One of the responses that had emerged at the East Asia regional level to address the impact of the 2008 global economic crisis is to accelerate intraregional trade (Yap 2009). There are two strategies to support this increased intraregional trade. One is through the investment in cross-border infrastructure such as roads, bridges, and ports. The other is through the revival of local and regional markets wherein certain countries can become the new hubs of production networks or regional supply markets. This strategy refers to the revival of the “Flying Geese (FG) model of regional development.”

Understanding the “Flying Geese model” and its roots

What exactly is this “Flying Geese model”? It is actually a kind of catching-up process of industrialization in latecomer economies in East Asia where industrial development is transmitted from the leader to the next tier of followers, then to the next, and so on and forth, resembling the inverted V formation of flying geese.

The concept originally began in the 1930s when Akamatsu Kaname formulated a model that would explain the growth of industries in developing countries, with the flying geese pattern referring to the trends of the three sectors, namely, imports, domestic production, and exports, which resemble “wedges of flying wild geese chasing each other” when plotted against time (Schroppel and Mariko, undated). There are three aspects of the original FG model: intraindustry, interindustry, and intercountry. The cycle in the rise and decline of the three sectors mentioned above explains the emergence of new products within an existing industry. This represents the intraindustry aspect. Said cycle also explains the emergence of other industries in the developing countries (representing the interindustry aspect), with capital goods and machinery included in the equation. Meanwhile, the intercountry aspect of the FG model was formulated by Akamatsu sometime in the 1960s to incorporate regional development. As production costs in the original developing countries rise due to factor price increases, said countries will start reducing their exports of consumer goods and begin to pass on the production of such to other less developed countries where production costs are still considerably lower.

It was, however, in the 1980s when the FG model became popular because of former Japanese Foreign Minister Saburo Okita’s major reference to it in a speech he delivered during the Fourth Pacific Economic Cooperation Conference in Seoul, Korea in 1985. In his speech, Okita mentioned Akamatsu’s Flying Geese model as the framework for the pattern of development in East Asia at that time wherein Japan was shown as the lead country because it was the first to develop industries that initially produced nondurable consumer goods, and then durable consumer goods, and finally, capital goods. The newly industrializing countries (South Korea, Taiwan, Singapore, and Hong Kong) followed Japan in the second tier while the ASEAN countries followed in the third in the pattern of the Flying Geese model (Figure 1).

Okita emphasized that the different stages in the economic development, unequal endowments of natural resources, and various cultural and historical heritage among Asian nations facilitate the FG pattern of regional development “as each is able to take advantage of its distinctiveness to develop with a supportive division of labor” (Okita 1985 as quoted by Kojima 2000).
The Flying Geese model in real life

Using actual data, Kumagai (2008) found that the Flying Geese pattern of development is easily discernible in 1985. The lead goose is Japan followed by newly industrializing economies (NIEs) like Korea, Taiwan, and Singapore and then ASEAN (Philippines, Malaysia, Thailand, Indonesia). The pattern has since changed and other lead goose (like Korea and Taiwan) have emerged in 2000. Still, the analysis shows that the model can be observed from actual data.

The Asian financial crisis in 1997–1998 tested the efficacy of the Flying Geese pattern of development. Guided by the Flying Geese model, Radelet and Sachs (1997) suggested that the way to move forward from the crisis is to transfer technology and production processes of the advanced countries to the poorest countries in order to link the poor economies to the advanced economies. Kojima (2000) observes that following the Flying Geese pattern of development has resulted in the recovery of East Asia.

The 2008 global financial and economic crisis has once again led economists and policymakers to revive the concept of the Flying Geese model as a means to energize the regional markets and develop new hubs of production networks. This will encourage more intraregional trade and help address the negative impacts of the crisis. The revival of the FG model, however, will probably see a new wave of countries involved. Whereas Japan used to be the lead driver, the new schema will perhaps have China and Korea—and even middle-income Asian countries like Thailand—at the helm, with the lower-income Asian countries following.

Ensuring continued flight

Notwithstanding the above, there are a number of criticisms of the Flying Geese model. A major criticism is that the model does not identify the channels through which technology is transferred through trade among countries. Other criticisms center on the inability of the model to reflect the global environment like the emergence of China or the failure of Japan and other NIEs to satisfy their demand-side role in the development of the other lower-income Asian countries (Kasahara 2004). Despite these, though, lessons in regional development from the model can still be adopted. Kojima (2000) mentions the following lessons:

- Being the lead goose and emerging lead goose, Japan and other NIEs have to increase their imports from the ASEAN and other developing Asian countries. This would strengthen intraregional linkage and foster greater integration.
- Technology and production processes are sometimes transferred through transnational companies (TNCs). Institutional barriers to entry and exit of TNCs should therefore be removed to ensure the smooth transfer of technology.
- Based on trade patterns of Asian countries, Japan is not the sole lead goose. The US and EU are also important countries; thus, close coordination and cooperation with these countries is also necessary especially in terms of their foreign direct investment (FDI).
- Some economies may grow faster than expected over time and thus follower goose may actually become leader goose and undertake FDI in some niche areas. This should be encouraged among the ASEAN countries.

References


