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The international development institutions and regionalism: The case of Southeast Asia

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Abstract

Why is it that the World Bank has failed to effectively incorporate the impact of regionalisation within its economic development strategies and policy advice for borrowing countries? This is an interesting puzzle given the increasing importance that scholarly observers, policy practitioners and development agencies have attached to regionalism and regionalisation in recent years. In the fiscal years 1995-2005, the World Bank provided only $1.7 billion in support for regional (or multi-country) operations across the globe, this is less than one per cent of its project and other funding overall. In Southeast Asia, while the Asian Development Bank (ADB) has had a particularly strong engagement with regionalism, the World Bank has only recently started to come on board with regional analysis and programs. The paper proposes that the gap is due to a combination of institutional and ideological factors and explores this proposition through a study of the World Bank in Vietnam.

Introduction

Regionalisation and regional integration have been the subject of debate in political science and political economy regarding its impact on development for some time but only recently have they gained sustained attention in mainstream economic analysis and development theory, this literature emphasises things like trade, foreign direct investment (FDI) and regional production networks. Equally, in donor circles a number of agencies are quite engaged with these issues – indeed, there is growing acknowledgement that many problems in the areas of transport, disease, pollution, forestry, agriculture and the environment need to be tackled through regional and global forums. Yet, the globe’s largest development organisation, the World Bank, has only very recently started to engage with the topic and only in a quite limited form. This is an interesting puzzle around an organisation that has over the past two decades – if not longer - prided itself in being in the forefront of the development debate.

The focus here is on both regionalisation and regionalism, where regionalism refers to formal institutional processes and regionalisation to the economic, social and political relations between
nations and their impact on the development project in each country (Breslin and Higgott 2000; Birdsall and Rojas-Suarez 2004: 2; Kim 2004). There is clearly much grey between what constitutes regionalism and regionalisation, nevertheless, it is a useful distinction. In looking at regionalism and regionalisation, no precise role for regions or regionalism in development is advocated, however, the proposition is that regional interactions do constitute an important factor in the political economy of any country’s development and that they are ignored with peril. This reflects a broad critical political economy approach that questions the way traditional development projects and international financial institutions have institutionalised nation-states as the site of ‘development.’

In this process, somewhat artificial barriers have been drawn between peoples and spaces which have framed and constrained both the development project and people’s lives. Most academic literature focuses in fact on regionalism rather than regionalisation, that is to say regional cooperation initiatives across the globe have produced a large and continually growing academic literature, more from political scientists and political economists than from economists (on Southeast Asia see inter alia Beeson 2002; Tran Van Hoa 2003; Beeson 2004; Harvie, Kimura et al. 2005; Scollay 2005; Jones and Smith 2006; Dent 2008; Frost 2008). However, since the 1990s, regionalisation too has been the subject of a growing political economy literature prompted partly by the view that regionalisation and globalisation were operating in ‘sometimes mutually reinforcing and at other times contradictory’ ways (Kim 2004: 43).

This paper starts by exploring the World Bank’s policy and practice in relation to regionalisation and regional integration globally and in Southeast Asia and drawing out the underlying commitments that shape the policies and practices. What it finds is a notable silence on the topic, which is the product of a combination of institutional and ideological commitments. Institutionally, the Bank is the product of a state-centred discourse and it reproduces this discourse through its organisation and management, which structured around lending to individual nation-states. Ideologically, the domination of the post-Washington Consensus (PWC) in the Bank reinforces the Bank’s state-centric model of development – it promotes neoliberal states, structured in ways that serve Western-dominated, liberal capitalism. Further, the New Institutional Economic (NIE) analysis underpinning the PWC methodologically and philosophically largely ignores regional political economy.

NIE has been a major influence on the Bank’s approach to development since the late 1990s (North 1998; Fine 2001; Broad 2006). Indeed, it is the source of large part of the so-called post-Washington Consensus (PWC) – which is how critical political economists have labelled the Bank’s new development policy approach. The ‘post’ in this case, is an indicator of the degree of
continuity with the neoliberal Washington Consensus marked, in particular, by the continuation of a conservative/neoliberal approach to monetary and fiscal policy. The PWC does suggest that the Bank will pay greater attention to the specific situation of each borrower and this should manifest itself in better developed socio-economic analysis of local conditions as well as consideration of global and regional political economy. In terms of the Bank’s analytical output, it has published a look of work in areas connected to the PWC, for example on the topics of the social costs of adjustment and poverty, decentralisation as a policy prescription for increasing participation, ensuring local needs are met and improving governance and the role of social capital in development. However, its lending practices have not matched the changes in its analytical output (Engel forthcoming 2009). With regards to regionalism and regionalisation neither the Bank’s research output nor it lending program have kept pace with the broader interest in this topic.

**The World Bank and Regionalism**

The World Bank has been a leader in the study and implementation of trends in development over the past two decades; it has promoted ideas such as social capital, local community participation, country ownership and pro-poor growth and related initiatives include Poverty Reduction Strategy Papers and the Knowledge Bank, however, it has only had limited involvement in research and projects on regionalism and regionalisation. Prior to the mid-1990s, it was involved in a couple of regional projects and in 1996, it initiated a research project on Regionalism and Development, whose research outputs seems to have focused mostly on regional trade (Schiff and Winters 2003; World Bank 2005). Interestingly, the research outputs did not generated a high level of publicity at a time when the Bank’s publicity machine was in overdrive with the Bank under the presidency of James D. Wolfensohn. The Bank did start funding a number of regional (or multi-country) operations around this time. The review of these projects for the fiscal years 1995-2005 from the Bank’s Independent Evaluation Group, called *The Development Potential of Regional Programs* (2007: xvi), noted that the Bank provided $1.7 billion in support for regional operations in this time - this was less than one per cent of its project and other funding overall for the period. Two thirds of the expenditure was in the second half of the decade. Half of the funds went to Africa and around half of the projects ‘focused on the environment and have been funded with grants from the Global Environment Facility’ (World Bank Independent Evaluation Group 2007: xvi).

The review came to a number of insightful conclusions regarding the Bank’s limited engagement with regional projects and the nature and operations of the projects that did exist. It explained the
lack of projects as the product of the Bank`s structuring around country management units. The majority of Bank staff are located within the six regional units, but the regional units are largely an organisational mechanism – staff sit within country management units and it is these that organise and manage lending and operations. Country-based budgeting has dominated the bank since its inception and this acts as a major disincentive to developing regional operations (World Bank Independent Evaluation Group 2007: xviii). Since 1997, there has been a major decentralisation of Bank lending staff from Washington to country offices and this has only served to reinforce the country focus. While this may be benefit country expertise, it has increased impediments to regional operations. Other disincentives identified by the review include that way that Bank grant funding is committed; a lack of involvement from country staff in regional programs; and that Bank procedures - especially in relation to risk management, monitoring and evaluation, contractual arrangements and financing of preparation costs for projects - are all centred around country operations and are difficult to utilise for regional programs (World Bank Independent Evaluation Group 2007: 45-9): 45.

These kinds of institutional impediments may also be a factor in the problems the review identified in the identification of regional projects and their integration with the Bank`s key country planning documents –Country Assistance Strategies (CASs). The evaluation found that overall individual initiatives have been:

relevant… But they do not derive from joint assessments with those countries of which issues would most benefit from regional approaches, nor are they closely linked to the Bank`s country programs. Only a third of the 19 regional programs reviewed were included among the strategic objectives of the Bank Country Assistance Strategies of all participating countries (World Bank Independent Evaluation Group 2007: xvi).

On the lack of integration with CASs, the report later notes that:

…there is a disconnect with Bank Country Assistance Strategies (CASs). The CASs do not reflect the regional strategic frameworks. Nor do they indicate how individual regional programs feature in country priorities. Only one-quarter of all (262) CASs for countries involved in regional projects (under way in fiscal 1995-2005) indicate that a regional approach is appropriate to the country’s development agenda or mention the regional program in which the country is involved (World Bank Independent Evaluation Group 2007: 12-3).

The report recommended that `that the Bank adopt a bigger role in support of regional programs…’ by incorporating regional strategies into CASs and developing administrative structure for supporting regional programs (World Bank Independent Evaluation Group 2007: xviii). The Bank Management`s response to the report was very circumspect, highlighting methodological flaws and noting the need for a `measured approach` to regional operations (World Bank Independent
This modest response and indeed the Bank’s overall minimal involvement in regional initiatives is quite surprising given that the Bank has tended to position itself in the lead of new development directions and responses – a recent example being the Bank’s push to have new global climate funds under its auspices. Further, the Bank has faced some competition from the regional development banks as all of them have ‘recently issued strategies for fostering programs at the regional level, although they have not, with a few exceptions, provided substantial financial support for multicountry programs’ (World Bank Independent Evaluation Group 2007: 44).

In the Bank’s East Asia and the Pacific region, it ‘has remarkably fewer regional programs’ than other Bank regions — it has only six (five partnerships and one project), and the South Asia region does not have any projects (World Bank Independent Evaluation Group 2007: xxix, 6 and 11). Only one of the East Asia and Pacific initiatives is in Southeast Asia – the Mekong River systems commission. In contrast, the Asian Development Bank has been quite active in regionalisation in Southeast Asia, of particular note is its Greater Mekong Subregion initiative, which started in 1992 and aims to increase economic cooperation with a particular focus on infrastructure linkages. From 1992 to 2008 it involved US$1.9 billion of loans from the ADB and co-financing of $2.7 billion from other donors plus around $2.2 billion in funding from participating states (Asian Development Bank 2008).

The Bank’s institutional structures based on state-based development operations do go a long way to explaining the lack of enthusiasm and engagement with regional initiatives, however, the proposition here is that the reasons go deeper than outlined in the Bank’s evaluation. They are also a product of the Bank’s approach to development and the theorising underpinning that, which the paper now examines before undertaking a case study of the Bank’s approach to regionalisation in Vietnam in order to further highlight the reasons and consequences this approach.

The World Bank’s understanding of regionalism and regionalisation derives largely from its mainstream economic analysis. The case for regionalism has been made from both neoclassical positions and its variant NIE, although overall neoclassical economics has not paid much attention to regionalisation because its unit of analysis is generally either firms, individual nation-states or the globe as a whole. Through this focus, neoclassical economics privileges and naturalises domestic markets and nation-states, and these interact - seemingly with no impact from geography or level of development - with the rest of the world. This framework was transferred to development
economics when it started in the 1950s. As Berger (2004: 61-2) so nicely put it, development economics in general has:

…conflated capitalist development with national development and turned nation-states that flowed from complex and contested histories into unproblematic units to be developed and modernized, equating the governments of those nations with the nations themselves. This is directly linked to the way in which development economics and the idea of national development rested on an elitist and technocratic approach that conceived of development as a technical problem outside of history and politics.

This lack of acknowledgement of geographic location also serves to hide neoclassicism’s commitment to the existing structures of power and privilege that permeate the globe spatially and otherwise (this is a theme in various ways in Arrighi 1994; Brenner 2002; Harvey 2003). Explicit regionally-based political economic analysis could reveal structures of power and privilege and - as an organisation of these existing structures - it is not in the Bank’s interests to reveal these.

Neoliberalism, which was dominant in the Bank from the early 1980s on, is even more suspicious of regionalism than neoclassicism for a range of reasons, key ones being its general hostility to both state and supranational organisation and that regionalism could potentially divert attention from the all important project of multilateral liberalisation. However, there has been a neoliberal case made for regionalism on the basis that it can be ‘used as a device for overcoming entrenched resistance to multilateral liberalization and for building coalitions favoring liberalization over wider areas’ (Frankel and Eichengreen, 1995 in Birdsall and Rojas-Suarez 2004: 23).

Two recent Bank reports - The Development Potential of Regional Programs (2007) and the World Development Report 2009: Reshaping Economic Geography (WDR 2009) make the case for Bank involvement in regional initiatives largely in NIE terms. NIE offers an expanded view of what constitutes market failures - problems of externalities, increasing returns to scale, monopolies, information failures and transaction costs. It also allows more space for regionalism, in particular, it gives a role to ‘the development of regional public goods’ to ‘compensate for the failures of markets’ (Birdsall and Rojas-Suarez 2004: 23). It has been from NIE that much of the growing economics literature on regionalism has derived. The 2007 report focused on ‘regional externalities,’ it suggested that negative regional externalities can be addressed in cost-effective ways through regional structures. It also noted the possibilities to achieve economies of scale in the production of goods and services on a regional basis (World Bank Independent Evaluation Group 2007: 5). The analysis of why regional cooperation to address negative externalities does not occur relied on standard neoclassical economic arguments: the opportunity costs of regional programs, the free-rider problem (here it uses relative gains as the deciding factor rather than absolute gains) and the issue of coordination (World Bank Independent Evaluation Group 2007: 5). The report’s assessment of the relevance of regional programs came down to a need for a calculation of

The WDR 2009 argued for concurrent regional and global integration in order that developing countries can gain from economies of scale, labour and capital mobility and reductions in transport costs (World Bank 2008: 260). It viewed ‘regional integration as a mechanism to increase local supply capacity…’ and proposed differing strategies for developing countries dependent upon their proximity to large markets (World Bank 2008: 260-1). In other words, the focus is on economic regionalisation rather than on regionalism. Like most WDRs, it expressed some of the most progressive ideas around the Bank, in this case suggesting that countries far from world markets (Central Asia, Pacific Island states and sub-Saharan Africa) should aim for a model of integration that allows for cross-country compensation for those countries that suffer short-term losses from regional integration. It also championed support from the international community for developing social services and human capital in these remote locations (World Bank 2008: 261).

On the one hand, the report – given its NIE influences - allowed for greater gains from regional cooperation and integration than in standard neoclassical analysis, on the other hand, neoclassical hostility to the state is not absent. So, for example, the report warns that when regional integration ‘is institution driven, as in most developing neighborhoods today, political economy challenges can become major concerns’ (World Bank 2008: 262). Presumably ‘political economy challenges’ is a rather opaque reference to the problems of government failure and corruption for which the standard Bank prescription during the Washington Consensus decades was reducing the role of the state. Under the PWC, the goal remains a minimalist state but political economy challenges justify a range of new Bank interventions in recipient countries that aim to shape them as neoliberal states supporting Western and US capitalism (Crawford 2006; Engel forthcoming 2009; Porter and Craig 2004; Weber 2006). This framework also goes some way to explaining the preference for regionalisation over regionalism in the report, as the former is largely the realm of the private sector and this justifies too the Bank’s lack of action and programs around the issue.

What we see in these two reports then is a very narrow NIE analysis of regionalism and regionalisation that does little to broaden the Bank’s approach to development. This combined with institutional factors are inhibiting a genuine engagement by the Bank with regionalism. Having said that, the Bank is not a monolith. It is a very large bureaucracy – with over 11,000 staff (Berkman 2008: 16) and it does operate is somewhat different ways in different locations. Studying Bank
operations in different locations enhances understanding of the connection between the Bank’s ‘theory’ and the ‘practice’ of its operations.

**Vietnam and Asian Integration**

Vietnam is an interesting case study because in its transition to a more market-based economy it has achieved high rates of growth and high levels of poverty reduction. It has done this with high levels of donor support through much of the process, indeed, it is probably not stretching the point to say that Vietnam has been a ‘donor darling.’ More to the point though, donors have influenced Vietnam’s development project. It is an interesting case study too, because these changes have taken place as part of a dynamic and increasingly interconnected region. Vietnam’s transition really got under way in 1986, through a process of socio-economic reform or renovation was called *Doi Moi*; since its outset economic growth has averaged over seven per cent per annum. This section starts by briefly examining *Doi Moi* then looks at Vietnam’s links with the region before examining the World Bank’s relationship with Vietnam and its approach to regionalism.

Vietnam was never as centrally planned or controlled as other socialist countries (Tønnesson 2000: 243), nevertheless its economic performance pre-1986 was, for a range of reasons, quite poor (Van Arkadie and Mallon 2003: 51-67). Dzung The Nguyen described *Doi Moi* as comprising three main periods (Nguyen 2001: 166-170). The first period, ‘Path Seeking’ (1986-1988), was driven by the informal activity occurring across the economy. It involved a series of microeconomic reforms that reduced the limits on private sector activity and domestic trade, followed by increases in official prices for non-essential consumer goods to bring them closer to market prices. Further, in 1988 land was re-allocated in an equitable manner to households, which was central to significant improvements in farm productivity (Van Arkadie and Mallon 2003: 70). These improvements were at the core of the dramatic reductions in poverty that took place over the next two decades (Masina 2006: 3,17).

Macroeconomic reform started in 1987 with the first currency devaluation, although the major devaluation was in 1989 and this brought the *Dong* close to its market rate and produced positive interest rates (Van Arkadie and Mallon 2003: 70). The second phase of reform, 1989 to 1993, was the key transition phase - reforms systematically moved Vietnam towards a market-type economy and macroeconomic stabilisation took place (Nguyen 2001: 167). By 1993, growth was close to ten per cent and it remained at high levels until mid-decade (Joint Donor Report to the Vietnam
Consultative Group Meeting 2003: 9). Dzung The Nguyen’s third period of *Doi Moi* is 1994 to 2001 and the focus was on consolidating reforms - tight fiscal and monetary policy was maintained and incremental reforms continued including decentralisation of budget management, public sector management reform and ongoing integration with the global economy (Nguyen 2001: 168). Since 2001, the Government has largely continued the commitment to incremental reform and economic growth has remained at seven to eight percent per annum. Poverty declined from 37.4 per cent of the population in 1998, to 28.9 per cent in 2002 (Joint Donor Report to the Vietnam Consultative Group Meeting 2003: 12-13) and 18 per cent in 2007.

Vietnam’s economic growth and poverty reduction over these past two decades needs to be not just situated in the context of a fairly dynamic region but understood as part of the region. The links to the region operate in the areas of geography, climate, regional migration, trade, production chains, FDI and formal governmental links and relations - exemplified by Vietnam’s joining ASEAN in 1995. In terms of Vietnam’s closest neighbours, Cambodia has been growing at a high rate and, while Lao PDR has not performed as well, the Mekong tourist route connecting the three countries has provided all three countries with a significant revenue stream and has produced close inter-governmental relations between tourism ministries. The ADB has poured a lot of effort into a Greater Mekong Subregion project, which has had a particular focus on transport corridors. Its North-South Economic Corridor component is linking Bangkok, China’s Yunnan province and Haiphong in Vietnam is seen as having a good deal of commercial potential (Frost 2008: 71). Equally though, Vietnam’s land borders are associated with a range of problems that require regional policy responses, for example people trafficking, upstream deforestation along the Mekong and its tributaries producing increasing flooding in the Delta and cross-border pollution, particularly in the north around the Chinese border.

China’s rapid growth has been a particularly strong influence on Vietnam, which is visible in the growth in trade between the two nations. Vietnamese exports to China have grown from just US $361 million in 1995 to $3,242 million in 2006, which made it the fourth largest destination for exports; in addition it was Vietnam’s major source of imports (General Statistics Office of Vietnam 2008). Indeed, as Table 1 indicates, the region is the location of the majority of Vietnam’s trade.

Table 1: Vietnam’s Merchandise Trade 1995-2006 by Top Ten Countries

<table>
<thead>
<tr>
<th>Top Ten Sources of Imports</th>
<th>Value USD mil</th>
<th>Top Ten Export Destinations</th>
<th>Value USD mil</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Country</td>
<td>Value USD mil</td>
<td>No</td>
</tr>
<tr>
<td>1</td>
<td>Singapore</td>
<td>34,384.72</td>
<td>1</td>
</tr>
</tbody>
</table>
Most mainstream commentators consider trade and FDI have made fairly substantial contributions to Vietnam’s overall economic performance and both these areas indicate Vietnam’s substantial integration into the Asian region. Table 2 shows that six of Vietnam’s top ten sources of FDI are from the region and overall the region provides 67 per cent of FDI (Nguyen and Nguyen 2007: 11). These patterns of growing linkages in trade and FDI between East and Southeast Asia are occurring across most of Southeast Asia and have “helped spur various regionalisation processes” (Dent 2008: 87).

<table>
<thead>
<tr>
<th>No.</th>
<th>Source</th>
<th>No. Projects</th>
<th>%</th>
<th>Total Capital</th>
<th>%</th>
<th>Registered Capital</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Taiwan</td>
<td>1550</td>
<td>23</td>
<td>8112.35</td>
<td>13</td>
<td>3576.90</td>
<td>13</td>
</tr>
<tr>
<td>2</td>
<td>Singapore</td>
<td>452</td>
<td>7</td>
<td>8076.01</td>
<td>13</td>
<td>2982.22</td>
<td>11</td>
</tr>
<tr>
<td>3</td>
<td>Korea</td>
<td>1263</td>
<td>19</td>
<td>7799.43</td>
<td>13</td>
<td>3228.95</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>Japan</td>
<td>735</td>
<td>11</td>
<td>7398.91</td>
<td>12</td>
<td>3277.00</td>
<td>12</td>
</tr>
<tr>
<td>5</td>
<td>Hong Kong</td>
<td>375</td>
<td>6</td>
<td>5279.52</td>
<td>9</td>
<td>1952.51</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>British Virgin Islands</td>
<td>275</td>
<td>4</td>
<td>3225.64</td>
<td>5</td>
<td>1133.75</td>
<td>4</td>
</tr>
<tr>
<td>7</td>
<td>Netherlands</td>
<td>74</td>
<td>1</td>
<td>2365.34</td>
<td>4</td>
<td>1373.47</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>France</td>
<td>178</td>
<td>3</td>
<td>2197.72</td>
<td>4</td>
<td>1339.94</td>
<td>5</td>
</tr>
<tr>
<td>9</td>
<td>US</td>
<td>306</td>
<td>4</td>
<td>2111.46</td>
<td>3</td>
<td>1151.24</td>
<td>4</td>
</tr>
<tr>
<td>10</td>
<td>Malaysia</td>
<td>200</td>
<td>3</td>
<td>1647.85</td>
<td>3</td>
<td>763.17</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5408</td>
<td>79</td>
<td>4214.24</td>
<td>80</td>
<td>20779.13</td>
<td>78</td>
</tr>
<tr>
<td></td>
<td>All Countries</td>
<td>6813</td>
<td></td>
<td>60743.69</td>
<td></td>
<td>26505.82</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Nguyen and Nguyen 2007: 11)
The World Bank has been the second largest provider of official development assistance (ODA) to Vietnam in most years since it re-engaged with Vietnam in 1993. Although Japan is usually the largest provider of ODA, the World Bank has a larger and more visible presence. This is because of the Bank’s central role in donor coordination role, which increased after 1999 when Vietnam agreed to join the pilot Comprehensive Development Framework process and the associated Poverty Reduction Strategy Paper process. The Bank also chairs the Consultative Group for Vietnam (CGV). The Bank’s role in the CGV gives it influence broadly over the geographical spread and sectors of donor’s ODA. In addition to its lending program, the Bank has managed a number of trust funds for Vietnam and has encouraged joint funding of its loans, for example, under the 2004 structural adjustment loan, called Poverty Reduction Support Credit III, the Bank lent $100 million and co-financing by other donors was $73 million (World Bank 2004).

A 2001 study by Irene Nørlund confirmed that the Bank plays a lead role in pushing a ‘development’ agenda in Vietnam. However, the response from the GoV and others to the role of the Bank has generally been positive as it is seen as having a ‘…very open attitude in Vietnam’ (Nørlund 2001: 9). Further, the Bank has generally adopted a ‘…tolerant and longer-term view of the relationship’ with Vietnam (Painter 2005: 273). Despite this relatively open attitude, the Bank presents Doi Moi essentially in neoliberal terms. Yet there are a number of reasons to be cautious about this interpretation and to examine the impact of indigenous influences on Doi Moi in some detail. For one thing, as Stefan de Vylder pointed out, in Vietnam microeconomic reforms preceded macroeconomic reform — the reverse of the standard International Monetary Fund (IMF) approach (de Vylder 1995: 37-8). Further, despite reductions in the SOE sector and tight monetary and fiscal policy, government expenditure actually increased during the reform period, again in stark contrast to standard IMF prescriptions of reducing government expenditures (Nguyen 2001: 174). Doi Moi was more than mere ‘adjustment’ of the economy, it ‘…revolutionised the entire set of development concepts and strategies’ (Nørlund, Ca et al. 2003: 78).

The largest area of contention between the World Bank and Vietnam has been the pace and sequencing of reform – and despite pressure from the Bank, it is notable that Vietnam has been relatively successful in doing reform at its own pace. Overall, the Bank presents and analyses Vietnam’s experience as a state-based neoliberal development project and it attempts to deny the influence of socialism and the model of the East Asian ‘developmental states’ on Vietnam’s development path (Masina 2006: 28). Bank economist’s analyses of Vietnam emphasises openness in terms of trade and FDI as key to Vietnam’s development (Dollar 1996; Dollar and Kray 2004) but do not regard who they trade with or where investment is from as important. This means that the
Bank essentially does not acknowledge the role of regionalisation or regionalism in Vietnam’s development trajectory. This lack of acknowledgement is also found in the Bank’s CASs for Vietnam for the years 2002 and 2007.

The macroeconomic analysis in the CASs in both 2002 and 2007 includes virtually no analysis of the country’s performance in the regional or global context despite the focus in the era of the PWC on country specificity. In the 2002 CAS, the Bank explained the decline in level of FDI to Vietnam both directly before and after Asian Financial Crisis as the product of domestic problems, in particular too slow a pace in (neoliberal) economic reform. This is important because, as Masina has demonstrated, in reality the only area that saw decline in FDI commitments was real estate (due to the bursting of the regional property bubble) and - outside this and oil and gas (which tends to yearly fluctuations) - FDI commitments were actually relatively stable (Masina 2006: 75-6). Further, the decline that did occur could be largely attributed ‘to a parallel decrease in outward investment from those countries which had represented the dominant source of FDI to Vietnam’, that is, from East Asia, where 60 percent of Vietnamese FDI at the time was derived (Masina 2006: 79). In other words, a regional political economy analysis sheds quite a new light on FDI changes.

The 2007 CAS also contains virtually no analysis of regional or global developments and their possible impacts on Vietnam. It continues the neoliberal reification of liberalisation arguing that:

> [b]oth global integration and domestic reforms are needed to sustain rapid economic growth… Further integration with the world economy, especially through Vietnam’s accession to the World Trade Organization (WTO), is bound to lock in some of the required changes and level the playing field between domestic and foreign enterprises (World Bank 2007: 8).

The view of the WTO as a site for Vietnam’s development is obviously quite problematic given the failure to complete the Doha round on trade liberalisation. In fact, this failure may be a blessing for developing nations as some analysis suggest that their losses from non-market agricultural access conditions would have been higher than likely projections of gains (Wise and Gallagher 2006). Moreover, evidence suggests that small countries have not, in general, been very successful in pursuing their interests though the WTO given their limited resources and instead there has been a turn to bilateral and regional agreements, which has been particularly prevalent in Asia. Equally, it is the case that current international trading system is not as friendly to Southeast and East Asia as it had been during the Cold War era – a point agreed by both mainstream and critical analysts. Therefore, it is certainly worth pondering why the World Bank considered WTO accession was such key to Vietnam’s development project and there was no consideration of the potential benefits or dangers of regional agreements to Vietnam. It indicates that the Bank remains committed at a
number of levels to a fairly unreconstructed version of neoliberalism and the Washington Consensus.

The extent to which mainstream neoliberal agenda has remained at the fore in the Bank is also visible in the CAS analysis of natural resources and environmental management, which begins by espousing land-titling and markets as the solution to environmental and developmental concerns (World Bank 2007: 10). Despite a number of Vietnam’s environmental problems having regional dimensions, there is no mention of them in the CAS in relation to either the environment or in the mitigation of natural disasters. The CAS does not refer to the Bank’s one regional program that includes Vietnam – the Mekong River Commission project. The section on transport and infrastructure contains nothing on regional integration, nor does any of the Bank’s investment loans in these sectors in the period 2000-2004, despite the fact that Vietnam has been deeply involved in the ADB sponsored Greater Mekong subregion program. This has a strong emphasis on regional transport corridors that Vietnam has been actively involved in and, more to the point, these regional transport corridors do appear to have a notable potential to boost Vietnamese development (Frost 2008: 71). These gaps are important because, as Pietro Masina (2006: 88) pointed out:

An analysis of comparative advantages in East Asia and the reorganization of regional productive systems in a post-crisis environment would be very beneficial in helping Vietnam in planning medium- and long-term development strategies. But the ’common wisdom’ based on neo-classical economics tends to confute the need for such planning, supporting the view that reforms would per se increase Vietnam’s competitiveness. Thus, the international financial institutions, which would have the means for a large-scale investigation, remain silent in providing elements useful in understanding the dynamics characterizing economic restructuring in post-crisis East Asia.

**Conclusion**

This paper has demonstrated that the World Bank’s lack of engagement with regionalisation and regionalism is derived from both institutional constraints and ideological commitments. These are not, of course, unrelated, indeed they both can be traced back to the Bank’s origins – its formation was the upshot of newly hegemonic America and its interest in organising the world system in a way that suited its interests. And its interests were a system of nation-states open to penetration by Western capital and goods. So the Bank was from the outset structured to lend to supposedly sovereign states for projects. However, over the years it has bent many of its institutional strictures, for example its Articles of Agreement prioritise lending for specific projects but, since the mid-1980s, program lending or structural adjustment lending has accounted for at least 30 per cent of
Bank commitments on average. But, it is unwilling to bend its rules in order to promote regional development projects. The Bank’s reticence to engage with either regionalism or regionalisation needs then to also be framed by its current development ideology, the post-Washington Consensus. Regional development and cooperation could be a danger to the PWC’s core ideas and commitments because it suggests a need for a more genuine engagement with the role of the state and inter-state structures in promoting development and, at the end of the day, the PWC still promotes minimalist states, just ones better able to support liberal capitalist relations than the Washington Consensus state showed itself capable of.

The very limited engagement with regionalism and regionalisation was demonstrated too through the case study of Vietnam. In Vietnam’s case, the lack of a regional political economy analysis prevents the Bank from developing a fuller understanding of Vietnam’s development trajectory and from implementing regionally-based responses to development issues in areas such as transport, disease, pollution, forestry, agriculture and the environment which need to be tackled through regional and global forums. Given the often poor outcomes of development assistance and their limited availability, such silences and gaps in the World Bank’s program should not be left unnoticed.

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