

# THE NEWLY INDUSTRIALISED COUNTRIES OF ASIA(NIC's) ARE THEY A MODEL FOR THE SOUTH?

Francois Houtart

*"It is clear that the  
"phenomenon of Newly  
Industrialised Countries" has  
become the new ideology  
of development"*

—Randolf David,  
University of the Philippines.

Prior to tackling the analysis of the four dragons (South Korea, Taiwan, Hong Kong and Singapore), it is good to remember some basis data concerning Asia and know the vision of the Asian Development Bank that advocates neo-liberalism, as a paradigm of development and alleviation of poverty.

## I. THE NIC's IN ASIA

### 1. The indicators of economic growth of Asia

	1988	1989	1990	1991
Developing Asia	9.3	5.4	5.9	6.3
NIC's	9.4	6.4	6.2	6.8
Southeast Asia	8.0	7.8	7.2	7.3
South Asia	8.5	4.4	5.3	5.2
China (People's Rep. of)	10.9	4.0	5.5	6.5
South Pacific	2.5	2.9	-0.8	2.6

Source: Asian Development Bank, 1992.

On the whole, Asia has a growth rate higher than Africa (-2% in 1990) and Latin America (0.6% in 1990), but that covers very different situations. In the course of the past years the growth rates of the NIC's were not significantly higher than the growth rates of the rest of Asia in general when one considers the percentages, that is to say, without taking into account the fact that the bases of calculation (absolute figures) are vary from each other.

### 2. The vision of the Asian Development Bank

In its annual prospective study of 1992 on the economic trends of the region, the ADB

considers that "high growth, the free market and the economic strategies directed towards international markets have been the most efficient means for reducing poverty". On the other hand, according to the ADB again, "the agrarian reforms and the subsidised social services are often inefficient or even make things worse". This is a repeat of the World Bank Report of 1991 on world de-

velopment.

This means that the governments would have to let the economy function freely and deal only with the duties that the State alone can perform such as defence, education and essential services. According to the ADB, this is the best way to reduce rural poverty which is of No.1 priority in the Asian countries. Contrary to the common belief, the report says, there is no contradiction between the promotion of economic growth and the measures intended for combating poverty: each percent of per capita growth goes hand in hand with a decrease of 1.1% of poverty per inhabitant.

Asia accounts for two third of the 630 million people living in extreme poverty and three fourth of the 1.1 billion of the worlds poor (half of this in India). Billions of dollars have been spent on integrated rural development programmes, agrarian reforms, credit projects, but, according to the ADB, a liberal economic climate exerts an indirect effect, but is finally much more effective in fighting against poverty. It adds that certain social measures serving as a lifebuoy, such as health programmes, are very effective for lightening the situations of extreme poverty. But they are expensive and can be maintained only on condition of rapid economic growth.

According to the report, the agrarian reforms of India and the Philippines have reduced the efficiency of production, without lessening the social disparities. Therefore, it is necessary, the ADB says, that the governments revise their policies of subsidising of fertilisers, pesticides or agricultural material that often rather benefit those who are privileged already. It is the same with policies of health or housing that often favour the non-poor and that are generally of low quality.

Implicitly at least, the report presents the NIC's (Newly Industrialised countries) or the "four dragons" (South Korea, Taiwan, Hong Kong, Singapore) as compelling references, or else as models for the developing countries, all the more so as two other Asian countries are already on the right track: Malaysia and Thailand.

Such a discourse is frequent in Africa, in the Arab world and in Latin America too. Hence the interest in examining more closely the genesis, the socio-economic and political structures of these countries which the neo-liberal theory raises as parameters of development.

## II. THE "FOUR DRAGONS" OR THE NICs OF ASIA

The economic analyses concerning the NIC's of Asia are not lacking. All emphasise the exceptional success of their economies and those of Asian countries that seem to follow this model, such as Malaysia, Thailand, Indonesia and to a lesser degree, the Philippines. "The economists", Henri F. Henner writes, taking a census of the book of Marcus Noland on the question, "see here a dazzling confirmation of their prescriptions in favour of the opening of economies and of the exploitation of comparative advantages permitting each nation to use its productive

resources in the most efficient manner in order to achieve high rates of economic growth and development". The figures in Table 2 prove the point. The table is taken from M. Noland and we are also giving by way of comparison those of the Philippines and Japan.

to that of products manufactured at a higher added value. According to M. Noland, the growth of income has reduced the inequalities, thanks to an increase of salaries, bound to the steady growth of demand of manpower of export industries, while the accumulation of capital permitted increasingly

**Table 2**

Country	Income per inhabit.		Share of world		Exports / PIB	
	(base USD 1980)		trade		%	
	1963	1988	1963	1988	1963	1988
NIC's (the 4)	974	5162	1.9	7.7	-	63.7
South Korea	747	4094	0.2	2.0	4.8	42.0
Taiwan	980	4607	0.2	2.0	17.8	57.0
Hong Kong	2247	11952	0.7	2.3	78.6	136.0
Singapore	1770	11693	0.8	1.5	151.4	210.5
<i>By way of comparison</i>						
Philippines	965	1460	0.4	0.3	16.5	27.2
Japan	2931	10568	3.8	8.0	10.9	13.2

The four dragons represent a proportion almost equal to that of France or that of Japan in the world trade. In the course of the last twenty five years, they have more than doubled their share in the world production and quadrupled the same in the foreign trade. On the basis of the present trends, their relative share, H. F. Henner says, would have to be the largest in the world in the year 2000.

Their economic growth has been stimulated by exports. Their international specialisation, according to the same author, is founded on their comparative advantage (great availability of man-power at the start). The income drawn from exports has reduced the necessity of foreign financing. At the beginning they have depended on the export of industry products of average or poor technology (textiles), then they have proceeded

successful competition with the Europeans and American producers.

Let us also take a look at the evolution of the GNP figures between 1960 and 1990, (See Table 3).

The growth is spectacular in the course of these thirty years, even if one has the impression that the last period marks time a little.

From there, to propose these four countries as models of economic development for the rest of the countries of the South, there is just one step. That is why it is useful to study more closely the conditions which were present at the beginning, both internal and external, the choices put into action, the role of the State, the social and political costs and the recent evolutions.

**Table 3**

	Growth of the GNP in the NIC's of Asia: 1965-1990						
	1965-80	80-85	1986	1987	1988	1989	1990
South Korea	9.5	7.9	12.5	12.0	12.1	9.0	7.0
Taiwan	9.6	6.5	9.6	11.0	7.1	6.5	7.0
Hong Kong	8.5	5.9	8.5	13.5	7.5	6.0	7.0
Singapore	10.2	6.5	1.9	8.8	11.0	8.2	7.0

Source: The Far East and Australasia, 1990, Europa Publications, London, 1990.

1. THE GENESIS OF THE GROWTH OF THE NIC'S OF ASIA

The first question to pose itself is that of the origin of the phenomenon of economic growth of the NIC's. Too often, the omission of the geneses leads to simplifications in the judgements. We take from Richard Robison the essentials of the analysis<sup>2</sup>. According to this author, the following factors must be raised.

1. The conditions prevailing at the entry into the postcolonial era of the four countries concerned were favourable to industrialisation. In Korea and in Taiwan, the Japanese had set up genuine industrial bases, the beginning of an educational system, a qualified work force and a tradition of State administration and centralised planning. As for Hong Kong and Singapore, they were strategic centres of trade and British finance endowed with banking and commercial infrastructure, with an efficient State system.
2. During the first period of the postcolonial era, there was in each of them a substantial injection of capital. In South Korea and Taiwan, during the import substitution period loans and aid from the United States financed respectively 70% and 85% of the imports and 80% and 38% of domestic capital. In Hong Kong, the influx of capital from Shanghai created the base for industrialisation. In Singapore, the industrialisation was supported by foreign contributions which 70% of the investments until the 80's.
3. In South Korea and Taiwan, it is the import substitution industry which created the base for the subsequent economic growth. Hong Kong and Singapore had a population too small for pursuing such a policy. The policy of the first two countries was based on tariff protections and monopolies or State concessions.
4. When the strategy of import substitution began losing its effectiveness at the end of the 50's and in the beginning of the 60's, new opportunities appeared due to low salaries. This was the expansion of the production for export: textile, electronic assembling, plastic, cement...., industrial activities which the Western countries and Japan transplanted in the countries of the South. The four NIC's of Asia were well placed for starting this

transformation, thanks to their existing structure and they could thus continue their process of accumulation.

5. The State played a considerable role in the process of industrialisation. In Taiwan the direct public investments rose to 62% of the national contributions in 1958 and to 50% in 1980. In South Korea, during the 60's, crucial for the change of production structure, they amounted to 30%. In Singapore, in 1960, the figure was 29.8% and in 1985, 30.7%. despite the recommendations of the IMF, this type of state intervention continued in South Korea and Taiwan well beyond the period of transition. One has to add here a very active role of the State in the selection of the customs tariffs, the encouragement of the cartels, the construction of infrastructures, the grants of credits for export and the repression exerted against the labour organisations.
6. A last factor, according to R. Robison, was the fact that the State in these countries was not controlled by the social classes desirous of conserving their privileges. In South Korea and Taiwan the rural oligarchy was led to invest in industrialisation through agrarian reforms intended to make agriculture enter a capitalist logic. At the time when it was necessary to pass from import substitution on to export promotion, a military takeover took place in South Korea and measures were taken to control the economy in Taiwan. The alliance between the bureaucracy of the State and the neo-capitalists avoided any obstacle to the changes. Moreover, a good number of these latter groups were involved in the new direction of the production. Contrary to the situation in Latin America, the period of import substitution was not accompanied by people's regimes and organised workers' movements. The authoritarian regimes of these two countries did not permit it.

In Hong Kong and Singapore, State-towns, there was no rural class of oligarchy and the smallness of the domestic market had not permitted to develop a policy of substitution. In fact, the population of these two States was respectively in 1982, 3 and 5 million while Taiwan had at the same time 17 million and South Korea 39 million. In Singapore particularly, the State was the sole architect of the export policy, with the collaboration of foreign capital. In Hong Kong,

it was a local capitalist class that was engaged in exports with the very effective accompaniment of the colonial State.

2. THE ECONOMIC STRUCTURES

Certain information will help better understand the economic data of the success which some people do not hesitate to present as the Waterloo of the Marxist theories and in particular of the categories of "periphery", "dependence", "exploitation"<sup>3</sup>.

Table 4

Value of exports of the NIC's of Asia-1965 and 1985 (In millions of dollars)		
	1965	1985
South Korea	104	27,669
Taiwan	129	23,363
Hong Kong	995	27,540
Singapore	338	13,317
<i>By way of comparison</i>		
China	-	13,380
Philippines	43	2,53434

Geographically, these countries are relatively small in comparison with their Asian neighbours. This fact, for some people, constitutes an advantage for the pursuit of a consistent economic policy, notably thanks to the least cost of infrastructures. Some say that their geographical situation has been a favour, but aren't there a number of other countries well placed themselves, along the seas or close to industrially developed economies, without attaining such a level of exports? Therefore, other explanations are to be found.

We have already indicated that the starting conditions had been favourable enough, at least in a number of other developing countries. The degree of urbanisation was high. Without speaking about Hong Kong and Singapore of course, Korea had a percentage of urban population of 28% in 1950 and Taiwan 58%. Moreover, the rates of literacy were important too: in 1960, 70% in Hong Kong, 71% in South Korea, 54% in Taiwan. By way of comparison, this was 28% in India and 15% in Pakistan<sup>4</sup>. It has to be added here that you are in a zone of heavy concentration of Chinese minorities, having a long tradition of trading activities. This was the case in Taiwan, Hong Kong and Singapore.

At the time when the economies of the four "dragons" (or "tigers") developed the world economy and especially that of the United States was open and expanding. Still there is no competition on the part of other countries of the Third World. They may have thus profited largely from their relative advantage due to cheap man-power. It is only in the 80's that the cost of labour increased under the influence of the social movements. The production will then be directed more towards products at a greater added value, leaving other developing countries to direct themselves towards the export of products at a high work intensity.

In order to maintain this relative advantage as long as possible, a very tight legislation of work was imposed and the repression exerted on the workers' organisations. The official working days were very long. In 1980 the working time rose up to 59 hours a week in South Korea and 51 hours in Taiwan (against 35 hours in India)<sup>5</sup>.

All this was possible, thanks to the constant intervention of the State, of which we shall speak again further, tending to protect the interior market, encourage exports and prevent and suppress the social movements. One has to add here massive aid from outside at the start, due to the geo-political position of these countries when the cold war begins (which in the region broke out into hot wars: Korea, Vietnam).

During the last period, (that of the production of export goods), relative importance was accorded to "research and development"; 6.2 people per 1,000 workers in Taiwan, 5.2 in South Korea, 4.8 in Singapore, against 6.0 in India, 0.3 in Indonesia and 0.2 in Thailand<sup>6</sup>, but nothing comparable however to Japan, Germany or the United States. Thus, the dependence in relation to Japan became considerable, for the capital and the supply of intermediate goods and technology alike.

Let us add, secondarily, that these countries attract many a tourist, notably due to their policy of free zones. Thus, the income from tourism amounted to 10% of the GNP of Singapore. 7.7% of that of Hong Kong, 2.0% of Taiwan and 1.7% of South Korea in 1991. In India, the comparable figure is 0.6%.

Let us now see more in detail how these economic policies unfolded themselves in each of the four countries. This will permit to know better the mechanisms that obviously take different aspects according to the

specificities of each of them.

#### (a) South Korea

Korea has known two quite different periods, that of import substitution industry and that of export oriented industry. Each time this was accompanied by a State policy. The split between these two periods was marked by a military takeover.

During the first period a close link was established between the bureaucracy and the entrepreneurs to achieve an industrialisation of substitution. The small and average ventures played an important role up to the 50's, notably in textile, exploitation of wood and minerals<sup>7</sup>. There was strong resistance on the part of these ventures at the time of passing to the second phase of economic development and the State intervened to force them in. This brought about a concentration of production activities. In 1980, the 10 major big ventures (chaebol) contributed to 70% of the GNP, which greatly influenced the development of economic authoritarianism<sup>8</sup>. The production is concentrated on electronics, iron and steel industry, oil-chemistry, textile, arms and later motor cars and audiovisual.

Between 1960 and 1980, the number of engineers was multiplied by 10 and that of managers by 2.5. As for technology, it was obtained from outside, with considerable aid<sup>9</sup>. During the second period the dependence on Japan increased, despite the first national resistance to the influence, (even economic) of this country, which had colonised Korea for more than 50 years. Thus, 59% of patents between 1962 and 1980 were Japanese and Japanese companies were in the main responsible for the management of exports. As for the foreign investments of Japan, when it was necessary to find cheaper man-power, they turned naturally enough towards the former colonies (Korea and Taiwan).

The Korean economy managed to absorb the cost of the oil crisis of 1972/73 as well as the world recession of 1980. The country has equally succeeded in paying its debt of 47 billion dollars in 1985, 30 billion in 1988 and nothing in 1992, date on which Korea becomes in credit<sup>10</sup>. Placed before the protectionist resistance of the United States, South Korea keeps its commercial surplus with this country within the limits of 7 to 9 billion dollars<sup>11</sup>. In 1987, under the pressure of the IMF, the 'won' was revalued by 9%. From 1988, the workers' demands make the sala-

ries rise up and little by little the initial relative advantage is crumbling. Hence the surge of investments towards foreign countries, notably the Philippines.

As for agriculture, it is undergoing transformations, especially led by the State. The agrarian reform, meant for eliminating the traditional oligarchy, was rapidly carried out, but without assuring a balance with the industrial development, causing instability, inflation, inequality of income, social frictions<sup>12</sup>.

#### (b) Taiwan

Taiwan has a history quite parallel to that of Korea. It also was a Japanese colony from 1885. In 1949, with the victory of Communist China, a large number of entrepreneurs from the continent emigrated to Taiwan, with (at least) a part of their capital. All in all, some 2 million Chinese from the continent settled down in the island.

Between 1946 and 1952, the industries destroyed by the war were put back on track. The textile and chemical industries were strengthened and protected and work was done especially for the interior market. But the system entered a crisis from 1954. From 1958 the accent was put on exports. The rate of industrial growth rapid (between 1961 and 1973, 17% annually), with ups and downs in the following years, according to the inflation rates<sup>13</sup>.

Between 1951 and 1965, American aid accounted for 26% of the capital formation and until 1967 the priority was given to foreign capital, coming from overseas Chinese and from Japan. After this date, it was the export income that financed the local development.

In 1986, textiles as counted for 1/5 of the exports, exceeded only by electronics and machine tools<sup>14</sup>. In 1960, the light industries formed 60% of the industrial contribution in the Gross National Product (GNP). In 1977, it was 48%. The new industries which developed after 1965 were heavily concentrated on and directed towards export, specialised itself in optical equipments, plastics, electrical goods, chemical products, manufacture, microelectronics, etc. In the 80's, the production of motor cars was started and an agreement was reached with the Japanese constructors in 1982. In 1992, negotiations were in progress with the American aeronautical industries for a share of production. Moreover, a conflict broke out with the United

States concerning a question of intellectual property, notably on the production of computers. The loss of profit was valued by the Americans at 350 million dollars annually<sup>15</sup>.

It was in 1964 that the first export surplus was achieved and it reached a peak between 1971 and 1973. In 1974, the oil crisis caused a heavy deficit that was progressively absorbed. The United States counted for 47% of the exports in 1986 and 1988; the surplus with this country amounted to 10.4 billion dollars, which led the government of Taiwan to take measures to reduce it and among them were several revaluations of the Taiwanese dollar. As for the foreign investments, they were important: between 1952 and 1988, 8,531.5 billion dollars of which a quarter in electronics and electrical products<sup>16</sup>.

With the increase of the price of man-power, those responsible for economy began seeking new markets, notably in continental China and also exporting capital. From the end of the 80's foreign man-power was recruited, notably from Thailand, which in 1992 caused again a conflict between the governments of the two countries, concerning the levels of salary.

Between 1949 and 1953, the first phase of agrarian reform widely compensated the former proprietors who were encouraged to invest in industry. Between 1975 and 1982, the second phase reorganised the farms irrigated according to mechanisation, which 2/3 of the land under cultivation. In 1987, 80,000 farmers received new training and subsidies were granted to buy land to enlarge the units of production.

#### (c) Hong Kong

In 1949 when the whole of China became communist, a good number of refugees landed in Hong Kong. Among them were entrepreneurs and businessmen coming from Shanghai, notably in the field of textiles and manufacture. Before this, with the setting up of the British colony since 1843, following the opium war (to protect the English drug merchants), the territory developed as a port, a naval yards and above all as a commercial and banking centre. Thus there existed an important infrastructure and a tradition of economic activities.

The already existing textile industry was developed particularly. The latter even today represents about 40% of the whole. One also notes electronics, toys, watches, plastics,

etc.<sup>17</sup>. About 90% of the production is exported. The re-exports of products coming from China occupy a prominent place, notably textiles, manufacture and electronics. In this context, it is hardly astonishing that Hong Kong should be world's second port of containers<sup>18</sup>. From 1986 the United States intervened to get the deficit of commercial balance reduced, which led to looking for other markets. The dense industrial production created serious ecological problems and from 1988 Hong Kong exported its most pollutant industries towards the east of China, notably the production of circuits for computers<sup>19</sup>.

Agriculture is obviously marginal and the prices are influenced by the cost of rice coming from China. Another factor that influenced the circumstances was the fluctuations of the American dollar to which the currency of Hong Kong had been linked.

The economic success of Hong Kong has been based largely on the cheap labour. Between 1950 and 1980 a constant clandestine immigration permitted to be supplied with a less claiming man-power. From this date, the industry began to be short of workers. This resulted notably in an increase of salaries. Between 1985 and 1988, these wages increased by 20%<sup>20</sup>.

#### (d) Singapore

Singapore, as a centre of commercial activities, was founded in 1826 by the East Asia English Company. From the inception, the town was a free port which developed according to the finest tradition of "laissez-faire" of British capitalism, which attracted marchants and foreign nationals from the whole of Asia, a majority being Chinese. In 1867 the town became a crown colony, which sped up its commercial function between Gibraltar and Far East. At the beginning of the 20th century, the Chinese made up 3/4 of the population. In 1927, 360,000 of them landed at Singapore. After the first world war the colony became an English military and naval base. It was in 1965 that Singapore was separated from Malaysia to become an independent nation<sup>21</sup>.

The industrial development knew three periods: from 1960 to 1968 during which a relatively modest substitution industry developed and priority was given to foreign capital; from 1968 to 1979, the period characterised itself by a labour intensive export industry and from 1979 an exporting indus-

try with a strong technical and capital component. The production was directed towards machine tools, printing, electronics, computers, television and radio sets, telecommunication equipment, etc. At the same time port and airport activities, naval yards, transports and insurance policies grew.

Despite a spectacular development that saw the exports multiplying by 12% between 1960 and 1980 (with an important part of re-exports), the country knew several recessions, notably in 1985 and 1986, due to too great a dependence on technics and capital coming from abroad. This led to an austere policy that largely took the form of a freeze of salaries. The exports were directed particularly towards the United States and then towards Asia and the European Community. It has to be said that the two wars of Korea and Vietnam gave a strong impetus to the economic activities of Singapore. From the 80's the surplus produced by the exports became very important.

The workers' movement quite active between 1960 and 1968 was first suppressed and then absorbed into an institution of State management. There were periods of unemployment: 2% in 1957. From 1980, the man-power began to be missing, due, in part, to the demographic policies of the preceding decades and in 1984 there were already 150,000 foreign workers.

The salaries increased from 1972, leading to the progressive decrease of some of the previous relative advantages and in 1988 there was a revaluation of the currency<sup>22</sup>.

### 3. THE ROLE OF THE STATE

The comparison between the policies followed by the four countries concerned permits to draw, in the midst of differences, some basic similarities. It is all the more important to emphasise these because it seems to imply that the market laws alone have presided over the economic development of the four dragons whereas, in reality, (to a lesser extent in Hong Kong at the start at least), the State has played a considerable role. In the Bulletin of the Asian Development Bank, Prof. George Rosen, an economist from the University of Illinois, declares that "the great success of the industrialisation programmes of Singapore, Republic of Korea and Taipei-China in the 70's and 80's constitutes a powerful argument in favour of an active role of the government in development"<sup>23</sup>.

(Cont. from page 6 )

Among the main principles followed, one may note the following: (1) direct and indirect interventions in the industrial development; (2) establishment of protectionist tariffs in relation to foreign markets, especially during the period of development of industries of substitution; (3) promotion of exports by fiscal, credit and investment means in "the research and development"; (4) an encouragement to foreign investments by means of fiscal measures, as the local accumulation was not sufficient; (5) important financings of the infrastructures, scholastic and political science training (habitat for example) and; (6) a constant action on the labour market through a suppression of trade union movement.

It has to be added here during the period of taking-off, massive foreign aids coming from the United States, equivalent to a kind of Marshall plan and the geo-political aspects, bount to the cold war were never absent. Moreover, until the end of the 70's, the American market remained open and it was protected only progressively in relation to Asian exports.

In order to make these observations concrete, we shall again glance rapidly at the four countries concerned.

#### (a) South Korea

South Korea is the country where the State has played the most determining role in the diverse stages of economic development. It was of two orders. Firstly, an intervention organised to synchronise the economic activities under the direction of the State and then create the financial conditions favourable to the activities aimed at. In this regard, two mechanisms were used from the moment when one geared himself towards exports: on the one hand, the fixation by the firms, with the State's approval, of the export objectives and then a monthly meeting for the promotion of foreign trade under the direct responsibility of the President of the Republic<sup>25</sup>.

One may follow Alice Amsden in her work "Asia's next Giant" when she sums up in the following manner the orientations of the Korean State through two main periods of its intervention. "The State has always been strong. It controls the financial institutions and the capital movement. It intervenes in the industrial structure and the setting of prices. It decides on the economic policies and the "chaebols" (the big consortiums) carry it out"<sup>26</sup>. But all this has to be specified a little.

Under the presidency of Singman Rhee, after the Korean war and till 1961, the industrial policy which was based on the small and medium enterprises that reconstructed the country and on some big ones, began to break. The State bureaucracy was closely involved in economic activity. It led to high levels of corruption. The number of scandals that broke out at the time earned criticism of an opposition where the Christian Churches, protestant in particular, played an important role.

With the coup d'état of General Park in 1961, it was a new stage that took shape. Firstly, one banked on the industries of substitution for imports. The corrupt entrepreneurs were imprisoned, but they were released on condition that they share the views of the State and invest in this kind of industries<sup>27</sup>. A policy of protectionism was established. In 1970, of 1,312 basic products, 524 were subjected to restriction measures and 73 were prohibited to be imported<sup>28</sup>.

The method of President Park was not to promote State industries, but act indirectly on the process of production. He tried to destroy the obstacles to an export policy, caused by the bureaucracy of the previous regime. Thus, he made the costs of certain services for the exporters to be reduced, instituted a reduction of 50% of the direct taxes on the earnings of exports, accelerated paying off of debts, granted a privileged access to the short or middle term credit, exempted or reduced the import tax of goods and capital necessary for this kind of production, exempted indirect taxes of the intermediate goods<sup>29</sup>. By doing this, he clearly favoured the big multisector enterprises (chaebol). Between 1962 and 1970, the rate of interests were fixed at 6.9% while the inflation amounted to 12.57% and the rate of interest in the free market rose to 49.8%<sup>30</sup>. Besides, he did not hesitate to destroy the enterprises that did not share the model<sup>31</sup>. More recently, the government established a Research Institute that works on the aeronotic production, the parts for the memories of computers and some high technologies<sup>32</sup>.

Foreign aid was very important too. In the 50's and at the beginning of the 60's, aid coming from the United States covered 50% of the revenue of the government. Between 1945 and 1978 South Korea received from this latter source more than 6 billion dollars, being practically the equivalent of the total of aid to the African countries during the same period<sup>33</sup>. 80% of the exports were fi-

nanced by the United States<sup>34</sup>. The training abroad of engineers and managers was done with the aid from the State.

One has to add the role of the war of Vietnam. In 1967 this contributed for 44% to the GNP and recorded for 58.2% of the exports. It contributed clearly to the takeoff of the export policy and some did not hesitate to speak about "life for sale", the economic advantages coming to compensate for the presence of 50,000 men on the sides of the Americans in Vietnam<sup>35</sup>.

Such an economic policy was accompanied with a military dictatorship which took various forms, but which justified itself due to its economic efficiency. It was the State again that determined the legislation of work. Low salaries had to be maintained so that the original accumulation could be rapidly realised. Suppression and intimidation were the weapons that were used most frequently. So, in 1980, there were just 11% of workers from trade unions<sup>36</sup>. Strikes, as a 'Closed shop' practice were banned. Alice Amsden, who is an admirer of the results obtained, does not hesitate to say that those responsible for the relations of work in the State sector were the Korean Central Intelligence Agency (KCIA)<sup>37</sup>.

In fact, the salaries were maintained very low for a long time and the working weeks were very long. As for the female man-power, a number of them were involved in textile and electronics. They were over-exploited. In 1980, whereas the minimum income necessary was estimated at 270,000 won for a family of 5 persons, 31% of the workers earned less than 70,000 won, 56% less than 100,000 and 86% less than 200,000<sup>38</sup>.

Yet, there were strikes, not to mention numerous students' demonstrations. They were held in 1961, 1975, 1977 and 1980. The year 1984 was a violent suppression. In 1987 an important strike resulted in a 20% salary increase. Between 1987 and 1990, there were 7,000 strikes, or 6.5 per day. The political opposition that also contributed to social changes formed itself at the time of President Singman Rhee. It was led in particular by the students and contributed, among other things, to the development of a national middle-class.

In 1987, the demonstrations demanded democracy in particular and they rallied a number of elements of the middle-classes

which was joined by the majority of national middle-class, desirous of ensuring the stability of the accumulation and aware that more democracy was the necessary conditions for this. The trade unions demanded salary increases and less long working days. The peasants, led by two Christian organisations, one Protestant and the other Catholic, demanded a cancellation of their debts, cessation of selling agricultural products at a cheap price, the expropriation of missing proprietors. All this led in 1987 to setting up of the Movement for Democratisation and Unification<sup>39</sup>.

All these struggles dispose the validity of the trickle down theory. The benefits gained by the workers were the results of head fought social battles.

(b) Taiwan

The process in Taiwan is somewhat different, but parallel enough. The mechanisms one may pick up in the practice of the State are, in short, as follows:

1. Benefits for the foreign investments that are directed towards the sectors defined by the State.
2. Encouragements to domestic capital for the same sectors, through reductions of taxes and benefits on the paying off of debts.
3. State investments in the priority sectors: oil refineries, aluminium, chemical fertilisers, steel, non-ferrous metals. In 1970, this represented 23% of the industrial production and 31% of the formation of fixed capital<sup>40</sup>.
4. Protection of certain sectors by means of taxes. Starting from the 70's, this was carried on 30% of the manufactured products. During the first half of this decade, 500 products were controlled in this manner. One also imposed a percentage of local components for certain imported products. A number of items (clothes for example) were prohibited to be imported when they were coming from immediate competitors: South Korea, Japan, Hong Kong.
5. Promotion of exports by way of credit granted at very low interests by the Bank of Taiwan, exemption from tax on the revenue for the exporters (equivalent to 2% of the

exports value), insurance paid by the State, State allowance to the industries putting new products on the foreign markets<sup>41</sup>.

Foreign aid played an important role in the first phase of accumulation. Thus, between 1951 and 1965, the aid from the United States rose to 1,465.4 million dollars and financed 26% of the making of the capital.

In Taiwan too the labour legislation was adapted to the economic policy. Up until the end of the 80's the martial law prohibited automatically all kinds of strikes and collective negotiations. The trade unions were controlled by the party in power, the Kuomintang<sup>42</sup>. This permitted the maintenance of low salaries and long working days, for a long time.

(c) Hong Kong

The State in Hong Kong intervened less directly in economy. On the other hand, the British policy of Welfare State after the second world war seems to have exerted a certain influence on the measures taken in the colony. The colonial administration was concentrated particularly on the creation of a climate favourable to the economic expansion. Gradually, however, the interventions became more precise and direct, especially after the beginning of the 80's.

The mechanisms were classic enough: the protection of sectors determined by the State, the encouragement to foreign capital in defined sectors, the undervaluation of the currency, strict credit control and big investments in the infrastructures (from less than 10% of the gross domestic revenue at the beginning of the 50's to 18/19% at the beginnings of the 80's). It was at the end of this decade that the interventions became insistent, due to the competition of the other NIC's and the protectionist policy of the United States. The State invested particularly in "the research and development", notably by means of the Hong Kong Productivity Council, the establishment of a micro-chips Centre and a laboratory of digital communication. The State also financed consultations among the successful enterprises so as to study the new technologies and it supported the services<sup>43</sup>.

Contrary to the other NIC's, Hong Kong did not in the first place use the revaluation of its currency, as a mechanism of response to outside pressures, but rather the con-

nection of the Hong Kong dollar with the American dollar.

The suppression of the workers has not been as strong as in the other NIC's, mainly because within the first period, the labour market could rely on a constant influx of refugees from the continental China who offered a man-power without involvement in trade unions and docile and hard-working too. The trade union laws were formed in such a way that a few workers could really join one. This did not prevent certain protest movements from coming into existence that consequently brought about an increase of the level of salaries from the 80's.

The political activity was much reduced between the years 1952 and 1980 due to the colonial situation. The negotiations with China for the return of Hong Kong to the mother country in 1997 caused certain troubles, but after the accord of 1984, granting economic and political privileges to the town, a renewal of economic and notably construction activities took place.

(d) Singapore

In Singapore, the government policy was very active in the economic sphere, since the first plan of industrialisation of 1961. It was characterised by the following measures: the protection of chosen industries, (notably in 1967 and in 1980, key dates of the different choices of economic development) through fiscal and credit measures, through the promotion of exports and tourism, through benefits given to the investments of certain multinationals, through important State investments in the telecommunications, on the whole of the infrastructures and in the education, by subsidising particularly the training of technicians and finally through a concerted salary policy with the industries at an added high value<sup>44</sup>. More recently, the government financed the development of new products by encouraging the sectors of high technology and the activities of high capital intensity and granted assistance to the small and moderate enterprises as well.

In the sphere of labour, after a short period of intense trade union activities and numerous strikes, the workers' organisations were closed within a very tight legal scope that at once integrated them into the mechanism of decisions for the fixing of salaries, but at the same time considerably

limited their margin of manoeuvre. This was the end of their belligerence and the beginning of repressive measures against the most active elements of the worker movement, including the one connected with the Christian Churches. The Communist Party was declared illegal.

In 1968 a legislation of work was decreed which gave a great flexibility to the entrepreneurs for the enlistment of workers<sup>46</sup>. Linked with the important immigration that followed in the post-war years, this legislation permitted to keep low accompanied by measures of austerity that particularly affected the workers.

#### 4. THE CULTURAL FACTOR

Some people have asked whether the cultural factor and particularly the influence of Confucianism had not played a central role in the development of the NIC's of Asia. The geographical coincidence between these regions and the zone of penetration of the Confucian culture gave birth to the hypothesis of a cause and effect relationship. An author such as Peter Berger, the American sociologist, favours in this regard the role of the culture in the social processes and he does not hesitate to say that the model of the four dragons cannot be exported, because of its links with the Confucian ethics<sup>47</sup>.

It is indeed undeniable that Confucianism is the predominant cultural system in East Asia. Therefore, one has to question as to the contents that could influence the economic and political behaviour of the populations.

Two fundamental principles direct Confucian thinking. The first is the idea that the individual is part of a whole and that the latter has the predominance<sup>48</sup>. The second is the hierarchical principle of father over son, man over women, higher over lower, within the scope moreover of the traditional Chinese distinction between yin and yang, two subordinate elements, yet necessarily complementary.

It is obvious that these principles may have an effect on the economic behaviour and on the ethics of work, quite like puritanism, well described by Max Weber. But again it has to be verified empirically. In fact, like everywhere, there are several ways of living through Confucianism, that of the higher classes (Confucianism of the elites) or that of the people, with the

synthesis of all philosophies or popular religions.

Translated into the concrete forms, these principles lead up to the following values: family stability; group solidarity and consensual effort; saving and ethics of work; reciprocity between supporters of power and administration, transforming a relationship of power into a moral community, but which also creates a spirit of protest in case of a split. It has to be pointed out nevertheless, that this can favour authoritarianism and male domination<sup>49</sup>.

However, it seems well that a more dialectical position has to be adopted. First of all, Confucianism was born in a definite society and the values it offers are in connection with logic. Yet, this particularly concerns the past. Then, one has to ask whether other factors did not intervene to direct the cultural values. It is the case, for example, with the long merchant tradition of the Chinese.

At last, it is obvious that during the contemporary period, the economic behaviour cannot be explained solely by a reference to the past, by favouring a cultural element. The logic of capitalist accumulation and the behaviour it induces are found in the whole world today. Such a logic contradicts certain aspects of Confucian values, as we have been able to note in the course of this report, but it makes use of them too when they can serve. It suffices to refer to the speeches of certain political leaders, notably in Singapore. Capitalism is a phenomenon of a certain origin, but it receives in East Asia a specific response inscribed in the culture and so in Confucianism too. The latter was an important element of the local response, but possibly replaceable by other systems of value in other societies. However, its role shows well that one cannot pose the problem of "modernisation" exclusively in Western terms.

#### 5. THE NIC'S OF ASIA, MODELS FOR THE DEVELOPMENT OF THE SOUTH?

To succeed in making a judgement on this question, it is necessary to proceed in two stages; firstly to analyse briefly the type of development they present and then to pose the question of the model for the South.

(a) The form of development adopted by the NIC's of Asia and its present crisis.

According to Peter Nolan<sup>50</sup>, the experience of the NIC's of Asia shows that capitalism is a powerful motor of economic growth which, he says, corresponds to the analysis of classical Marxism. But he adds that the pure free market capitalism of laissez-faire is an illusion, as the development of the NIC's has been characterised by a strong intervention of the State and through considerable foreign aid, due to geopolitical factors. It was in fact a non-dogmatic State, being adapted to the circumstances in a way much more flexible than in the socialist countries, but that did not prevent the pitfall of authoritarianism. It is pragmatism that guided the policy<sup>51</sup>.

However, such judgements, appropriate in the sphere of observation, do not emphasise that the economic objectives and political pragmatism were in the service of a project of development inspired exclusively by logic of capitalist accumulation – that is to say, connected with relatively short-term objectives, with a conception of man as a means of production and with the submission of all the decisions to the economic growth in the strict sense. On this basis, the form was a success. However, by using the same fundamental logic, one may notice with Walden Bello and Stephanie Rosenfeld<sup>52</sup> that the system entered a crisis from the 80's and that the new phase of adaptation did not find its solution. Here are the principal components:

1. A new international environment was created by the protectionist policy of the United States and the European Community. It thus became more difficult to export, hence a search for new outlets elsewhere, in the former socialist countries, in Central and South America.
2. One witnesses the flight of capital in the search for regions with low salaries. The salaries indeed tend to increase. By way of an example, in 1989, the hourly salary in textile was in Taiwan 3.56 dollars, in South Korea 2.87, in China 0.40 and in Indonesia 0.23. This, besides, goes hand in hand with import of foreign manpower. Moreover, instead of investing in high technology, the capital prefers speculative investments. The "research and the development" do not attain the levels of the other industrial countries.

One has to add a brain drain in Taiwan, of the 7,000 students abroad each year, only 1,600 return to the country. One estimates that of the 10,000 doctorates-holders in the United States, 85% have remained in that country.

3. The dependence on components from abroad for the manufacture of advanced techniques (television, computers, motor cars) is very high: from 30% to 85%, mostly from Japan and the United States.
4. The working class became full of protests and hesitated no more to resort to strikes. At the same time, the social crisis worsened, with an accentuation of social differences and even poverty: 30% of the inhabitants of Singapore and 60% of the inhabitants of Seoul live in unhealthy houses.
5. Agriculture faces difficulties and non-rice cultivating sectors collapsed due to the imports of cheaper agricultural products from the United States.
6. An ecological impasse was created. In Seoul, 67% of the rains possess the highest degree of sulphur dioxide in the world. Much of water is no more drinkable in the country and one will have to devote, between 1990 and 1996, 5 billion dollars to re-establish a normal situation. In Taiwan, 20% of the agricultural lands are polluted by the industrial wastes and 30% of rice is contaminated.

Thus it appears, according to this analysis, that the crisis is serious. The same authors propose solutions. They consider that one would have to re-adjust the economic policy completely by centering it on the domestic market that would have to be stimulated by an increase of salaries, a re-composition of agriculture and a battle against the ecological deterioration. One would also have to revise the export policy and concentrate on specific sectors, notably the export of intermediate goods and that of less sophisticated developing countries. Regional associations with the other countries of Asia could lead up to a division of the tasks. Finally, essential aspect according to Walden Bello and Stephanie Rosenfeld, the establishment alone of a true democracy will be able to bring these countries out of the crisis.

(b) Model of development for the South?

The NIC's have got onto a pin through

the big international financial institutions. "In Asia, in Africa and in Latin America, the IMF and the World Bank really manage more than 30 loans of structural adjustment that, partly at least, are intended for creating the conditions of a passage crowned with success of the 'NIC phenomenon' "53.

Undoubtedly, W. Bello and S. Rosenfeld assert, one may draw useful lessons of experience from the NIC's of Asia, but not in the sense indicated by the World Bank and the IMF, that is to say, of creating an industry of exports towards the industrialised countries, at the expense of enormous internal sacrifices. What one may learn from their experience, according to the same authors, is given below.

1. The importance of agrarian reforms. They have played a key role in Taiwan and in South Korea, by eliminating an oligarchic and reactionary class and by releasing resources for development.
2. The role of the State, as an agent of economic development, to ensure a certain autonomy in relation to particular economic interests.
3. The necessity of a democratic process. Some, like Samuel Huntington, assert that development can only be attained with the help of authoritarian elites. Yet, the above authors say that in both the NIC's and the countries of East Europe "the costs have accumulated, principally in the form of a feeling of alienation among the workers and other social groups who had the impression of being knocked over by the locomotive of rapid growth which they were not able to halt. The destructions of environment in both the NIC's and East Europe were partly the product of an authoritarian development, as there were no channels capable of echoing the basic reactions concerning the ecological effect of different policies"55.

4. We add to this a fourth dimension which is that of the very definition of development. In fact, the latter cannot be considered the equivalent of simple economic growth. It does not suffice either that it integrates the battle against poverty, as is done today by the World Bank or the Asian Development Bank, trying to

put out the fire they themselves have lit. The concern over a better distribution of material and cultural goods, quite like that of the blossoming of the persons, are constituting elements of development. The taking into account of these will also result in criticising the false modernisation that accompanies capitalist development.

It is thus clear that the model of the NIC's of Asia can only serve as critical reference to the countries of the South. Even within the logic that was theirs, a minority alone would be able to follow this way. The social and political price the latter will have to pay is heavy, as is witnessed to by the case of Chile or the recent troubles in Thailand. Rather than an economic growth based on exports, it is an autocentered development that would have to be pursued, with the encouragement of the State. As for the democratic forms, advocated to such an extent by the present Western speech, the experience shows that they certainly are not the automatic fruit of economic neo-liberalism. The integration of a world economic order dominated by the Western interests will influence the decisions and while the weight of "structural readjustments" will particularly affect the lower classes, increasing thereby even the social disparities.

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