

# The “miracle” of the East Asian “tigers”: a development model for Mexico?

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**A** number of experts have expressed the need for Latin American countries to emulate the experience of the East Asian “tigers” in order to overcome the sustained economic crises of the region. It is often contended that if countries like Mexico were able to construct a state more along the lines of South Korea or Taiwan, the future would look very different. The concrete implications of adopting such a model in the Mexican context are less frequently pondered.

Latin American policy makers have long been exposed to a popularized version of the East Asian development model. According to this version, at least five factors underpin the model.

First, a “capitalist developmental state” that successfully orchestrated development. Among its attributes were a well-educated, highly proficient economic bureaucracy that enjoyed considerable autonomy in decision-making from local business, labor, and foreign capital. Policy was exercised in a highly flexible fashion, with bureaucrats demonstrating remarkable entrepreneurship in fostering successful firms and industries. They were also highly skilled at controlling foreign investment, while at the same time extracting crucial foreign technology and skills from export-assembly plants controlled by multinational corporations.

Moreover, the capitalist developmental state was remarkably adept at channeling domestic energies into

profitable growth-stimulating pursuits rather than stagnant rent-seeking activities. Finally, the state played the role of a catalyst, rather than assuming direct ownership of the means of production.

The capitalist developmental state contrasts dramatically with the type of state which arose in Mexico and other large Latin American economies. In the Latin American cases, *políticos*, far more than well-trained, highly skilled technocrats, dominated economy policy formulation for most of the post-war period.

In addition, Latin American policy-makers did not enjoy the same degree of insulation from political pressures as their Korean or Taiwanese counterparts. Consequently, many policy decisions were influenced more by immediate political exigencies than by the requirements for successful economic growth.

As for the nature of state intervention, while East Asian bureaucracies played a far more indicative role in economic affairs, Latin American states assumed direct ownership of many leading sectors of the economy. Consequently, whereas in Taiwan and South Korea domestic firms assumed the leading economic role, in Mexico, *paraestatales* and foreign multinational corporations were at the forefront of the country’s industrial profile.

Second, both Taiwan and South Korea implemented comprehensive agrarian reforms in the 1950s and 1960s, respectively. Large estates were abolished in order to create a uniform class of small producers. In this fashion, not only was the reactionary class of rural elites eliminated, but the

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new system of small land plots quickly absorbed surplus labor and generated a relatively equitable distribution of productive assets and income.

In comparison, in the Mexican case, the Cárdenas land reform of the 1930s did not radically alter existing class relations in the countryside. Thus many large agricultural producers continued to wield substantial political and economic power, in spite of the distribution of substantial terrain by Cárdenas.

*Third*, the East Asian model is well known for the importance placed on investment in human capital. In Taiwan, for instance, "manpower development plans" were developed by the Ministry of Education, placing top priority on vocational education and thereby meeting the structural demands of the growing economy rather than social demand for higher education.

With regard to higher education, only top students gained entry to public universities. The vast majority of students would enter programs in engineering or the physical and natural sciences. Public servants are predominantly engineers by training. This contrasts starkly with Mexico, where most leading bureaucrats tend to have backgrounds in law, public administration or economics.

*Fourth*, Taiwan and South Korea benefitted from favorable international conditions, including substantial U.S. military and economic aid, demand for nascent industries created by the Vietnam war, preferential trading status with the United States, and location within a dynamic economic sub-region led by Japan. With regard to the latter, South Korea and Taiwan both enjoyed incorporation into a regionally-based product life cycle elaborated by Japan.

*Fifth*, whereas Mexico and other Latin American countries persevered with the model of import-substitution industrialization, Taiwan and South Korea began a strategy of export-oriented industrialization back in the late 1950s and early 1960s, respectively.

Export promotion, however, did not mean free trade or economic liberalization. Substantial subsidies were awarded by the state to successful exporters, and fledgling industries and the agricultural sector were given considerable protection from foreign competition.

What distinguishes the East Asian cases most from their Latin American counterparts are the rigorous performance criteria exercised in allotting subsidies to export firms and the high degree of selectivity that has characterized protectionism.

There is a "dark side" to the East Asian development model which all too frequently is ignored or dismissed. East Asian dynamism is as much a product of these countries' social and political foundations as it is of sound economic policies.

A number of very negative factors characterized Korean and Taiwanese growth: an alliance between state and business elites; the political exclusion of labor and the peasantry; the long-term denial of basic civil and political rights; an extremely restrictive labor code coupled with severe labor repression; the militarization of society; the super-exploitation of female workers; environmental degradation; and the destruction and abuse of traditional cultural values in pursuit of narrow materialism and chauvinistic nationalism.

For would-be Latin American imitators, the underside of the popularized version of East Asian economic success is equally important to take into consideration.

A highly paternalistic development policy was oriented almost exclusively towards the needs of the domestic industrial elite. Popular sentiments were almost completely ignored and excluded from consideration by a very narrowly-constituted decision-making elite.

One of the most important causes of Korean and Taiwanese economic growth was cheap labor—which was kept cheap by the state. As late as 1980, manufacturing wages in the East Asian countries were considerably lower than in their Latin American counterparts. To the extent that unions existed—such as those affiliated to the Federation of Korean Trade Unions or the Taiwanese Chinese Federation of Labor—they usually served as agents of management and the government.

Recently, both South Korea and Taiwan underwent relatively successful transitions to political democracy, with both countries celebrating national elections in 1992. This fact is often used to further champion the East Asian development model. Economic growth supposedly laid the foundations for a maturation process that eventually led to democracy. In other words, civil society had to "grow up" first under state tutelage before being able to responsibly participate in the democratic process.

Of course, what this really meant is that citizens were forced to sacrifice their civil, political, and even economic rights in the short and medium term in order to supposedly benefit in the long term. Unfortunately, all too often the people obliged to make sacrifices—low-paid industrial workers, peasants and women—were those least capable of making them.

In short, for countries like Mexico, it is unlikely that the piecemeal adoption of select attributes of the East Asian model—on the one hand—would yield the desired results. Emulating the East Asian "miracle" in its entirety—on the other hand—would mean adopting its more unpleasant aspects as well. Thus the direct relevance of the East Asian development experience for Mexico remains highly suspect. ❧