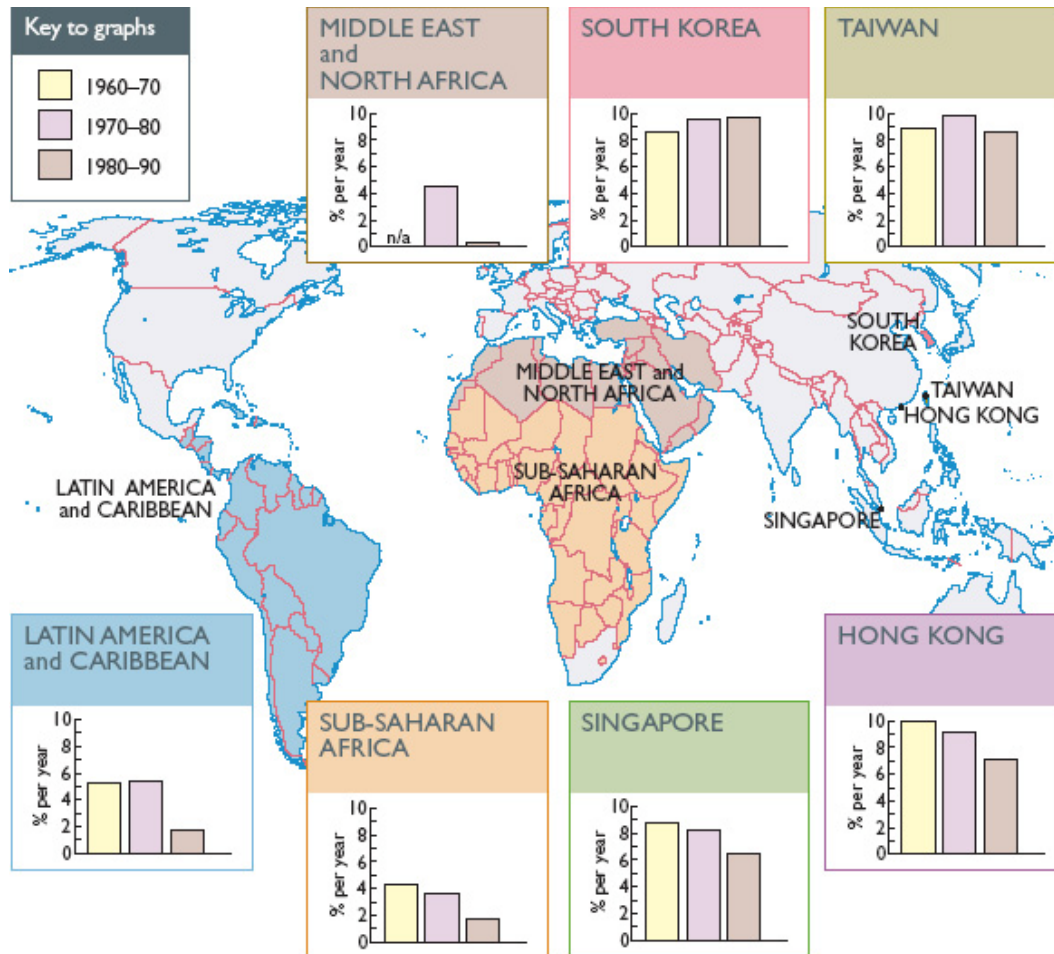


Asian Tigers

Testing Theories of Development

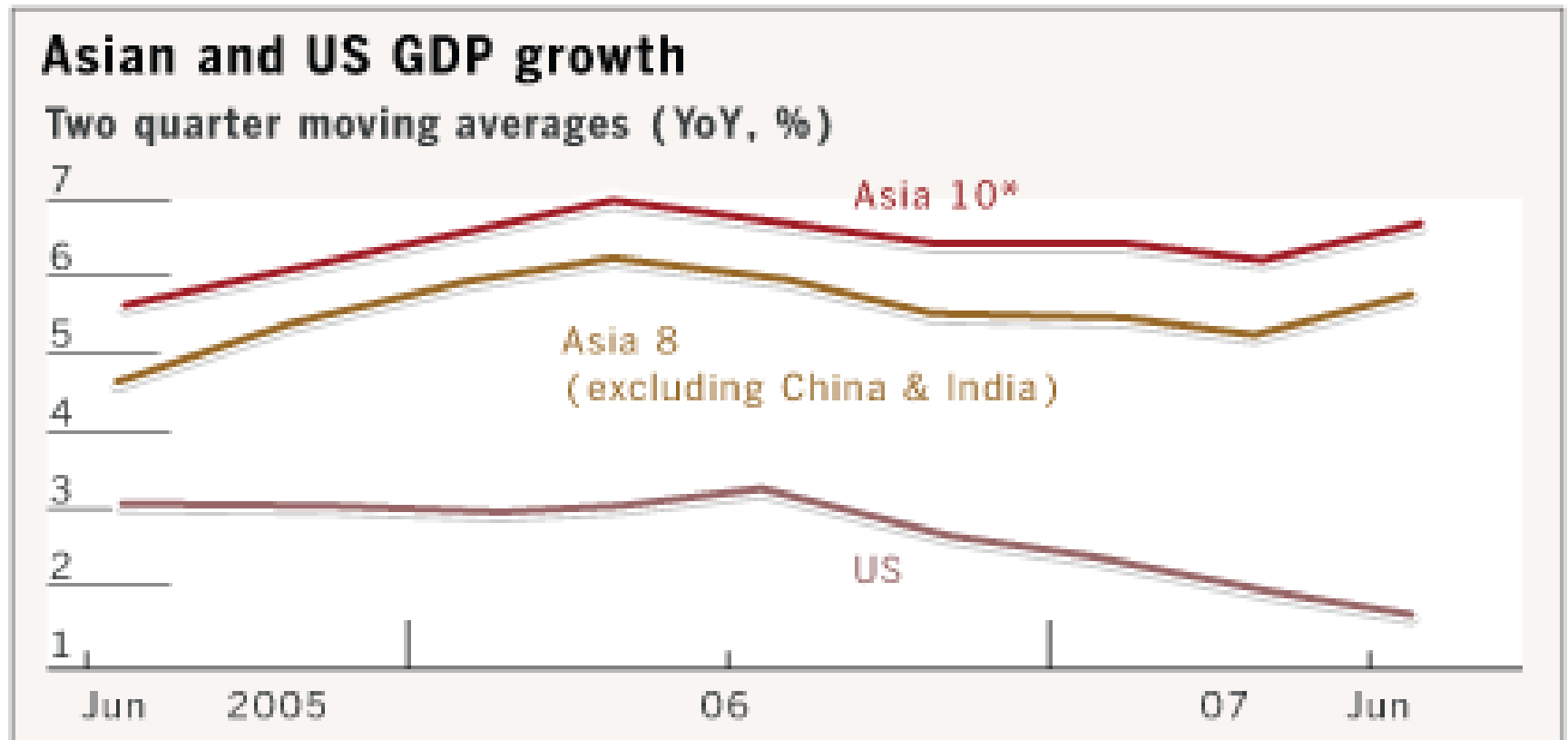
What did Asia do right?



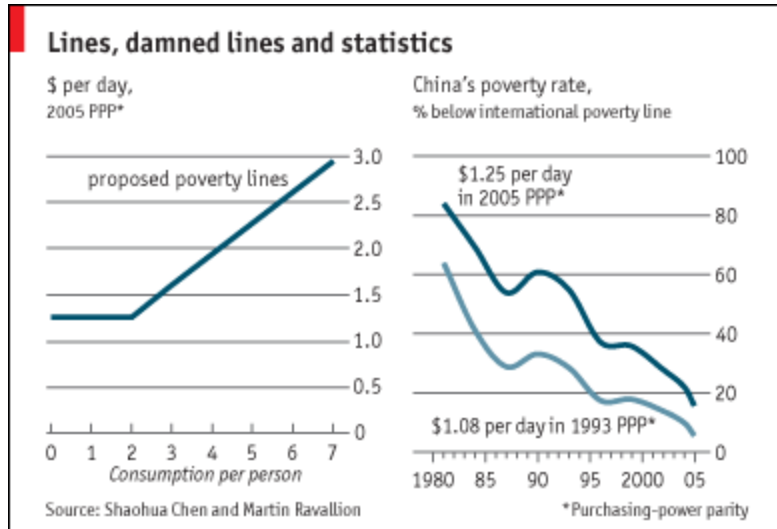
Growing share of World GDP



Asia-US GDP Growth

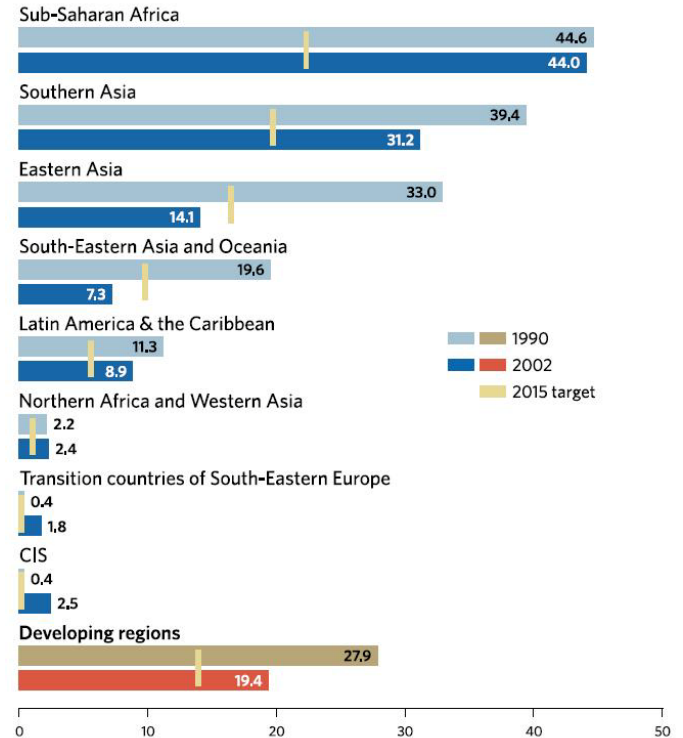


Decline in poverty rate

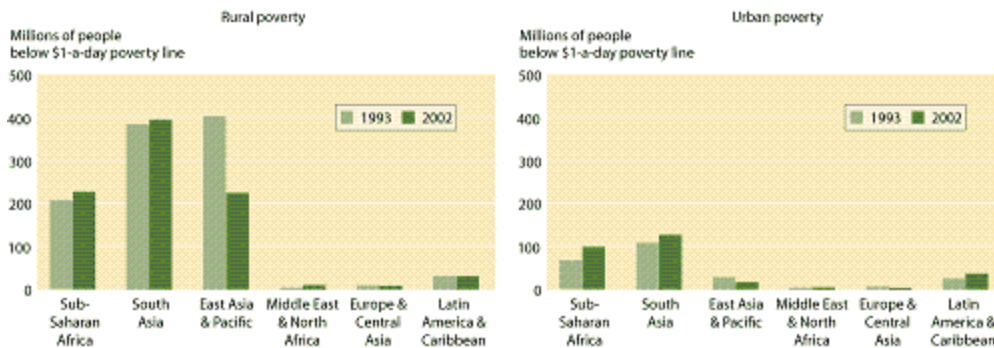


Asia leads the decline in global poverty

Proportion of people living on less than \$1 a day, 1990 and 2002 (Percentage)

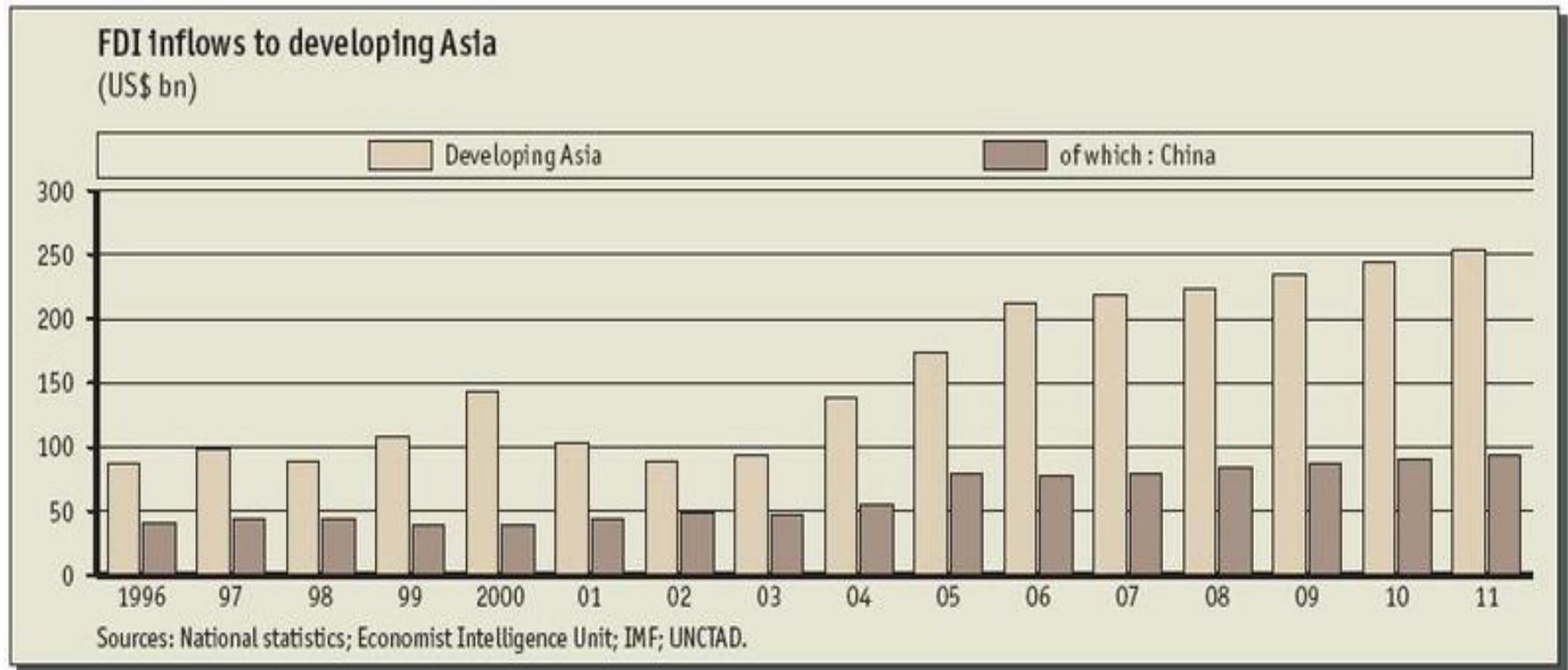


The number of poor rose in South Asia and Sub-Saharan Africa from 1993 to 2002 (\$1-a-day poverty line)



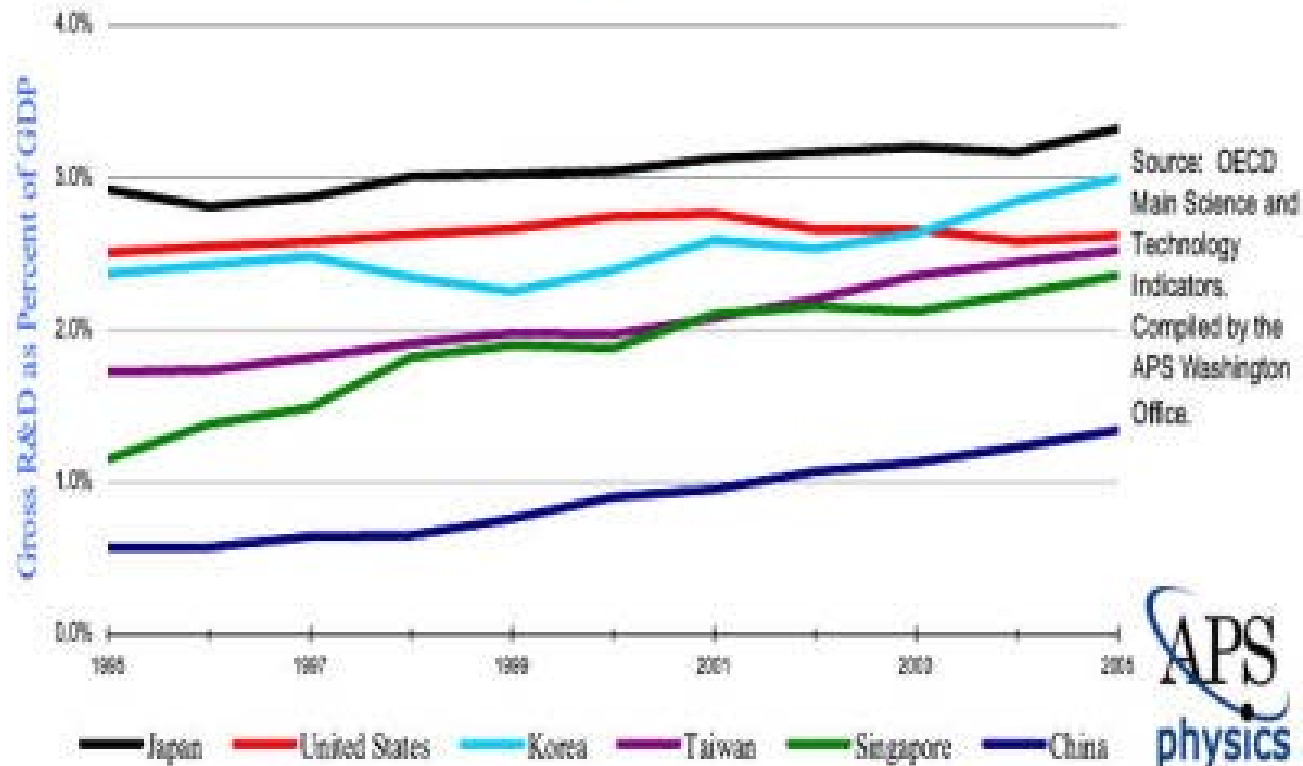
Source: Ravallion, Chen, and Sangraula 2007.

Attracting foreign investment, accumulating capital



The Product cycle?

Asian Countries building their R&D Investments

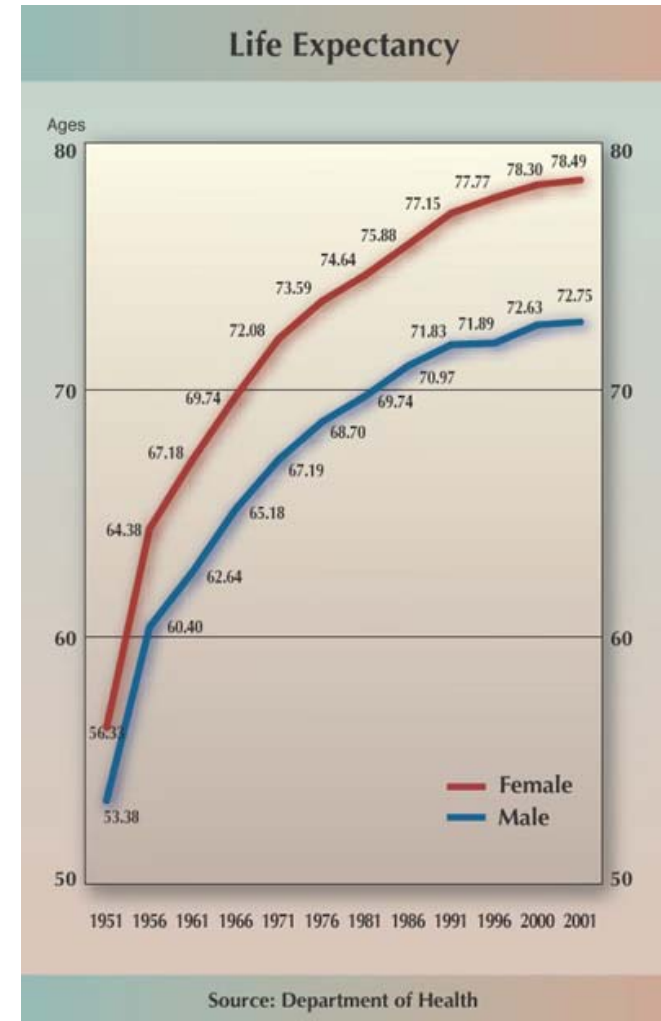
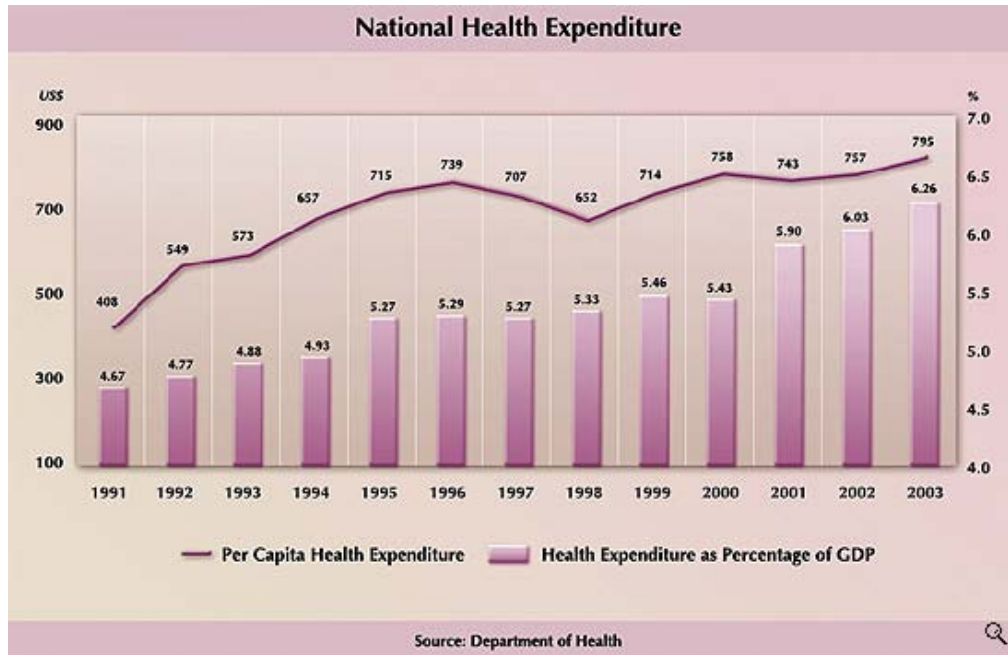


Click Image to Download

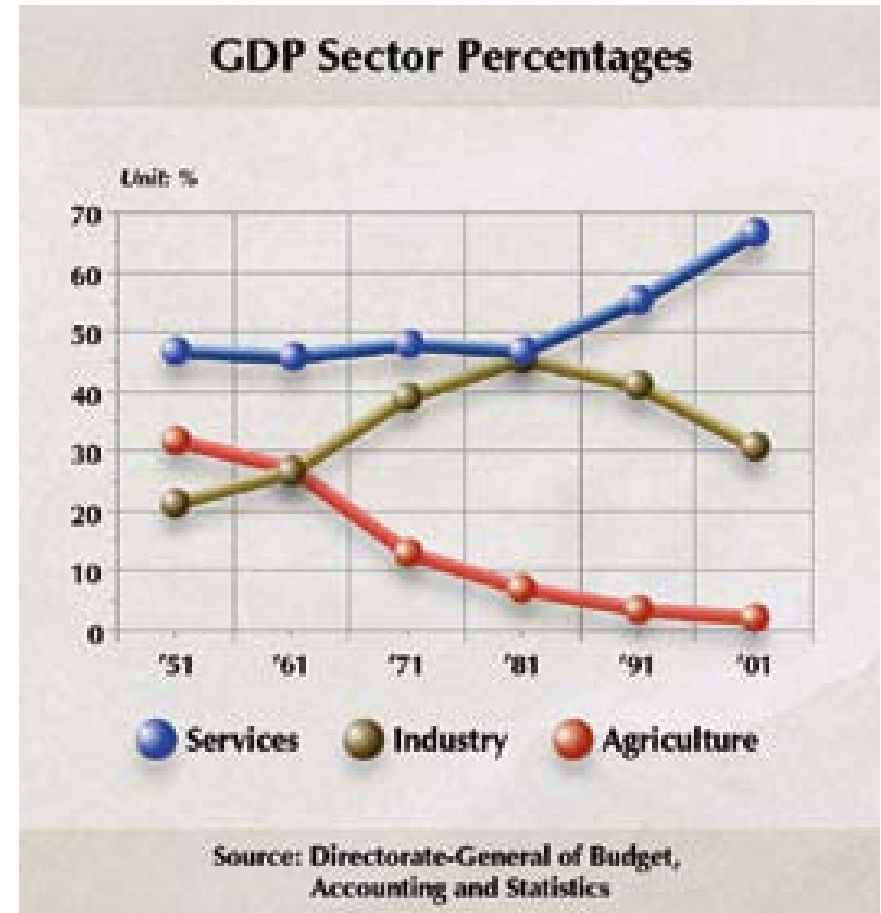
Taiwan: A case study



Single-payer health care



Taiwan has ridden the crest of the product cycle.....





How did Taiwan do it?

- Colonial legacy
- Japan was a different colonial power than Britain, France, and Belgium
- Japan contributed to Taiwan's economic development



Role of the State

- KMT confiscated Japanese assets after WW II
- No middle class—the state did not emerge from within Taiwanese society
- An authoritarian, non-democratic state....
-That guided the growth of the economy
 - To attract foreign investment
 - Only resource was disciplined labor force
 - Investment in R&D

U.S. Aid and Hegemony

- US need to build up strong capitalist countries to counter communism
- USAID allied with the small business elite
- US forced switch from ISI to Export orientation

We should never underestimate the role of U.S. aid in the development of the Asian Tigers

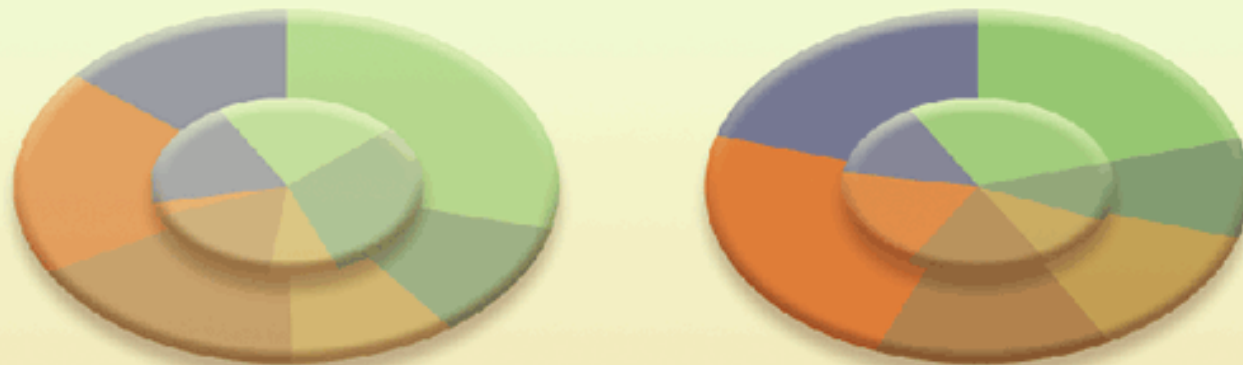


Land Reform



Export orientation

Trading Partners



		USA	Japan	ASEAN	Europe	Hong Kong	Others
IMPORT	1992	21.9%	30.2%	8.5%	17.3%	2.5%	19.6%
	2002	16.1%	24.2%	14.8%	13.0%	1.5%	30.4%
EXPORT	1992	28.9%	10.9%	10.0%	17.1%	18.9%	14.2%
	2002	20.5%	9.2%	12.2%	14.2%	23.6%	20.3%

Note: Inner pie 1992; Outer pie 2002

Source: Council for Economic Planning and Development

FDI

Year	Electronics and electrical		Chemicals		Services		Trade		Banking and insurance		Others	
	Amount (US\$ millions)	Case (n)	Amount (US\$ millions)	Case (n)	Amount (US\$ millions)	Case (n)	Amount (US\$ millions)	Case (n)	Amount (US\$ millions)	Case (n)	Amount (US\$ millions)	Case (n)
1952-85	1 520.8	547	773.3	324	595.8	229	24.4	175	231.7	57	2 013.8	2 139
1986	231.7	69	139.9	27	45.5	51	4.8	28	80.3	3	268.2	108
1987	377.4	85	171.6	44	310.8	98	40.7	73	15.1	3	503.2	177
1988	237.3	37	104.2	25	177.1	121	109.7	207	52.1	2	502.1	135
1989	391.0	31	520.0	22	312.1	93	222.1	222	150.1	33	823.0	146
1990	377.0	41	506.7	21	167.7	82	284.1	195	315.2	19	651.2	103
1991	570.1	43	201.0	18	136.3	85	231.8	174	122.1	7	517.1	62
1992	323.3	46	106.5	7	250.9	81	221.5	181	196.4	26	362.8	70
1993	226.7	34	107.7	6	105.0	55	139.7	90	100.9	8	533.5	130
1994	296.1	38	189.6	13	112.2	58	134.2	96	168.6	16	730.0	168
1995/96	191.3	22	212.5	8	93.1	27	86.4	55	99.1	8	323.8	57
1986-95/96	3 221.9	446	2 259.7	191	1 710.7	751	1 475.0	1 321	1 299.9	125	5 214.9	1 156

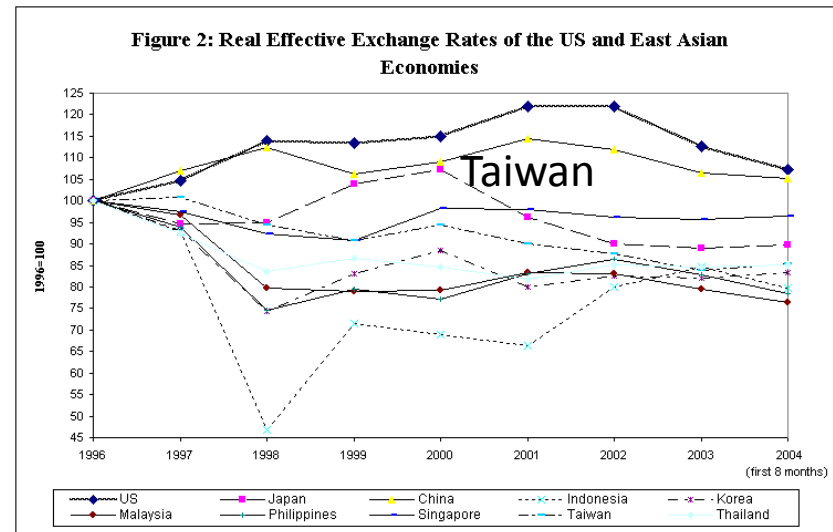
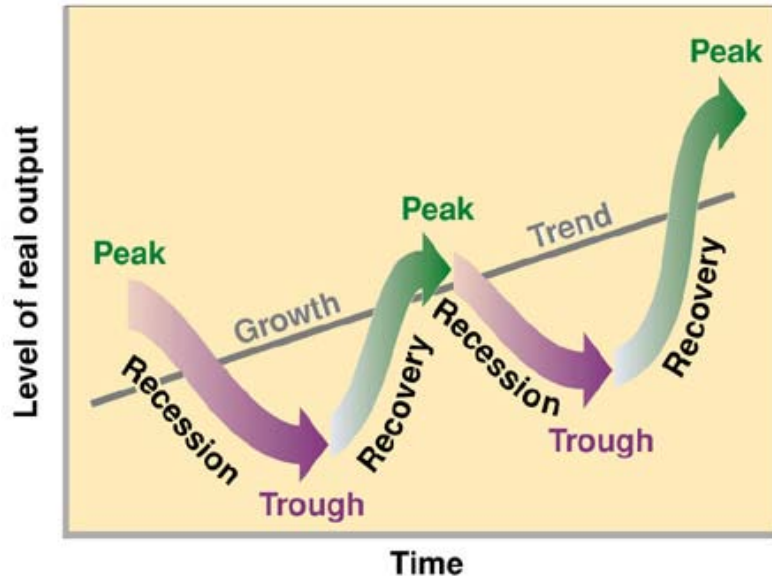
Investment in High Technology



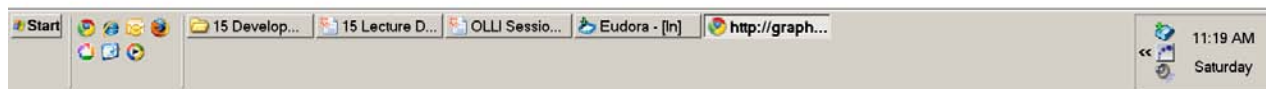
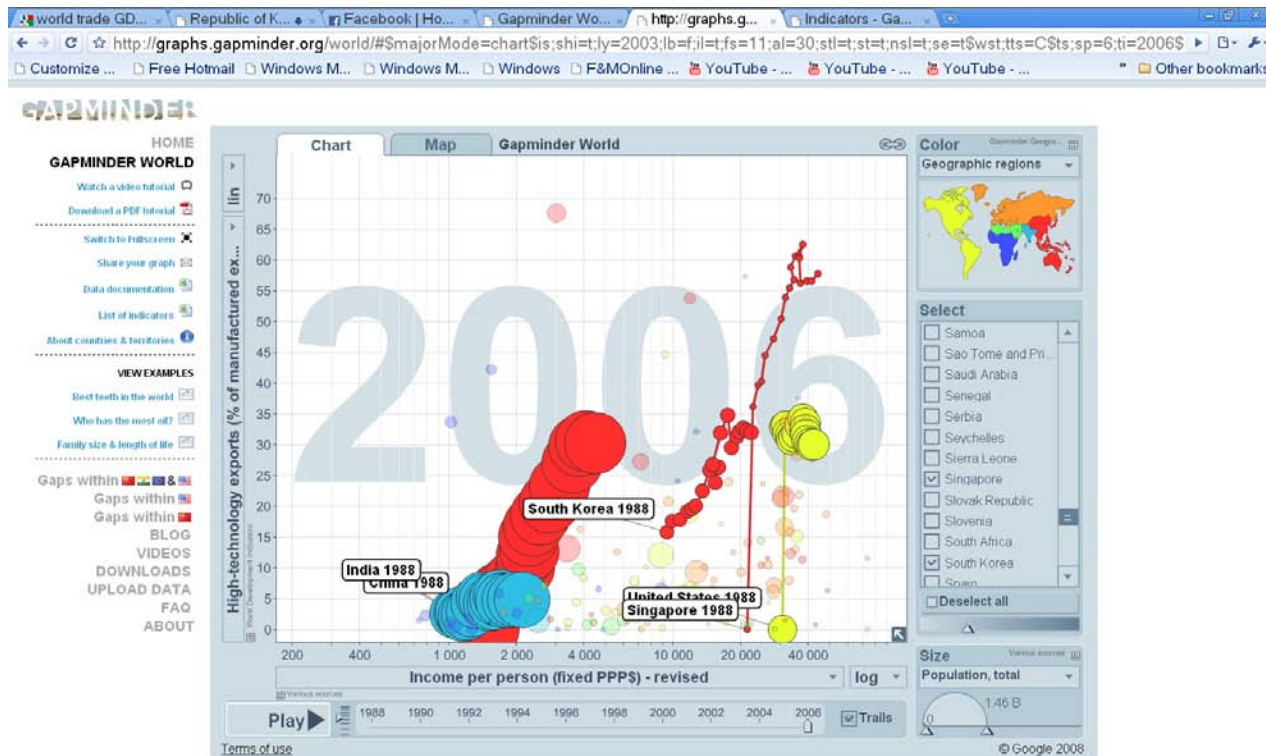
Labor Repression



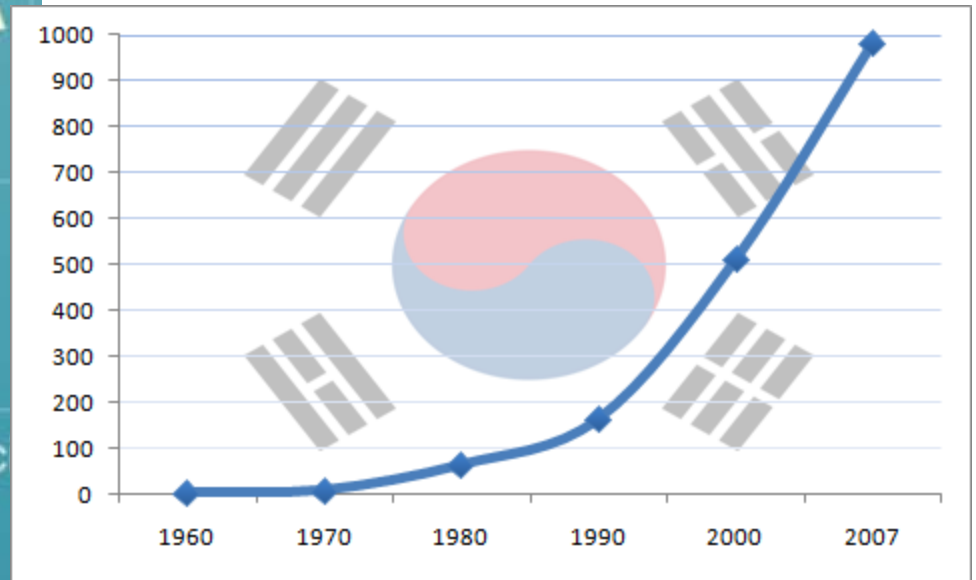
Results: Weathering the Asian Financial Crisis



The other “Tigers” have gone through a similar process

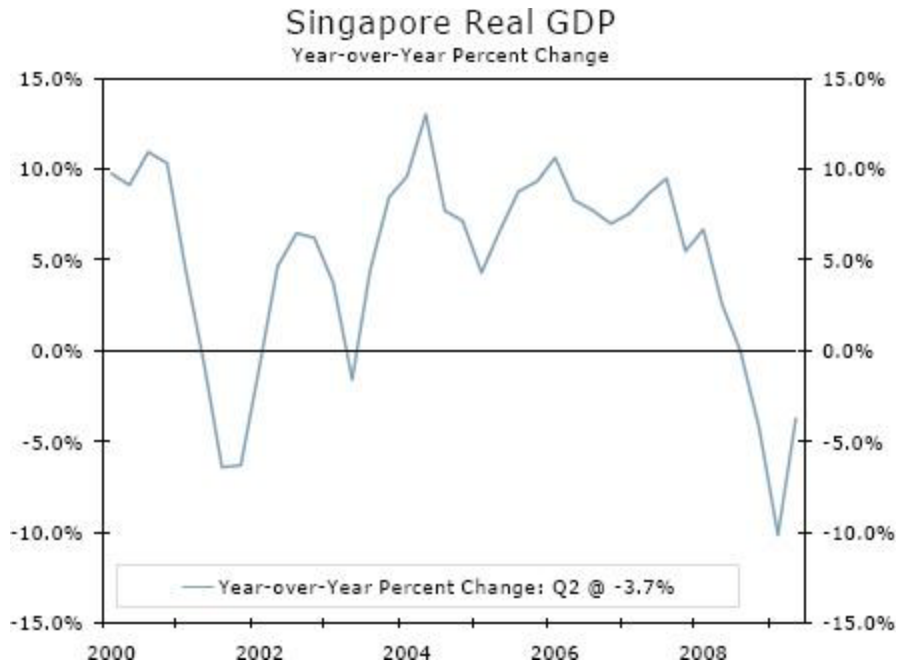


Korea





Singapore





Late Developers as a test of theory

- Development in these countries challenge most of our existing theories about development, and they demonstrate the power of some "parts" of the theories, and diminish the power of other "parts" of the theories




.....as a test of dependency theory

- Troublesome because
 - Dependent on the world economy (terms of trade worked in their favor)
 - Developed with massive amounts of Cold War aid
 - Aid was used wisely
 - Military burden carried by American taxpayers



Why Wallerstein would not like the “tigers”

- Their theories are static and the “Tigers” developed dynamically
- They developed with very little income inequality
- Their colonial legacies helped development



But why Gerschenkron would like them.....

- **They conform most to his theory of state-led development and managed markets**
- (They also conform to Keynes' embedded liberalism—Gerschenkron didn't really care about income inequality)
- **They show that timing and technology are everything**



These countries developed in a “dependent” relationship with the “core”

- They showed that foreign investment can contribute to development
- Foreign Investment worked because...It was not in extractive industries
- It did not come in until the economies were strong enough to use their technologies
- Foreign investment was restricted



What will all of this economic development do to repressive governments?

- Can new information technologies lead to more freedom?



But what about liberal theory?

- Undermines generalizations of liberal theory
- These countries had strong, repressive, developmental states



What about the role of culture? “Asian values?”

- Did Asian “culture” make a difference?
- Does Asian culture undermine the Western laissez-faire approach to economic policy
- Willingness to sacrifice?
- Commitment to community instead of the individual
- Authoritarian culture?



What is true is.....