

# Social Foundations of East Asian Social Policy

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## 1. The Need for a Region-Wide Social Policy

Regional integration in East Asia has been led by market forces, not by political leadership (Shoji 2007: 201). East Asia's intra-regional trade ratio was less than 40% in the 1980s, and is now approaching 55%, which is comparable to the level in the European Union (EU) at the time of the launching of the single market (METI 2005: 437). The ASEAN countries, as well as Japan, China, Korea, and recently India, have concluded Free Trade Agreements (FTAs) and Economic Partnership Agreements (EPAs), but these agreements confirm, rather than lead, market integration.

As a social policy specialist, I propose to develop an idea for region-wide social policy that will counterbalance economic integration. The deepening of a free trade market without a counterbalancing social policy is the road to the 'satanic mill', of which Karl Polanyi warned 65 years ago (Polanyi 2001: 35). In the postwar era, the redistributive welfare state was the answer to avoid this disaster. This simple solution, however, cannot be applied to the region-wide social policy of our day because the welfare state type of social policy needs an effective democracy and a taxation system, neither of which exists, so far, within the regional context. We should learn from the experience of the EU, which suggests the possibility of a multi-level regional governance of social policy. There occurs a restructuring of 'spatial boundaries of welfare' in the EU (Ferrera 2005).

There are at least two examples to learn from in the experience of the EU social policy. Firstly, the Open Method of Coordination (OMC), set up by the Lisbon Strategy of 2000, is useful for improving the social policies of each member country. Member countries agree to identify their most effective

social policies with the aim of learning from each others' experiences (European Commission 2008). Therefore, comparative study and mutual learning are essential to the improvement process. For this purpose, it is important to share common indicators for measuring the progress of each country towards common objectives. Eurostat may provide these kinds of indicators. This is a flexible and decentralized method without legal constraints (*ibid.*), and can encourage each country—without infringing on national sovereignty—to improve its social policies. It is not so unrealistic for East Asian countries to learn from this.

Secondly, the European Social Fund (ESF), established by the Treaty of Rome of 1957, contributes to reducing the differences in prosperity and living standards across member countries by subsidizing the jobs and skill-related projects of local governments and NGOs (European Commission 2007). Economically less advanced countries are given priority in receiving the subsidy. Over the period 2007-2013, 77 billion euro will be distributed. This represents around 10% of the total budget of the EU (*ibid.*). The local governments and NGOs can apply for the subsidy, and the European Commission can promote its own strategy directly through the subsidy. Here is a possibility for resolving the problem of the 'democratic deficit', as it is called, in the EU. The future East Asian Community (EAC) should also have this kind of mechanism to reduce disparities within the region.

The rest of this paper is a sketch of the 'social foundations' of region-wide social policy in East Asia. I would like to answer the following three questions. First, how should we do the comparative study of East Asian countries to improve their social policies, as is done in the EU process of Open Method of Coordination? I propose to use the provinces of China as units of comparison. Second, what are the characteristics or principles of social policy that East Asian countries have now, and should have in the future? I argue that 'productive welfare' neither capture reality nor is enough as a principle. Third, how can we build a system of region-wide social policy in East Asia? I recommend a reform of the Official Development Assistance

(ODA) into a more democratic foundation for region-wide social policy.

## 2. How Should We Compare East Asian Countries?

How should we do the comparative study of East Asian countries to improve their social policies, as is done in the EU process of Open Method of Coordination? As I argued above, comparison and mutual learning are essential to the OMC process. However, East Asia has some difficulties in this because the member countries are too divergent in size and economic level.

**Figure 1** shows the population size and GDP per capita of each country (Black dots represent East Asian countries, and white dots represent EU member countries). As you can see, China is a Jupiter-like planet. It is three times as large as the EU in population size, and too big to compare with other countries.

I propose to use the provinces of China as units of comparison. **Figure 2** is the same comparison, but with the provincial units of China (Provinces of China are represented by ‘+.’ Indonesia and Japan also seem large enough to divide into three or four parts!). We can see that some provinces of China are as large as Germany in population size. We also realize that economic divergence in East Asia is much larger than that in Europe. While European countries belong to almost the same world, there seem to be three economically different worlds in East Asia. The first is the advanced world (high-income economies), including Japan, Korea, Taiwan, and some urban areas of China like Shanghai, Beijing, and Tianjin. The second is the semi-advanced world (middle-income economies), including Malaysia, Thailand, and the coastal provinces of China like Jiangsu, Zhejiang, Guangdong and so on. The third is the developing world (low-income economies), including the Philippines, Indonesia, Vietnam, Cambodia, Mongolia, Laos, Myanmar, and the inland provinces of China like Anhui, Hunan, Sichuan and so on. Thus, China cuts across all three worlds.

There is another aspect of divergence in East Asia, which is the phase

of industrialization. As **Figure 3** shows, while Japan, Korea, and Taiwan are on their way to becoming service economies, most of the other East Asian countries are still in the phase of industrialization. Some of the coastal provinces of China seem to be at the peak of industrialization, and are worthy of the name 'Workshop of the World.' As a side effect of industrialization, population ageing has started in East Asian countries. **Figure 4** suggests that some of the inland provinces of China have experienced population ageing before the economic growth that can afford it.

### 3. What are the Principles of East Asian Social Policy?

What are the characteristics or principles that social policy in East Asian countries have now and should have in the future? Late Korean President Kim Dae-jung was the primary advocate of 'productive welfare.' It was the guiding principle of his administration for reconciling democracy with the market economy in the era of globalization. While his social policy laid emphasis on social investment, it also did not forget redistributive measures. Gough (2004) also used the term 'productivist regimes' for describing the characteristics of social policy in East Asian countries. 'Productivist' means the type of social policy which lays stress on health and education.

**Figure 5**, however, raises doubts about productivism as a characteristic of East Asian social policy. Most of the EU countries pay more for both health and education in comparison to East Asian countries, although the expenditure on health seems to be an effect of population ageing. Some countries, such as Malaysia, Mongolia, and Korea, expend more on education. **Figure 6** indicates that Mongolia and Korea lay stress on basic education, while Malaysia (and Hong Kong) pay also for higher education. Anyway, these are not the main characteristics of East Asia in comparison with the EU countries.

Though lower public health expenditure is mainly related to a younger population, it is also connected to higher private health expenditure in some countries. As **Figure 7** shows, out-of-pocket payments partly substitute public

expenditure in such countries as Cambodia, Vietnam, Laos, and China. I am afraid that health disparities may be exacerbated in such countries. They can learn from the Mongolian model, in which the public-private mix seems well balanced.

It may be partly true that welfare should be productive in the era of globalization. To be productive is not enough, however. Equality and security should also be important principles for East Asian social policy. Lower Gini index means higher equality. The number of physicians per population unit may be interpreted as an indicator of security. **Figure 8** shows that there are two worlds in East Asia. The first one enjoys a roughly similar status of equality and security to the EU countries. The other world experiences more inequality and insecurity. Once again, the Mongolian case seems to be worth investigating.

#### **4. A Vision of Multi-level Regional Social Policy in East Asia**

How can we build a system of region-wide social policy in East Asia? The case of Aceh may provide a clue to it. On December 26th 2004, the Sumatra-Andaman earthquake killed nearly 230,000 people in the surrounding countries, including 165,000 people in Aceh, Indonesia. This disaster brought a great experiment of post-disaster reconstruction, with an unprecedented scale of international aid, to Aceh. 44 countries and many international agencies and NGOs participated in the experiment, funding 3,430 million dollars in total.

In Aceh, the sources of international aid were global, rather than regional, and the largest aid was from the United States. As **Figure 9** shows, North East Asian countries like Japan, China, and Korea were not as willing to pay for the reconstruction as the Western countries were. Of course, Australia had geopolitical reasons for doing much, and the Netherlands was the former colonial master of Indonesia. Countries like Canada, Germany, UK, and Ireland, however, did not have any special reasons, other than universal altruism, for providing aid. Here, global universal aid surpasses regional

mutual aid. While we do not have any reason to deny global universalism, we should consider upgrading region-wide mutual aid.

I suggest a reform of the Official Development Assistance (ODA) of Japan and other East Asian countries into a more democratic foundation for region-wide social policy. The present allocation system of Japan's ODA is bureaucratic rather than democratic, and lays stress on civil engineering rather than on social protection. The geographic distribution of Japan's ODA is uneven (**Figure 10**). Also, the amount of Japan's ODA is modest compared to other developed countries (**Figure 11**).

In the coming decade, Japan, China, Korea, Taiwan, and other East Asian countries may pool their aid budgets into the 'Asian Social Fund' (ASF), to dilute their national interests and to contribute to region-wide interest. A region-wide democratic parliament may be established to discuss how to allocate funds. The members of the parliament may be elected from provinces, not from countries. Of course, national social policy will continue to perform important functions. In that manner, we can build a multi-level regional governance of social policy in East Asia.

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Figure 1. China is too big to compare with others.

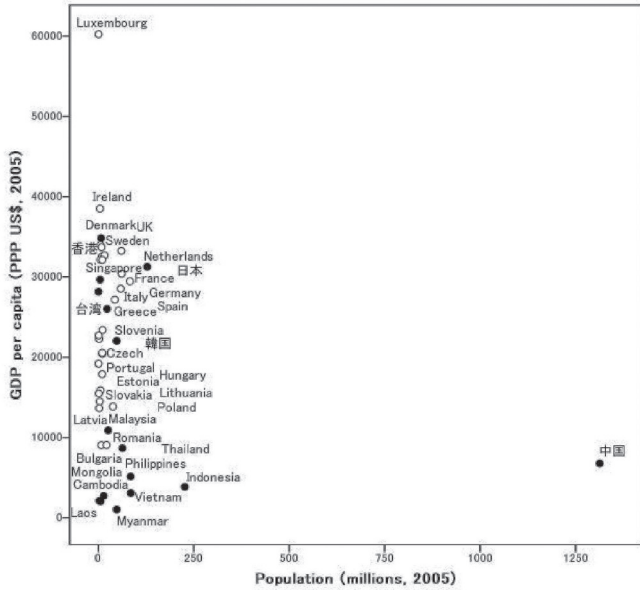


Figure 2. Three worlds in East Asia and China.

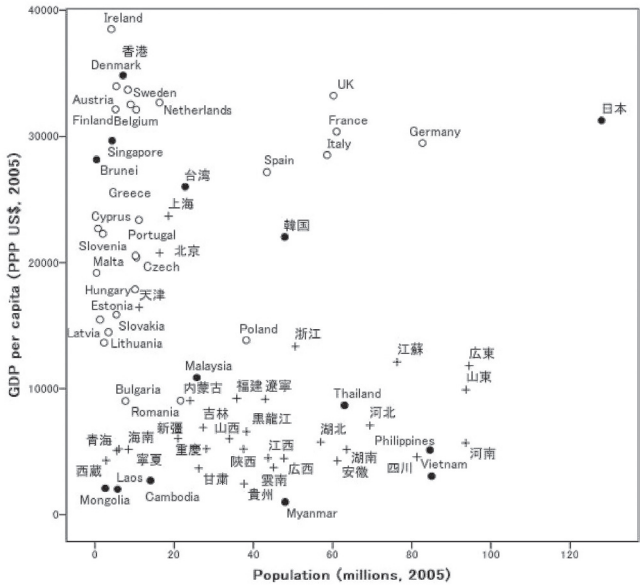




Figure 3. The different phases of industrialization.

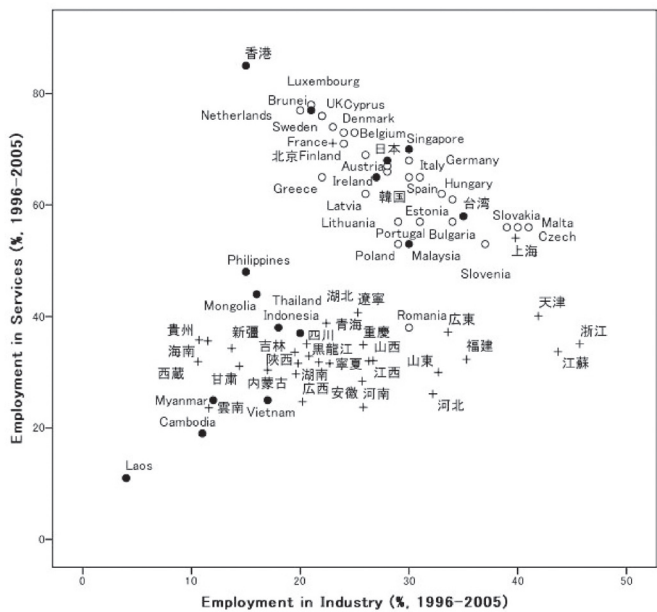


Figure 4. Population ageing in inland China before economic growth.

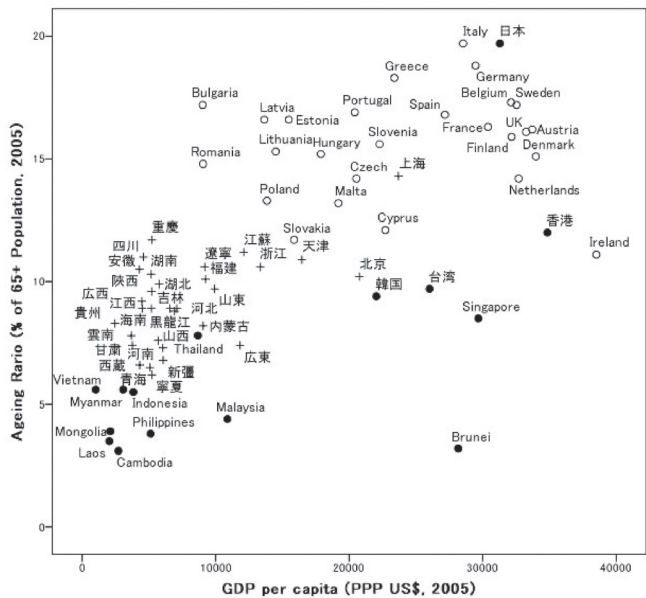


Figure 5. Health and education: Are East Asian countries productivist?

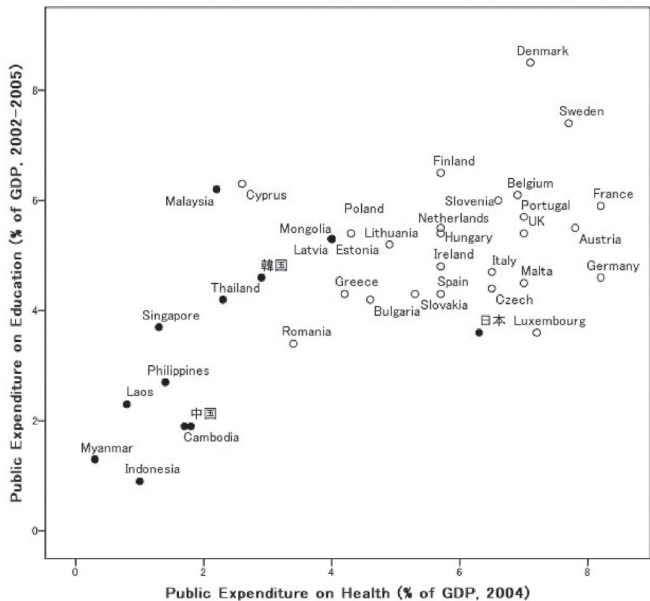


Figure 6. Not all East Asian countries are productivist.

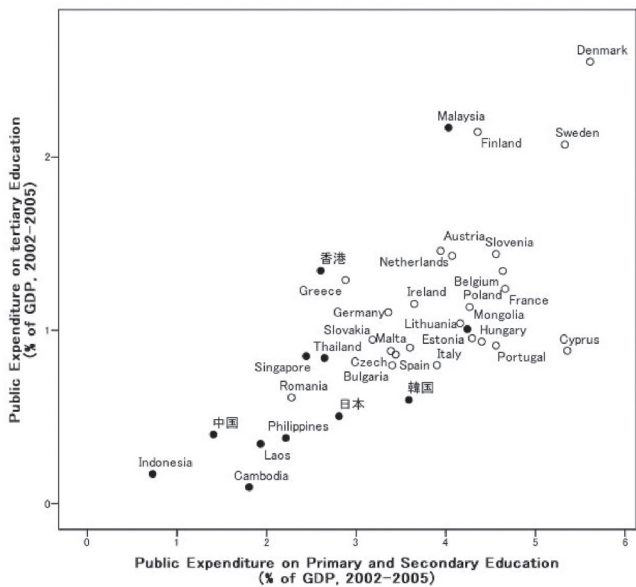


Figure 7. Public and private mix of health services.

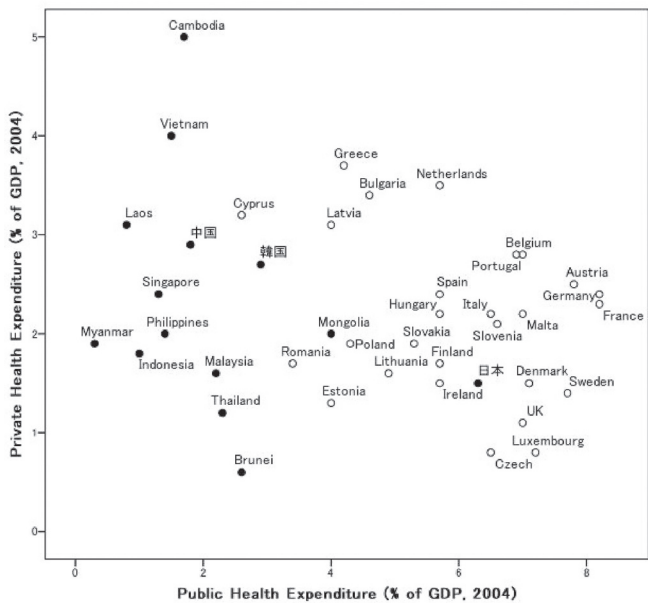


Figure 8. Two important values: equality and safety.

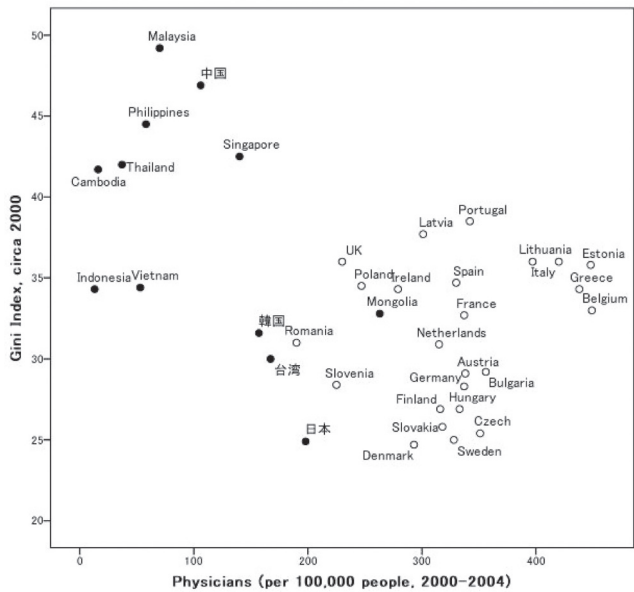


Figure 9. There was no East Asian social policy in Aceh.

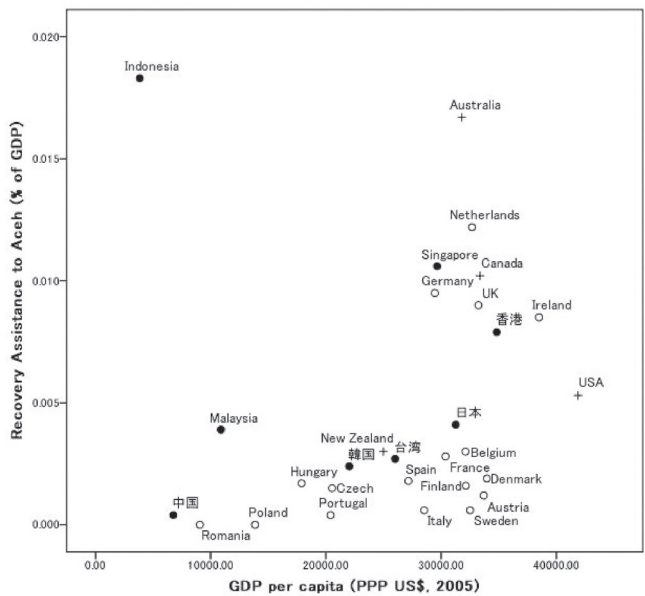


Figure 10. Uneven distribution of Japan's ODA in East Asia.

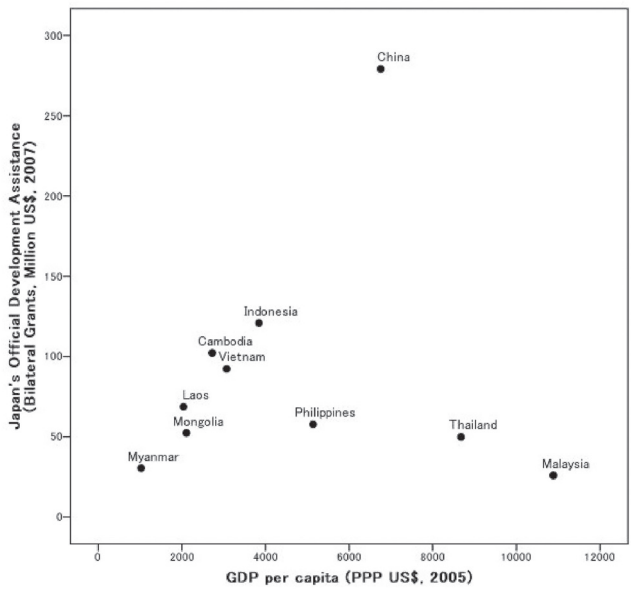
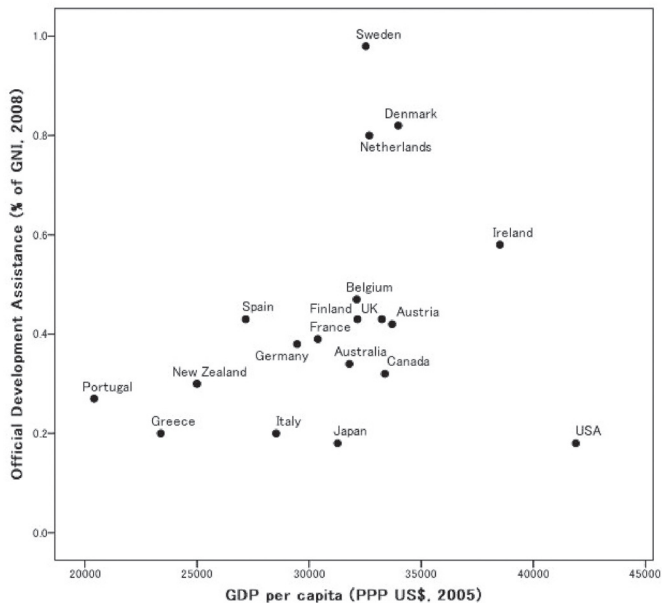


Figure 11. The budget of Japan's ODA is comparatively modest.



## Data Sources

Figure1: UNDP, 2008, *Human Development Report 2007/2008*. As for Taiwan, DGBAS, 2007, *Statistical Yearbook of the Republic of China 2007*.

Figure2: *ibid.* As for China, National Bureau of Statistics of China, 2008, *China Statistical Yearbook 2008*.

Figure3: *ibid.* As for the EU countries, OECD, *StatExtracts* (data of 2005).

Figure4: *ibid.*

Figure5: *ibid.*

Figure6: *ibid.*

Figure7: *ibid.*

Figure8: *ibid.*

Figure9: As for Aceh, BRR, *Reconstruction Aceh-Nias (RAN) Database* (<http://rand.brr.go.id/RAND/>).

Figure10: Ministry of Foreign Affairs of Japan, 2008, *White Paper on Official*

*Development Assistance 2008* ([www.mofa.go.jp/policy/oda/white/2008/part4.pdf](http://www.mofa.go.jp/policy/oda/white/2008/part4.pdf)).

Figure11: Ministry of Foreign Affairs of Japan, 2009, *Official Development Assistance of DAC countries 2008* ([www.mofa.go.jp/mofaj/gaiko/oda/shiryo/jisseki/souron/2008\\_dac.html](http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/jisseki/souron/2008_dac.html)).