
10. Financial liberalization.	Limited until the 1980s	Limited until the 1980s

Source: Williamson (1994) for first column, and author's evaluation.

Table 2.Percapita GDP Growth Rate of different countries

	ARG	BRA	IND	CHI	KOR	HKG	SGPR	TIW
1981	1.277939	2.131516	13.51294	13.48717	15.6513	16.8689	15.41752	0
1982	1.054696	4.267236	7.953012	13.95379	13.13488	7.603017	8.838261	0
1983	6.328505	-1.8623	8.120336	13.77018	14.91197	8.25632	11.40478	0
1984	4.058883	6.792272	6.190818	17.98266	12.58812	12.33533	10.80136	0
1985	-5.74568	8.728809	5.709764	15.28519	9.639368	2.452765	2.215014	0
1986	8.1247	7.643438	4.883565	9.49202	13.58505	12.15947	3.624682	0
1987	4.317014	4.47595	4.886913	12.95559	14.39229	16.03882	12.28687	0
1988	0.186553	1.70686	9.609993	13.33345	14.37059	10.70024	12.01063	0
1989	-4.67664	5.100512	8.523977	6.422408	9.692738	5.064954	11.08097	0
1990	0.35899	-2.23262	7.433451	6.263998	12.40211	7.429312	9.994752	9.663603
1991	12.88848	2.857694	3.588003	11.62625	12.48336	8.250011	7.165436	10.60033
1992	11.39409	0.166002	4.694783	15.55731	7.153585	7.274707	6.326645	9.065599
1993	7.005554	5.545934	5.1182	15.19905	7.580183	6.39115	11.03145	8.088716
1994	6.696065	6.39295	6.317631	14.19679	9.951926	6.101422	9.483702	8.911797
1995	-2.03631	4.754592	7.496798	12.02231	10.0866	1.914161	6.234956	7.681484
1996	6.263834	2.515674	7.5697	10.93305	8.191322	2.949059	5.419132	6.706705
1997	8.7565	3.622002	10.24006	10.11657	6.629465	6.08914	6.824172	6.264633
1998	3.853634	-0.33877	4.590481	8.026779	-5.33451	-5.92764	-4.30891	3.748884
1999	-3.02305	0.220282	2.971544	8.292585	11.56383	3.214957	6.91836	6.732962
2000	0.297299	4.994578	4.879448	9.910156	10.22769	9.074092	6.606548	7.192158
2001	-3.22865	2.086483	4.450814	9.971672	5.538429	2.4807	0.092609	-0.00718
2002	-10.3194	2.801133	4.50276	10.15452	8.279417	3.559175	7.502388	6.420711
2003	10.14069	1.826768	7.393323	11.79772	4.49574	4.626213	5.519741	5.50876
2004	10.83259	6.929552	9.134342	12.32774	7.317323	10.85192	10.13726	9.543874
2005	11.38482	4.519683	10.89348	13.51374	7.782771	10.06585	9.039611	6.877022
2006	10.9115	6.543258	11.54041	15.7504	8.246855	9.358876	7.603108	8.366498
2007	10.75493	8.004975	11.4494	16.94646	7.84397	8.831167	5.939808	8.713402
2008	8.022896	6.317739	7.146807	11.42221	4.209821	3.561058	2.227846	2.581145
2009	0.793999	-0.2531	5.134821	9.541171	0.80072	-2.65529	-2.0823	-1.36412
2010	7.422434	7.528136	9.134598	10.91207	6.63131	6.152627	14.06711	9.338739

Source: World economic outlook database-October 2010

Table.3 Export Share

Column1	ARG	BRZ	MEX	KOR	TIW	HKG	SGP	IND	CHI
1970	0.559228	0.86382	0.44216	0.263656	0.450438	0.793049	0.48998	0.639082	0.727655
1971	0.492165	0.821218	0.425359	0.301735	0.564941	0.812932	0.498027	0.575888	0.786862
1972	0.461713	0.949256	0.402974	0.386505	0.692993	0.817312	0.520652	0.582241	0.878268
1973	0.559404	1.061771	0.385412	0.551696	0.750766	0.868625	0.625618	0.499656	1.006465
1974	0.460438	0.931372	0.346461	0.522674	0.646422	0.699034	0.680528	0.459934	0.832611
1975	0.333575	0.97663	0.327102	0.557028	0.597284	0.678849	0.605601	0.490581	0.866125
1976	0.389404	1.007095	0.339824	0.767254	0.810933	0.843668	0.654836	0.551754	0.690433
1977	0.494501	1.060432	0.364628	0.879144	0.817957	0.841388	0.721045	0.558057	0.657927
1978	0.483999	0.95741	0.454168	0.962175	0.959142	0.866169	0.766458	0.504513	0.752894
1979	0.467882	0.91325	0.538102	0.902047	0.963388	0.907008	0.852695	0.46765	0.815605
1980	0.394067	0.989024	0.885808	0.860311	0.972041	0.970341	0.95185	0.421781	0.889164
1981	0.453711	1.155888	1.156603	1.0554	1.116626	1.08314	1.040478	0.411645	1.092072
1982	0.404614	1.070582	1.276485	1.159625	1.171416	1.114658	1.103111	0.496574	1.18446
1983	0.424114	1.185243	1.404669	1.323094	1.357733	1.188479	1.181649	0.495104	1.202941
1984	0.413846	1.378483	1.485448	1.492824	1.553757	1.44574	1.228669	0.482448	1.334277
1985	0.425641	1.29977	1.356463	1.535147	1.556135	1.530321	1.156471	0.46333	1.38651
1986	0.318746	1.039617	1.014251	1.614851	1.849247	1.648539	1.046408	0.437215	1.439341
1987	0.251211	1.035777	1.090105	1.867471	2.125763	1.914678	1.133023	0.446236	1.557654
1988	0.317376	1.163702	1.06633	2.108798	2.102068	2.194517	1.365615	0.459779	1.650877
1989	0.309355	1.110355	1.135819	2.01441	2.137692	2.361991	1.442287	0.512556	1.696668
1990	0.354518	0.901578	1.168403	1.865964	1.925184	2.357995	1.513346	0.515714	1.782016
1991	0.341371	0.901191	1.216613	2.04832	2.170678	2.809475	1.680549	0.505219	2.049457
1992	0.324973	0.950704	1.227006	2.035422	2.161736	3.173714	1.68588	0.521329	2.256105
1993	0.347028	1.019966	1.372642	2.175548	2.239175	3.577876	1.957977	0.570676	2.427085
1994	0.366664	1.008031	1.409369	2.222621	2.149991	3.504753	2.241423	0.579233	2.801182
1995	0.404773	0.897983	1.535857	2.414726	2.154153	3.354913	2.283619	0.59143	2.872771
1996	0.440372	0.883061	1.775486	2.39904	2.140391	3.342917	2.312096	0.612269	2.793587
1997	0.472957	0.948288	1.976069	2.436539	2.166641	3.365156	2.2365	0.62644	3.270907
1998	0.480248	0.929114	2.134022	2.403873	2.0079	3.161282	1.996581	0.607486	3.337694
1999	0.407493	0.839385	2.384459	2.511977	2.124057	3.039949	2.004896	0.623544	3.407886
2000	0.408483	0.854756	2.579952	2.671446	2.291652	3.130344	2.136995	0.657197	3.864515
2001	0.428823	0.941676	2.561478	2.430485	1.979201	3.067919	1.967003	0.70054	4.299067
2002	0.395785	0.9326	2.479404	2.507009	2.013017	3.08752	1.931544	0.777265	5.02411
2003	0.391842	0.970177	2.192028	2.568697	1.907137	2.965564	1.910861	0.781448	5.807927
2004	0.376253	1.05205	2.057616	2.762346	1.892481	2.821272	2.161572	0.834091	6.456584
2005	0.384132	1.128356	2.036169	2.707572	1.882788	2.754389	2.18618	0.948345	7.253532
2006	0.383954	1.136216	2.06488	2.683452	1.844072	2.612141	2.241043	1.004288	7.992516
2007	0.398819	1.148641	1.945195	2.656149	1.76164	2.463242	2.139797	1.072151	8.707207
2008	0.438443	1.229483	1.812634	2.621225	1.584274	2.252694	2.100523	1.208296	8.873879
2009	0.451446	1.231938	1.84944	2.911768	1.640149	2.564688	2.172726	1.309448	9.676985

Source: UNCTAD