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DISCUSSION PAPER NO. 122

The Pattern and Process of
Asian Economic Development

by

Shinichi Ichimura

August, 1987

The Center for Southeast Asian Studies

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The Pattern and Process of Asian Economic Development

Shinichi Ichimura
Center For Southeast Asian Studies
Kyoto University

I. Pattern of Economic Development Among Asian Countries

Asian Development Performance: The economic performance of Asian countries in the 70's and the early 80's surprised everyone in the world. Asia was once known as the place of Oriental despotism and widespread, irreducible poverty. The Asian Drama was conceived as a tragedy of stagnation by the best known authority, Dr. Gunnar Myrdal even as late as in 1968. This pessimism has gradually yielded, however, to optimism in the 60's, since most Asian underdeveloped countries began to follow suit to the fast growth of Japanese economy that quadrupled its GNP in a decade of the 60's. Even so the most authoritative study known as the Hla Myint report--undertaken by Asian Development Bank study group just before 1970--predicted modestly a 5.5% growth rate for East and Southeast Asian countries in the 70's. This projected growth was superseded by the actual performance of 7.4%. The East and Southeast Asian countries achieved faster growth than any other region in the world whether industrialized or underdeveloped, including oil-rich Middle Eastern countries in the 70's. Since the late 70's, South Asian countries have also joined in this rapid development performance.

Four Groups of Asian Countries: An examination of the economic development of Asian countries in the 60's to the early 80's

suggests, as Figure 1 demonstrates, that their growth performance may be classified into four groups. As Table 1 and Table 2 shows that they correspond approximately to the income levels of Asian developing countries.

(Figure 1) (Table 1) (Table 2)

1. Resource-poor Northeast Asian countries: Korea, Taiwan, Hong Kong and Singapore--the so-called Asian NICs;
2. Resource-rich Southeast Asian countries: the Philippines, Thailand, Malaysia, Brunei and Indonesia--ASEAN minus Singapore;
3. Primarily agrarian South Asian countries: Burma, Bangladesh, Nepal, Pakistan and Sri Lanka;
4. Giant Economies: China and India.

It is interesting to notice that the pattern of growth, development mechanism and choice of economic policies seem to differ among these four groups. It seems more appropriate to classify such patterns and processes into the following three.

Three Patterns of Growth Dynamics: The first pattern holds to resource-poor Northeast Asian countries or Asian NICs, and the second holds to the resource-rich ASEAN-minus Singapore or, due to the shortage of data for Brunei, simply ASEAN-4. The third holds to large countries like China and India. The economies of South Asian countries excluding India is primarily agrarian and may be characterized as those somewhere between the first and the second; as it were, resource-poor ASEAN-type. The dynamic mechanism of industrial development differs among these three types as follows:

- 1) Resource-poor country type of industrialization

They must first develop labor-intensive light industries like

textiles, footwears, then try to increase productivity and export the products. Earning foreign exchange this way, they import capital equipment to invest in infra-structure and export industries. Further they expand exports and move up the market to higher stages of industries. After achieving some industrialization, the government tries to support agricultural development. This is typically the industrialization pattern in Korea and Taiwan.

2) Resource-rich country type of industrialization:

The first step in this pattern is resource exploration (oil and other mining resources) or development of agricultural and other primary industries (plantation, fishery and forestry). Then they export these natural resources, primary products or processed raw materials. With the foreign exchange earnings thus obtained, they import capital goods, which they invest in infra-structure and resource exploration, agro-industry, resource-related industries or, if government desires, light industries. In these countries a significant amount of investment in human capital was required because of the serious shortage of skilled workers, engineers, bureaucrats and businessmen. Only after some preparatory stage of development it became possible to make a gradual shift to higher degree of industrialization.

3) Large country type of economic development

They are rich in natural and human resources and very large in the scale of the national economies. This makes it possible for them to undertake development strategies at several fronts at the same time, without relying much on external trade or foreign

investment for a considerable period. The most natural first step is resource exploration and agricultural development. With little external help, domestic savings must have been squeezed. Even with out-of-date technology they invest in infra-structure and some labor-intensive light industries under strict protection of consumption goods industries.

What they can export is limited to some natural resources, primary products and light industrial products. While restricting imports to minimum essentials for industrialization, they try to slowly and simultaneously develop capital goods industry by themselves. This self-reliance policies tend to necessitate the retardation of technological progress and after a while makes it impossible to keep pace with the surrounding industrializing countries of smaller scales. As the result they are forced to open up their economies.

These patterns of industrialization may be awarded with the titles of virtuous circles of development rather than the vicious circle of poverty and stagnation. This describes the core of the success story of Asian development.

* Shinichi Ichimura: "Asian Economic Development and Future Prospects," a summary chapter of the report of the APO Project on Development Strategies and Productivity Issues in Asia, to be published by Asian Productivity Organization, 1987.

The process of industrial development for each type of development may be summarized by listing each step of development strategies as follows.

1) Resource-poor country type of industrialization

1. Development of light industries,
2. Export of light industrial products,
3. Foreign exchange earnings,
4. Import of capital goods,
5. Domestic investment in infra-structure and export industries,
6. Export expansion--foreign exchange earnings,
7. Import of capital goods and intermediate products,
8. Development of intermediate stage of heavy-chemical industries.

2) Resource-rich country type of industrialization:

1. Resource exploration or development of agriculture and other primary industries,
2. Export of natural resources, primary products or processed raw materials,
3. Foreign exchange earnings,
4. Import of capital goods,
5. Domestic investment in infra-structure, resource exploration, agro-industry, resource-related industries or light industry,
7. Investment in human resources,
8. Gradual shift to higher degree of industrialization.

3) Large country type of economic development

1. Resources exploration and agricultural development,
2. Forced domestic savings and less reliance on foreign loans,
3. Gradual development of light industries of consumption goods,
4. Export of natural resources and primary products and light industrial products,
5. Import of minimum essentials for industrialization,

6. Slow and simultaneous development of capital goods industry with the restriction on the import of capital goods.

In order, however, for this virtuous circle to be successfully completed, there seem to be at least three requirements on each of the domestic economic policies and the international environment.

On the domestic policies:

- 1) the national economies must be fundamentally open to international trade, foreign direct investment and international loans--trade and investment policies of Asian governments have been largely adequate in this sense;
- 2) the government policies must be directed to increase growth particularly by promoting exports--all East Asian countries and most South Asian countries and China in recent years, more or less, have adopted such policies;
- 3) The rate of foreign exchange should not be over-valued--the policies not satisfied by some countries.

In the international environment, at the same time:

- 1) the importing countries' markets must be open for their exports,
- 2) the supply of capital equipments, financial loans, technology and management know-how must be offered from industrial countries;
- 3) law and order of fair competition and peaceful political environment must prevail.

These conditions have been satisfied for almost all Asian countries most of the time. Thus, they have been very successful

in achieving such export-led growth and increasing the share of manufactures in their exports as is shown by Table 4.

(Table 4)

There are some differences in the relative importance in the conditions related to these domestic and international requirements among three types of virtuous circles.

For the first type, the most crucial condition is to succeed in industrializing in labor-intensive industries and realize the productivity increase so as to make them the export industries. At the same time the terms of trade after adjustment to the rate of foreign exchange must remain unfavorable to promote export. Otherwise, the resource-poor countries cannot compete with the old industrialized countries and take off. Government support in various forms of subsidies usually played a crucial role in the early stage of industrialization. In fact in many Asian countries, however, protection and subsidies were often extended too much and dragged on too long.

Among Asian NICs Korea seems to have proceeded to light industrialization and moved further in her early stage of development to capital goods industry or even technology-intensive industries, whereas Taiwan at about the same level of per capita income as Korea seems to be satisfied with her more balanced structure of light industries, intermediate goods and capital goods industries. Only in recent years she is beginning to start some capital goods or technology-intensive industries.

In small economies like Singapore and Hong Kong there is no other choice but to keep the economy open. Amazingly Hong Kong has succeeded in export-led industrialization with no government

help, relying completely on free market mechanism in trade and capital transactions. Singapore is a more government-led economy but with no tariffs or restrictions on capital transactions. Both may be regarded as show-cases of successful free enterprise system.

For the second type, the favorable terms of trade are critical, because the export earnings depends not only on the development of new export industries but also to a great extent on the export prices of primary commodities exports and imported capital goods. As is well-known, the prices of primary products fluctuate very much. The oil bonanza greatly contributed to raising the growth rate of Malaysia, Indonesia and Brunei. Thailand, the Philippines and Malaysia also benefited from an increase in the prices of agricultural and forest products in the early 70's. The same price hike did not occur, however, after the second oil shock. That was the reason why they had to rely heavily on the borrowings from abroad to keep the pace of rapid growth in the late 70's and the early 80's.

For the large economies, however, the balanced growth of agriculture, resource development and some manufacturing industries is the more normal pattern of development. Import-substitution policy can go a longer way for them. Nevertheless, those conditions mentioned for Types 1) and 2) are important for large countries as well. For despite the fact that they can develop the economies by inward-looking policies for a considerable period, they must open the economies before the vested interests of established enterprises become insurmountable in order to avoid

being locked into isolation from the progressing world. Failure to open up soon enough has made it necessary for China to undertake radical changes in her economic policies and endorse entrenched interests, and this also appears to be the motive for the policies of privatization and deregulation of the Rajiv Gandhi government of India in recent years. To a lesser extent the same observations may be made about Pakistan in South Asia and also Indonesia in Southeast Asia.

Multi-Stage Process of Catching-Up: Asian scenes look like a multi-stage catch-up process in which all four groups have been moving up the market as if they are trying to catch up with one after another. Asian NICs try to catch up with Japan, ASEAN-4 try to catch up with the NICs, South Asian countries try to catch up with ASEAN-4, while India and China suddenly appear from below the ASEAN level and challenge them in many industrial products, because some industrialized districts are far more advanced than in the rest of the economies and can easily compete with ASEAN-4, if not with Asian NICs. This multi-stage process of catching up is a unique picture of developing Asian countries, and it requires a constant restructuring of industries among Asian countries at their respective development stages. Such structural shift has been taking place in the 70's, as is shown in Figure 2 by Watanabe-Kajiwaru.*

(Figure 2)

* Toshio Watanabe and Kajiwaru, "Pacific Manufactured Trade and Japan's Options," The Developing Economies, Vol.21, No.4, December, 1983.

The NICs are already losing the comparative advantage in labor-intensive industries, and instead ASEAN countries are developing the comparative advantages in those industries. Korea and Taiwan are beginning to show advantages in capital and technology-intensive industries earlier than Singapore and Hong Kong owing to the scale effects and deliberate government policies. Development strategies must be guided by careful observation of international competition and an appropriate choice of industries at each stage of development. It goes without saying that the increasing productivities of export industries are most crucial to the success of export-led growth in Asian countries.

The same pattern of shifting comparative advantage and the corresponding change of industrial development among Asian countries can be observed in the following Table 4.

(Table 4)

II. Ten Factors For Fast Asian Development

The reasons why Asian countries grew so fast in the 60's to the early 80's and those why they could maintain the fast pace of growth in the 70's by adapting themselves so well to the two oil crises are inter-related. For the governments capable of choosing the appropriate policies for development could find the ways and means of adjustment to oil crises, and it was easier for them with the expanding pie than under austerity. It was really surprising that not only oil-producing countries but also resource-poor Asian NICs kept the 60's momentum of rapid growth still in the 70's and also remained resilient to the world recession in

the early 80's. In these responses of Asian developing countries as well as in the process of growth four groups seem to show the distinctive patterns. The factors that could explain their fast growth and responses to external shocks may be summarized as follows:

- 1) The high rate of capital accumulation
- 2) The high saving ratio
- 3) Successful transfer of technology in agricultural development (Green Revolution) and industrialization
- 4) Highly qualified human resources with declining fertility rate
- 5) Virtuous circles of export-led growth in the open economies
- 6) The locomotive roles of the United States and Japan
- 7) Relatively sound fiscal and monetary policies
- 8) Tolerable distribution of income
- 9) Fairly reliable public and private institutions
- 10) Infrequency of social unrest and political instability
- (1) The high rate of capital accumulation

The ratio of capital formation to GNP has increased from somewhat below 20% in the 60's to nearly 30% or even higher in the early 80's in NICs and ASEAN. In South Asia investment rates increased toward the end of the 70's. Table 5 demonstrates this fact together with the second factor of high and rising saving ratios.

(Table 5)

This steady increase in the rate of capital accumulation is a characteristic observable in the Japan's process of rapid growth for the past one hundred years. The prewar Japanese rate of capital accumulation never exceeded 15%. In postwar years,

however, the same ratio began to increase from 14.6% in 1953, rose as high as 32% in 1965 and remained around 28 to 30% in the early 80's.

The actual figures in Asian countries can be seen in Table 5. It is surprising that all of them (except for Pakistan and Sri Lanka) have ratios above twenty percent; some exceeding even 30%.

Thus, a large proportion of annual domestic product was invested in constructing infra-structure and building up industrial productive capacity of private and public enterprises in various industrial sectors. Since most Asian LDCs were in the early stage of development, the proportion of investment in overhead capital had to be fairly large, except for the insular city-states like Singapore and Hong Kong. The proportion of investment in productive capital equipment in the private sector, therefore, remained relatively small at the beginning.

But in the case of the NICs the proportion soon became significant and began to result in rapid industrial development. In ASEAN countries a significant portion of capital formation was undertaken in the rural areas to promote agricultural development. This was one of the reasons for successful agricultural development.

(2) The high rate of saving

The rates of saving in Asian countries are also very high, as was shown in Table 5. The saving ratio has quickly gone up from about 16% in the late 60's over twenty percent in the early 80's. In Taiwan and Singapore the saving rates are even above the Japanese gross saving ratio of about 30%, although in these two

countries special policies of government have played an important role to bring up the saving ratios. In Singapore forced savings through a device called the Central Provident Fund is responsible, whereas in Taiwan it is government savings that is particularly high. Apart from this, however, the household saving rates are also very significant in most East Asian countries. This steady increase of the rates of capital accumulation and saving with rising per capita income over the past three decades is indeed the most fundamental characteristic of the Asian economies.

One should not take this fact as something which automatically or easily accompanies economic growth in any country. For instance, in the case of Latin American countries both ratios did not increase with the rise of per capita income. In particular the saving ratios are stable at around twenty percent, and in some countries they are coming down. In Asia only the Philippines seems to show some resemblance to Latin America. Indeed, in many other aspects too, the Philippines is, as it were, a Latin American country in Asia.

Except for Singapore and Taiwan, households saving rates in East and Southeast Asian countries seem to reach a ceiling slightly below 30% though their per capita income is well below the Japanese standard. Their inherent propensities to save may be slightly lower than the Japanese. This is why they had to borrow from abroad so much to sustain the rate of capital accumulation and growth in the recent past. The resource gaps are shown also in Table 5. It is remarkable that in these ratios three groups

are distinctively different according to their percapita income levels.

(3) Successful Transfer of technology in agricultural development (Green Revolution) and industrialization

Even if the rate of capital accumulation is high, rapid growth may not result unless capital is efficiently utilized. The so-called "Incremental Capital-Output ratio"(ICOR) is an over-all index of efficiency in the use of capital. It can be calculated from the rates of capital accumulation in Table 1 divided by the growth rates given by Table 5, as shown in Table 6.

(Table 6)

One has to be careful of interpreting the values of these coefficients particularly in the 74-84 period, because this covers the recession years when heavy foreign debt forced some countries to adopt tight fiscal and monetary policies so that the degree of capital utilization was not very high. This makes the above-mentioned ICOR estimates very high, but these do not necessarily reflect the technical requirements of marginal capital per unit of incremental GDP. Nevertheless, the ratios over the decade will show an indication of the changes in the efficiency of capital usage in various countries.

It is well known that as percapita income goes up, the ICOR usually increases. Table 6 shows that this is true with all Asian countries. But the increases have been relatively mild. Taiwan has kept an impressively low ratio. The Indonesian ICOR, though relatively low, must be considered relatively high for the country with its low per capita income. Korea has a high ICOR with

its per capita income slightly lower than Taiwan's mainly because she has adopted deliberate policies to emphasize heavy-chemical industries. Malaysia and Singapore have high ICOR's corresponding to their high and rising per capita incomes. The Philippines with an income level similar to Thailand has an ICOR as high as Japan's.

From these observations one may get the impression that even in East Asian countries capital may be excessively utilized, and the ideal value should have been something like Taiwan's. India has an extremely high ICOR despite its low income level, implying her inefficient use of capital. It is clear that compared with South Asia or Latin America, East and Southeast Asian countries' usage of capital has been much more efficient. ICOR values in Latin America are particularly high. Even if we consider the conditions of debt-ridden recession, still their ICOR's are too high, because even under the hypothetical growth rate for 74-83 remaining the same as that for 65-73, the ICOR's for Argentina, Peru and Venezuela will be 5.3, 5.0 and 5.1 respectively. They are just about the same values as in the Philippines.

As for the sectoral break-downs of the increase of productivity, the most remarkable progress is noticable in agriculture. It is very well-known that the so-called Green Revolution introduced high-yielding varieties of rice, wheat and corn. Rice is the most important crop in the Asian region. New technology offered new opportunities to increase productivity to Asian countries where the use of land was already very intensive and the potential for extensive expansion of production was very limited. The Green Revolution seems to have spread first in East and

Southeast Asia and then to South Asia, as the following Table 7 shows.

(Table 7)

Introduction of high-yielding varieties of rice required additional investments in fertilizer and irrigation. Such complementary investments were made possible by the conscious efforts of the governments to expand agricultural investment in order to attain self-sufficiency in food supply. Food self-sufficiency became a national goal of the governments. Meeting this goal has been a major accomplishment of the new independent-minded nations of Asia.

In the manufacturing sector, a calculation was made to measure the degree of contribution of technical progress to productivity increase by means of the Cobb-Douglas production function applied to these countries. It was found then:*

* See S. Ichimura, APO report, op.cit. See also an excellent survey of macro-production functions in Asian countries by Yukio Ikemoto, "Technical Progress and Level of Technology: 1970-80," Developing Economies, December, 1986

1) The marginal productivity of capital is higher in East and Southeast Asia than in Latin America, but in the period of 65-73 Asian countries were not doing any better on the average than Latin American countries.

2) The marginal productivity of capital has declined sharply in East and Southeast Asia after the first oil crisis. The only exception is Taiwan. (This is also reflected in the rising ICOR

reported in Table 6.)

3) The marginal productivity of capital in Latin America after the oil shocks is hard to measure due to the decline of growth, but the calculation based on limited information seems to show that it has sharply declined also in Latin America. We may conjecture that in 1983 it was lower in Latin America than in East and Southeast Asia.

4) The marginal productivity of labor has very significantly increased in East and Southeast Asia, but nevertheless it does not match the growth rate in per capita GNP. This is due to the fact that the percapita income can increase not only owing to labor productivity but also because of increased input of labor and capital. The input of labor can increase more rapidly than population if the productive age group increases or the labor participation rate goes up. Both of these facts were observed in almost all Asian countries.

(4) Highly qualified human resources with declining fertility rate

There is no doubt that all East and Southeast Asian countries have emphasized education and thereby improvement in the quality of workers, engineers, salaried men, executives, government officials and intellectuals. In South Asia, Sri Lanka and Burma seem to have done the same with less resources available. But other South Asian countries did less to invest in human resources. Table 8 shown below implies that the majority of the Asian people are now able to absorb knowledge by reading.

(Table 8)

Moreover, the majority of workers now have secondary educa-

tion, and there are enough number of middle managers and engineers so that the transfer of technology from industrialized countries to Asian countries can be made much more easily.

The health of workers has also improved very much. As the last column of Table 8 shows, the majority of workers are now able to take more than the required minimum daily amount of calories so that they can work as hard as they are willing to. In these social development indicators three groups show distinctive characteristics.

Another important feature which has contributed to the improvement of the quality of labor in Asia is that the demographic transition has been successfully progressing in almost every country, Japan leading the way. Table 9 demonstrates that there exists a high correlation between the increase of per capita income and the decline of the fertility rate. This is typically realized in East Asia. The pattern in South Asian is not so clear as in East Asia, but it seems that they are following more or less the same pattern as well.

(Table 9)

This will increase the opportunities for Asian workers and executives to receive better education and training and thereby improve the quality of work and management. Such conditions are probably lacking in some LDC's in other parts of the world.

(5) Virtuous circle of export-led growth in open economies

All East and Southeast Asian countries have fundamentally adopted the open economy policies and have tried to promote exports and reduce trade barriers as much as possible. Recently China also adopted open door policies, and India has begun to

liberalize her international trade and foreign investment policies. The virtuous circles of this Asian pattern of growth has already been discussed in the first section. The trade dynamism which supported the rapid growth of NIC's lies within this paradigm. There are some differences, however, in the manner of pursuing the same mechanism among the NIC's, ASEAN and South Asia. Such differences can be observed in Table 4.

Japan and Asian NICs clearly show the growth rates of exports far exceeding the growth rates of value added in manufacturing industry, but this export-led growth does not seem to be obvious in the ASEAN and South Asian countries. In those countries primary goods like agricultural, fishery, forestry, petroleum, natural gas and mining products are still their major export goods. Asian NIC's are advancing their stage of industrialization, and this is reflected in the increasing importance of machinery import and declining significance of other manufacturing imports.

ASEAN member countries other than Singapore grew mainly by exporting the primary commodities, as we discussed before. But the fact that even they are successfully industrializing is demonstrated by the declining weights of primary goods in total exports and manufactured goods imports. This points to the simultaneous development of import-substituting and export-oriented industries in these countries in 1974-83. As Table 10 shows, the percentage shares of manufacture exports in ASEAN and South Asia greatly increased from 1965 to 1982.

(Table 10)

Industrialization in South Asia has also progressed successfully mainly in the form of import substitution. It may be noted that the percentage of manufacture exports in the case of China in 1982 is as high as 55%, so that rapid industrialization has started in China as well.

(6) The Locomotive Role of the US and Japan in Trade and Investment

The importance of the US role as the major market of Asian exports of manufactures and the sources of funds and technology can hardly be exaggerated. The US occupied about 10 to 34% of Asian countries exports in 1975, and Japan's shares were just about the same as is shown in Table 11. The US was the market mainly for Asian NICs, whereas Japan was the market for ASEAN-5.

(Table 11)

These percentages have not changed very much since then. Japan's shares are more important for the imports than exports, and more so than the US is for the exports. The US is offering primarily the market, whereas Japan is supplying primarily the capital goods. In exports as well as imports, the US and Japan, taken together, are playing the role of locomotives to pull the industrial freight trains of Asian countries. In addition, the US and Japan are the major direct investors in the region and also extended the largest amount of loans. Without them the pattern of economic development in this region would have been very different. This imposes a heavy responsibility on these two industrialized countries and requires the close cooperation between the two countries and the Asian developing countries.

(7) Relatively sound fiscal and monetary policies

The fiscal policies in East and Southeast Asian countries have not been always sound in the sense of keeping the budget balanced all the time. As Table 12 shows, the revenue and expenditure of each country's central government left a considerable amount of deficit. If, however, these budgets are compared with those of Latin American countries, then the soundness of fiscal policies in Asia cannot be doubted. In South Asia, however, the fiscal deficits are as serious as in some Latin American countries.

(Table 12)

On the expenditure side, as Table 13 shows, despite the heavy burden of defense expenditure, Asian governments have spent the higher proportions of their budgets for education and economic services, whereas Latin American governments have, despite the relatively negligible defense expenditure, spent the largest amounts for social welfare and personnel expenditures. A pattern similar to them is found in Indonesia and the Philippines, so that these two countries are clearly different in the fiscal policies or their implementation from the countries like Singapore, Korea, Taiwan and Thailand. Malaysia is somewhere in between and seems now to be in an unstable budgetary position.

(Table 13)

The monetary policies were also relatively sound in most Asian countries, but this will not be discussed here.*

* As for the issues related to monetary policies, there is a comprehensive report: Augustine H.H.Tan and Basar Kapur(ed.), Pacific Growth and Financial Interdependence, Allen & Unwin,

Australia, 1983.

(8) Tolerable distribution of income

It seems safe to say that income distribution in Asian countries is relatively egalitarian in comparison with the income distribution in almost all LDC's in the rest of the world. This does not mean that Asian income distribution does not pose any problem. If Japan's income distribution is taken as a standard, then the indices of income distribution in most Asian countries do not give the impression of egalitarian societies. Since, however, Japan has a very homogeneous population, she can hardly be an appropriate international standard for income distribution. But compared with Latin American countries, Asian developing countries are much more egalitarian, as Table 14 shows.

(Table 14)

This table gives the percentage of income of the richest 10% and 20% of the population, and the poorest 20% based on household and expenditure surveys of various countries. The study years are different from one country to another, but they can give a rough picture of income distribution in different regions. The income share of the richest 10% in Asia is in the 30% range, whereas that in Latin America is between 40 and 50%. Only Argentina is as low as East Asian countries. The income share of the poorest 20% in Asian countries ranges from 3.5 to 6.6%, whereas in Latin America it varies from only 1.9 to 2.9%, except for Argentina. Among Asian countries, however, inequality in the Philippines and Malaysia stands out. The Philippines has a land-ownership pattern similar to Latin American countries, and its industrial organiza-

tion is also of the Latin American type. Malaysia has three distinctively different ethnic groups in the population--approximately 55% Malays, 35% Chinese and 10% Indians and others--and inequality reflects the income differentials among them.

If we define an index of inequality as the average income of the richest 10% divided by the average income of the poorest 20%, that index shown in the last column of Table 14 indicates an enormous difference in relative inequality between Asia and Latin America. The data presented here are very preliminary and seem to have a considerable underestimation of income inequality in the Philippines, Indonesia and Hong Kong. But we shall not go into the examination of those cases here.* Nevertheless, one cannot escape from the conclusion that Asian societies are much more egalitarian than Latin American societies.

* For instance, there are later studies in Indonesia based on the household survey: Level and Development of Income Distribution, 1978, 1982 and 1984, Central Bureau of Statistics, Jakarta, Indonesia, 1986 to be included in Indonesian Economic Development, edited by Shinichi Ichimura, Japanese International Cooperation Agency, 1987. This study supports approximately the figures indicated by the World Development Report, but indicates the income distribution in 1978 was less egalitarian than that in Table 14.

This relative equality was brought about primarily by successful development of agriculture and labor-intensive industries in Asian economies which included a wide range of small and medium size farmers, proprietors and enterprises.

(9) Fairly reliable public and private institutions

Many scholars including Simon Kuznets who investigated the modernization of late-coming nations pointed out that Modern Economic Growth requires not only the necessary economic conditions but also at least the following two conditions:*

* See Simon Kuznets: Modern Economic Growth, Yale University Press, New Haven, 1966.

- 1) establishing and managing a modern social and institutional framework;
- 2) learning appropriate ways of thinking to be compatible with modern technology and society.

These problems are often analyzed in terms of social development and political development. Needless to say it takes a longer time to achieve them than to achieve economic development. In most Asian countries, political basis of such institutions was typically the cooperation of the military and technocratic bureaucrats. Within such an institutional framework, the private enterprise system has steadily prospered, co-existing with numerous state enterprises often created by nationalization of colonial enterprises and plantations.

Governments in Asia, though mostly authoritarian, have been fairly efficiently administered. Most of their technocrats were educated in western universities, and many military officers were also trained in the western military academies. While they were abroad, they must have learnt about working of Western democratic institutions as well as the way of running them. These elite intellectuals did not object to maintaining the market economies for development strategies.

The only serious problem remaining is the "succession problem." No country in Asia, except for Japan, seems to have succeeded yet in establishing the rules of transferring political power peacefully from one political leader to another. Even in this difficult task of achieving political maturity in peaceful transfer of political leadership, Asian countries seem to be beginning to show their painful experiments in a number of countries. Anyhow in the past, except for the intermittent occurrence of political instability mainly arising from succession of leadership, Asian politics has been relatively less turbulent most of the time in comparison with the rest of the Third World.

Under the circumstances not only the government offices have successfully run the administration and solved adequately the difficult problems of policy-making and its implementation, but also many private enterprises have been established one after another and managed well to sustain rapid growth of a new nation's economy appraised above. All that is a remarkable achievement in the course of postwar forty years.

(10) Infrequency of social unrest and political instability

The tolerable inequality of income mentioned above must have contributed to the relative scarcity of social unrest or political disturbances in Asian countries throughout the postwar years. They too, however, experienced a number of Coup d'Estats and student up-risings which caused serious political consequences and occasionally even toppled the governments. But frequency of such serious events in Asia has been much less than in other regions.

To understand the reasons why Asian developing countries

experienced less frequently social unrest and political instability, the following formulae offered by political scientists are useful. This is a simplified version of the formula developed by political scientists to analyze the relations between economic grievances and socio-political instability.*

* See, for instance, Samuel P. Huntington, Political Order in Changing Societies, Yale University Press, New Haven, 1968

Economic Discontent = Material Want / Consumption

Social Frustration = Economic Discontent/Income Distribution

Social Unrest = Social Frustration / Social Mobility

Political Instability= Social Unrest/Political Participation

In terms of these formula, Asian scenes in the recent few decades can be explained as follows. Asian countries could overcome the social frustration thanks to rapid growth and somewhat egalitarian distribution of income. The majority of population could feel that they were benefiting from economic development and suffering equally from whatever hardships they might have. Rapid economic growth and equal opportunities to education gave a large section of the population the chances to rise in the social hierarchy--high social mobility, so that not many of those with social frustration did cause social unrest. Moreover, the fairly democratic political systems in Asian countries--all the countries have one form of electoral parliament or another--and the chances offered to the leading intellectuals and the high-ranking military officers in the high ranks of technocratic or administrative positions in bureaucracy gave them a sense of political

participation. This must have contributed to the political stability in most Asian countries. Needless to say, these conditions are not always and sufficiently satisfied. To that extent some countries at some stages faced serious political instability and may face it again in the future.

Fig. 1 Performance of Asian Development for 1965--1985

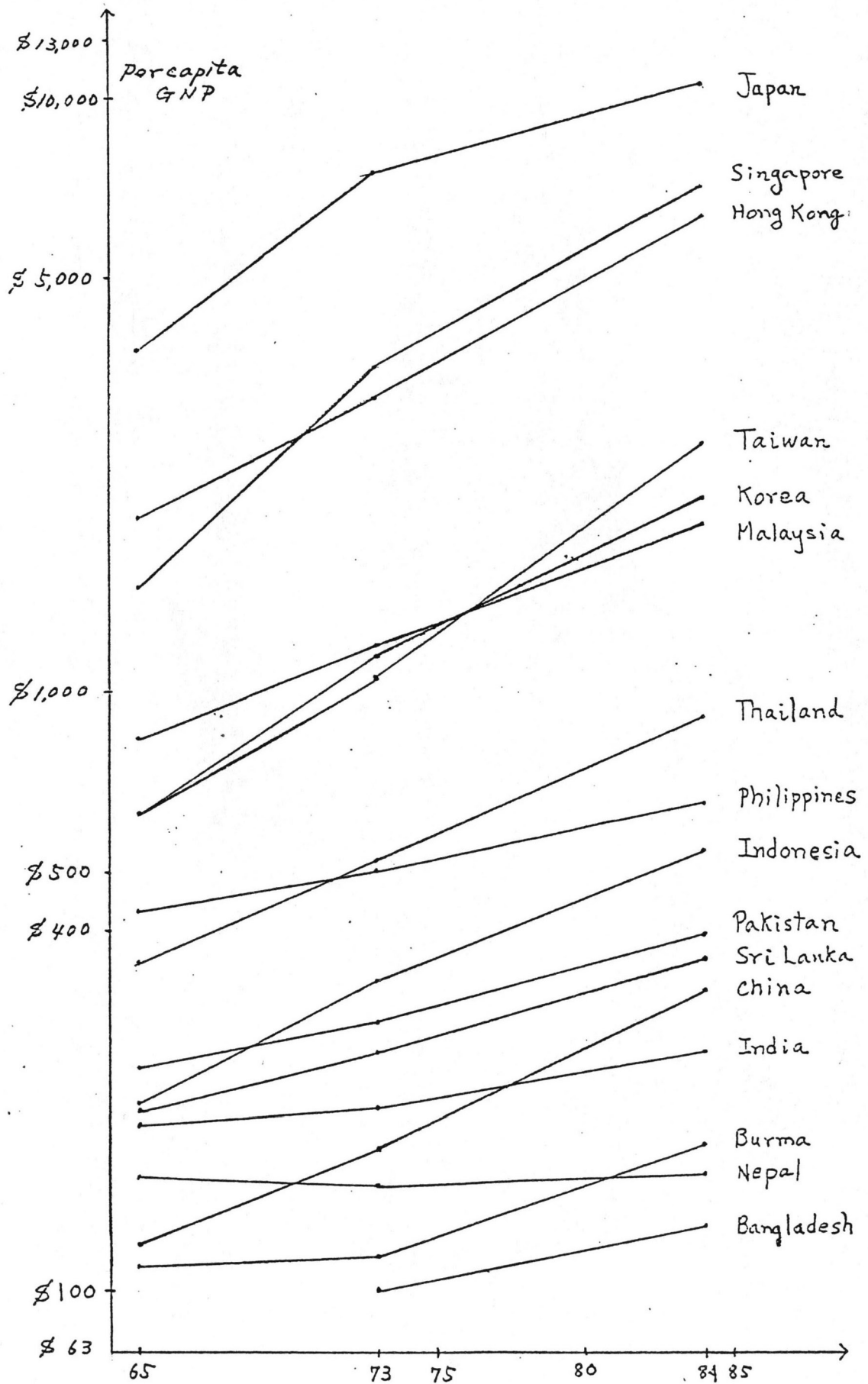


Table 1: Grouping of Asian Developing Economies

	Population in mid-1984 (million)	GNP per capita (\$ of 1984)	GNP in 1984 (bill. \$)
<u>Industrial Market Economy</u>			
Japan	120.0	10,630	1,275.6
<u>Asian NICs</u>			
Singapore	2.5	7,260	18.2
Hong Kong	5.4	6,330	34.2
Taiwan	18.6	2,612	48.6
Korea, R.O.	40.1	2,110	84.6
<u>ASEAN-4</u>			
Malaysia	15.3	1,980	30.3
Thailand	50.0	860	43.0
Philippines	53.4	660	35.2
Indonesia	158.9	540	85.8
<u>Giant Economies</u>			
China	1,029.2	310	319.1
India	749.2	260	194.8
<u>South Asia</u>			
Pakistan	92.4	380	35.1
Sri Lanka	15.9	360	5.7
Burma	36.1	180	6.5
Nepal	16.1	160	2.6
Bangladesh	98.1	130	12.8
<u>Socialist Economies</u>			
Vietnam	60.1	..	..
Kampuchea, Dem.	..	..	..
Lao, P.D.R.	3.5	..	..
Korea, D.P.R.	19.9	..	..

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books

Table 2: Basic Indicators of Asian Economic Development, 1960-1984

	Growth Rates in the 60's		GDP growth rate		Industry growth rate	
	GNP	Popul.	65-73	74-84	65-73	74-84
<u>Industrial Market Economy</u>						
Japan	10.4	1.0	9.8	4.3	13.5	5.9
<u>Asian NICs</u>						
Singapore	7.6	2.4	13.0	8.2	17.6	8.6
Hong Kong	8.0	2.3	7.9	9.1	8.4	8.0
Taiwan	9.2	2.5				
Korea, R.O.	6.4	2.1	10.0	7.2	7.1	4.7
<u>ASEAN-4</u>						
Malaysia	6.2	3.1	6.7	7.3	..	8.7
Thailand	6.2	3.1	7.8	6.8	9.0	8.7
Philippines	5.9	3.0	5.4	4.8	7.4	5.3
Indonesia	3.0	2.0	8.1	6.8	13.4	8.3
<u>Giant Economies</u>						
China	..	..	7.8	6.6	12.1	8.7
India	..	..	3.9	4.1	3.7	4.1
<u>South Asia</u>						
Pakistan	2.5	2.5	5.4	5.6	6.6	7.6
Sri Lanka	..	..	4.2	5.2	7.3	4.8
Burma	..	..	2.9	6.0	3.6	7.7
Nepal	1.8	1.8	1.7	3.1	..	..
Bangladesh	3.3	2.5	..	5.0	-6.1	7.6
<u>Socialist Economies</u>						
Vietnam, North	6.0	2.8	..	..	..	..
(South)	3.6	2.6	..	..	..	..
Kampuchea, Dem.	2.5	2.5	2.7	..	..	..
Lao, P.D.R.	4.5	2.5	..	..	..	..
Korea, D.P.R.	6.0	2.5	..	..	..	..

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books

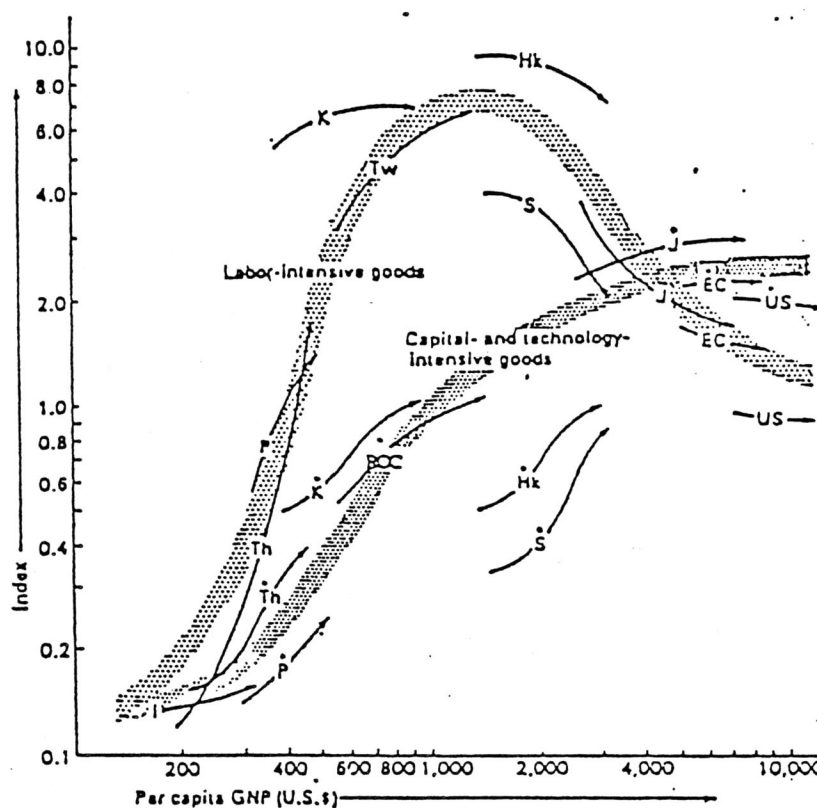
Table 3: Growth of Sectoral Production in Asian Countries

	GDP		Agriculture		Industry		Service	
	65-73	73-83	65-73	73-83	65-73	73-83	65-73	73-83
<u>Industrial Market Economy</u>								
Japan	9.8	4.3	2.1	-1.6	13.5	5.5	8.3	3.8
<u>Asian NICs</u>								
Singapore	13.0	8.2	5.7	1.5	17.6	8.5	11.5	8.1
Hong Kong	7.9	9.3	-0.6	1.1	8.4	8.2	8.1	9.8
Taiwan*	9.0	10.3	0.8	2.5	12.0	13.5	8.1	9.1
Korea, R.O.	10.0	7.3	2.9	1.5	18.4	11.2	11.3	6.9
<u>ASEAN-4</u>								
Malaysia	6.7	7.3	-	4.4	-	8.7	-	8.2
Thailand	7.8	6.9	5.2	3.8	9.0	9.0	9.1	7.6
Philippines	5.4	5.4	4.1	4.3	7.4	6.4	4.8	5.2
Indonesia	8.1	7.0	4.8	3.7	13.4	8.6	9.6	9.0
<u>Giant Economies</u>								
China	7.4	6.0	1.9	3.5	9.1	8.4	-	4.5
India	3.9	4.0	3.7	2.2	3.7	4.3	4.2	6.1
<u>South Asia</u>								
Pakistan	5.4	5.6	4.7	3.4	6.6	7.2	5.4	6.3
Sri Lanka	4.2	5.2	2.7	4.1	7.3	4.8	3.8	6.0
Burma	2.9	6.0	2.8	6.6	3.6	7.7	2.8	5.1
Nepal	1.7	3.0	1.5	1.0	-	-	2.1	0.9
Bangladesh	-	5.2	0.4	3.2	-6.1	8.1	1.5	7.4
<u>Socialist Economies</u>								
Vietnam	-	-	-	-	-	-	-	-
Kampuchea, Dem.	-2.7	-	-	-	-	-	-	-
Lao, P.D.R.	-	-	-	-	-	-	-	-
Korea, D.P.R.	-	-	-	-	-	-	-	-

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books

* The periods for Taiwan are 1971-75 and 75-80.

Figure 2 : Multiple Stages of Industrial Development in Asia
 - as revealed by RCA indices for manufacturers, 1970-77 -



Notes:

1. RCA Index is Revealed Comparative Advantage Index calculated by $(1/n) \sum_i [(E_{hi}/E_h)/(W_i/W)]$, where E_{hi}/E_h stands for the ratio of the export of product i to the total exports of the country, and W_i/W is the same ratio for the world.
2. I for Indonesia, Th for Thailand, P for Philippines, K for Korea, Tw for Republic of China, H for Hong Kong, S for Singapore, J for Japan, EC for European Economic Community, and US for the United States. * stands for capital-intensive goods and otherwise labour intensive goods industries.

Source: Watanabe and Kajiwar, "Pacific Manufactured Trade and Japan's Options," in The Developing Economies, Vol. 21, No. 4, December 1983.

Table 4: Industrialization and Changing Composition of Exports and Imports

	Value added of Manu- facturing Industry (mill. \$ Annual in '75) growth 1970 82 rate			Gr. Rate of Exports 65- 73- 73 83		Gr. Rate of Imports 65- 73- 73 83		Share of Prim. Ex. 65 82		Share of Mach. Im. 65 82		Share of Other Manuf. 65 82	
<u>Industrial Market Economy</u>													
Japan	118,403	252,581	6.5	14.7	7.4	14.9	1.3	9	3	9	6	11	15
<u>Asian NICs</u>													
Singapore	827	2,431	9.4	11.0	7.1	9.8	7.1	63	43	14	28	30	26
Hong Kong	1,914	3,679	5.6	11.7	10.3	10.5	12.0	13	8	13	22	46	52
Taiwan	1,242	4,325	10.9	26.0	10.2	19.1	5.2	-	11	-	28	-	27
Korea, R.O.	2,368	11,492	14.1	31.7	14.8	22.4	7.5	40	8	13	23	38	20
<u>ASEAN-4</u>													
Malaysia	1,022	3,287	10.3	8.0	4.9	4.4	7.3	94	77	22	40	32	29
Thailand	1,675	4,837	9.2	6.9	9.0	4.4	3.3	95	71	31	24	49	33
Philippines	2,659	5,510	6.1	4.2	7.5	3.1	1.3	95	50	33	22	30	38
Indonesia	1,517	6,072	12.3	11.1	1.4	13.9	9.8	96	96	39	38	50	29
<u>Giant Economies</u>													
China													
India	10,232	16,210	4.0	2.3	4.9	-5.7	2.8	51	40	37	18	22	28
<u>South Asia</u>													
Pakistan	1,492	2,967	6.0	3.7	8.1	-2.9	5.7	64	40	38	23	34	26
Sri Lanka	556	748	2.5	-4.7	2.6	-3.2	4.7	99	73	12	24	34	30
Burma	287	486	4.5	-4.8	4.9	-6.7	-0.6	99	11	18	-	58	-
Nepal	-	-	-	-	-	-	-	-	72	-	18	-	50
Bangladesh	647	1294	5.9	-6.5	1.7	-8.2	4.1	-	38	-	22	-	32
<u>Socialist Economies</u>													
Vietnam	-	-	-	-	-	-	-	-	-	-	-	-	-
Kampuchea, Dem.	-	-	-	-	-	-	-	99	-	26	-	58	-
Lao, P.D.R.	-	-	-	-	-	-	-	94	-	19	-	34	-
Korea, D.P.R.	-	-	-	-	-	-	-	-	-	-	-	-	-

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books

Table 5: Rates of Capital accumulation and Saving: 1965-83

	Rate of Capital Accumulation			Saving Ratio			Resource Gap		
	65-72	73-78	79-83	65-72	73-78	79-83	65-72	73-78	79-83
<u>Industrial Market Economy</u>									
Japan	31.9	35.9	32.0	30.8	33.6	36.8	-0.9	-2.3	4.8
<u>Asian NICs</u>									
Singapore*	36.7	34.9	40.4	23.6	32.8	35.6	-8.1	-2.1	-4.7
Hong Kong	21.4	24.2	35.9	25.0	25.3	31.4	3.6	1.1	-4.5
Taiwan*	26.2	30.6	32.4	23.1	29.3	37.0	-3.1	1.3	4.6
Korea, R.O.	24.1	29.0	30.0	14.9	24.9	23.7	-9.2	-4.1	-6.3
<u>ASEAN-4</u>									
Malaysia	19.6	25.7	33.4	20.8	27.2	26.3	1.2	1.5	-7.1
Thailand	23.8	25.4	25.3	21.3	23.6	20.5	-2.5	-1.8	-4.8
Philippines	20.9	28.6	29.6	17.1	23.9	23.3	-3.8	-4.7	-6.3
Indonesia	12.6	20.6	23.0	6.9	18.8	20.1	-5.7	-1.8	-2.9
<u>Giant Economies</u>									
China	-	-	33.6	-	-	33.2	-	-	-0.4
India	18.3	21.7	24.6	13.4	19.2	21.0	-4.9	-2.5	-3.6
<u>South Asia</u>									
Pakistan	16.3	15.9	15.8	10.2	10.0	12.1	-6.1	-5.9	-3.7
Sri Lanka	16.1	16.2	29.9	11.3	11.9	10.9	-4.8	-4.3	-19.0
Burma	11.8	10.0	21.5	9.2	8.9	17.7	-2.6	-1.1	-3.7
Nepal	-	9.3	18.3	-	4.8	11.1	-	-4.5	-7.2
Bangladesh	-	5.5	13.2	-	-0.6	2.8	-	-6.1	-10.4
<u>Socialist Economies</u>									
Vietnam	-	-	-	-	-	-	-	-	-
Kampuchea, Dem.	-	-	-	-	-	-	-	-	-
Lao, P.D.R.	-	-	-	-	-	-	-	-	-
Korea, D.P.R.	-	-	-	-	-	-	-	-	-
<u>Latin America and the Caribbean</u>									
Argentina	20.4	24.6	20.5	20.3	26.2	17.9	-0.1	1.6	-2.6
Brazil	25.6	28.1	22.5	24.0	24.0	17.6	-0.8	-4.1	-4.9
Chile	15.3	15.3	17.2	13.0	11.9	7.0	-2.3	-3.4	-10.2
Colombia	19.0	18.8	20.0	15.4	19.1	17.2	-3.6	-0.3	-2.8
Ecuador	18.6	26.4	24.2	11.3	20.4	20.5	-7.3	-6.0	-3.7
Mexico	21.3	23.4	26.1	19.2	20.2	24.2	-2.1	-3.2	-1.9
Peru	16.7	16.0	17.0	15.2	11.4	13.5	-1.5	-6.6	-3.5
Venezuela	29.1	35.4	26.2	29.8	36.1	29.3	0.7	0.7	3.1

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books

* Figures for Taiwan and Singapore are those in 1970 and 1982; those for Bangladesh, Burma and China are for 1970, 75 or 80.

Table 6: International Comparison of Incremental Capital Output Ratio:1965-83

	1965-73			1974-83		
	Growth Rate	Rate of Accumul.	ICOR	Growth Rate	Rate of Accumul.	ICOR
<u>Industrial Market Economy</u>						
Japan	9.8	30.0	3.1	4.3	22.7	5.2
<u>Asian NICs</u>						
Singapore	13.0	36.7	2.8	8.2	37.6	4.6
Hong Kong						
Taiwan	10.1	26.2	2.6	8.5	31.5	3.7
Korea, R.O.	10.0	24.1	2.4	7.3	29.5	4.0
<u>ASEAN-4</u>						
Malaysia	6.7	19.6	2.9	7.3	29.1	4.0
Thailand	7.8	23.8	3.1	6.9	25.4	3.7
Philippines	5.4	20.9	3.9	5.4	29.1	5.4
Indonesia	8.1	12.6	1.6	7.0	21.8	3.1
<u>Giant Economies</u>						
China						
India	3.9	18.3	4.7	4.0	23.2	5.8
<u>South Asia</u>						
Pakistan	5.4	16.3	3.0	5.6	15.9	2.8
Sri Lanka	4.2	16.1	3.8	5.2	23.1	4.4
Burma	-	-	-	5.5	15.8	2.8
Nepal	-	-	-	3.7	13.8	3.7
Bangladesh	-	-	-	5.2	9.4	1.8
<u>Socialist Economies</u>						
Vietnam	-	-	-	-	-	-
Kampuchea, Dem.	-	-	-	-	-	-
Lao, P.D.R.	-	-	-	-	-	-
Korea, D.P.R.	-	-	-	-	-	-
<u>Latin America</u>						
Argentina	4.3	20.4	4.7	0.4	22.6	56.4
Brazil	9.8	25.8	2.6	4.8	25.3	5.3
Chile	3.4	15.3	4.5	2.9	16.3	5.6
Colombia	6.4	19.0	3.0	3.9	19.4	5.0
Mexico	7.9	21.3	2.7	5.6	24.7	4.4
Peru	3.5	16.7	4.8	1.8	17.5	9.7
Venezuela	5.1	29.1	5.7	2.5	25.8	10.3

Sources: World Development Report, 1985 and 1986; National Statistical Year Books and Asian Development Bank, Key Indicators of Developing Member Countries of ADB.

Table 7: Average Growth Rate of Cereal Yields

	1967-73	73-80	80-84
<u>Industrial Market Economy</u>			
Japan	0.4	-2.6	2.1
<u>Asian NICs</u>			
Singapore	0	0	0
Hong Kong	0	0	0
Taiwan	0.6	1.4	-0.8
Korea, R.O.	2.4	1.9	2.0
<u>ASEAN-4</u>			
Malaysia	3.2	2.5	-0.9
Thailand	1.1	1.5	1.9
Philippines	3.3	4.0	2.1
Indonesia	..	4.7	5.4
<u>Giant Economies</u>			
China	3.9	2.4	6.2
India	4.3	2.9	5.1
<u>South Asia</u>			
Pakistan	7.0	2.9	5.1
Sri Lanka	3.4	1.6	4.5
Burma	2.6	6.8	6.3
Nepal	-0.4	0.9	4.9
Bangladesh	1.9	3.4	1.4
<u>Socialist Economies</u>			
Vietnam	-	0.7	7.5
Kampuchea, Dem.	-	-	-
Lao, P.D.R.	-	-	-
Korea, D.P.R.	-	-	-

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books; Asian Development Bank, Key Indicators of Developing Member Countries of ADB.

Table 8: Basic Indicators of Social Development

	Literacy Rate		Newspaper circul. per 1,000		Primary School Enrol.		Secondary School Enrol.		Higher Education Enrol.		Daily Calorie per capita, 1982	
	70	80	70	80	65	82	65	82	65	82	Total Calorie	% of requir.
<u>Industrial Market Economy</u>												
Japan	99	99	520	569	100	100	82	92	13	30	2,891	124
<u>Asian NICs</u>												
Singapore	72	84	200	255	105	108	45	66	10	11	2,954	128
Hong Kong	77	90	498	309	103	105	45	66	10	11	2,774	121
Taiwan	85	90	-	-	98	100	-	-	-	-	-	-
Korea, R.O.	88	93	136	173	101	100	35	89	6	24	2,936	125
<u>ASEAN-4</u>												
Malaysia	58	60	75	174	90	92	28	49	2	5	2,688	120
Thailand	79	86	20	42	78	96	14	29	2	22	2,296	103
Philippines	83	75	14	21	113	106	41	64	19	27	2,39	106
Indonesia	57	62	-	28	72	120	7	16	-	2	2,393	111
<u>Giant Economies</u>												
China	43	69	-	33	-	110	-	35	-	1	2,562	109
India	33	36	16	20	74	79	27	30	5	9	2,047	93
<u>South Asia</u>												
Pakistan	21	24	-	14	40	44	4	20	-	1	2,277	99
Sri Lanka	78	85	20	27	93	103	35	54	2	4	2,393	107
Burma		66	9	10	71	84	15	20	1	4	2,483	115
Nepal	13	19	2	7	20	73	5	21	1	3	2,018	86
Bangladesh	-	26	-	6	49	60	13	15	1	4	1,92	83
<u>Socialist Economies</u>												
Vietnam	-	-	-	-	-	113	-	48	-	3	2,017	93
Kampuchea, D.	-	-	-	-	77	-	9	-	1	-	1,792	81
Lao, P.D.R.	-	-	-	-	40	97	2	18	(.)	(.)	1,992	90
Korea, D.P.R.	-	-	-	-	-	-	-	-	-	-	3,051	130

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books; Asian Development Bank, Key Indicators of Developing Member Countries of ADB.

Table 9: Correlation Between Income Level and Fertility Rate

	GDP per capita 1983	Fertility Rate 1983	Predicted Fertility Rate 2,000
<u>Industrial Market Economy</u>			
Japan	10,120	1.7	1.9
<u>Asian NICs</u>			
Singapore	6,620	1.7	1.9
Hong Kong	6,000	1.8	2.0
Taiwan	2,612	-	-
Korea, R.O.	2,010	2.7	2.1
<u>ASEAN-4</u>			
Malaysia	1,870	3.7	2.4
Thailand	820	3.4	2.2
Philippines	760	4.2	2.7
Indonesia	560	4.3	2.8
<u>Giant Economies</u>			
China	300	2.3	2.0
India	260	4.8	2.9
<u>South Asia</u>			
Pakistan	390	5.8	4.2
Sri Lanka	330	3.4	2.3
Burma	168	5.5	3.6
Nepal	160	6.3	5.4
Bangladesh	130	6.0	3.7
<u>Socialist Economies</u>			
Vietnam	-	4.9	3.1
Kampuchea, Dem.	-	-	-
Lao, P.D.R.	-	6.4	5.5
Korea, D.P.R.	-	4.0	2.6

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books

Table 10: Percentage Share of Manufactures Exports in 1965 & 82

	1965	1982	(Textiles)
<u>Industrial Market Economy</u>			
Japan	91	96	(4)
<u>Asian NICs</u>			
Singapore	34	58	(4)
Hong Kong	86	92	(34)
Taiwan	43	68	(30)
Korea, R.O.	59	92	(21)
<u>ASEAN-4</u>			
Malaysia	6	23	(3)
Thailand	4	29	(10)
Philippines	6	49	(7)
Indonesia	.0	4	(1)
<u>Giant Economies</u>			
China	-	55	(15)
India	4	60	(24)
<u>South Asia</u>			
Pakistan	36	60	(46)
Sri Lanka	1	27	(17)
Burma	.0	-	-
Nepal	-	-	-
Bangladesh	-	62	(47)
<u>Socialist Economies</u>			
Vietnam	-	-	-
Kampuchea, Dem.	.0	-	-
Lao, P.D.R.	.0	6	(.0)
Korea, D.P.R.	-	-	-

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books

Table 11: The Share of the US and Japan in Asian Exports and Imports,
in 1975 and 1984

	Exports to				Imports from			
	US		Japan		US		Japan	
	75	84	75	84	75	84	75	84
<u>Industrial Market Economy</u>								
Japan (the U. S.)*	24.8	35.6	(8.7	10.8)	16.9	19.6	(13.9	19.0)
<u>Asian NICs</u>								
Singapore	15.4	20.0	8.7	9.4	15.7	14.6	16.9	18.4
Hong Kong	26.4	33.2	6.4	4.4	11.8	10.9	20.9	23.6
Taiwan	34.3	48.8	13.1	10.5	27.8	23.0	30.4	29.3
Korea, R.O.	30.2	36.0	25.4	15.8	25.9	22.5	33.5	24.9
<u>ASEAN-4</u>								
Malaysia	16.1	13.5	14.4	22.8	10.7	6.1	20.1	26.3
Thailand	11.1	17.2	27.6	13.0	14.8	13.5	32.4	26.9
Philippines	29.2	38.0	37.8	19.4	22.1	27.4	27.2	13.6
Indonesia	26.3	20.6	44.0	47.3	17.4	18.4	30.9	23.8
<u>Giant Economies</u>								
China	2.7	9.3	24.1	20.8	5.1	14.8	37.9	31.0
India	10.9	33.6	10.3	13.9	22.3	14.5	8.3	10.8
<u>South Asia</u>								
Pakistan	4.4	10.3	6.8	9.2	12.6	10.9	13.1	14.8
Sri Lanka	5.6	19.5	4.6	4.3	6.4	8.9	8.5	16.7
Burma	.0	4.0	1.6	1.0	11.7	3.3	29.7	37.3
Nepal	0	0	57.1	3.6	0	0	21.0	17.1
Bangladesh	16.3	13.9	.0	8.7	25.9	9.5	5.4	9.7
<u>Socialist Economies</u>								
Vietnam	0	0	.0	.0	0	0	.0	.0
Kampuchea, Dem.	0	0	.0	.0	0	0	.0	.0
Lao, P.D.R.	-	-	-	-	-	-	-	-
Korea, D.P.R.	-	-	-	-	-	-	-	-

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books; Asian Development Bank, Key Indicators of Member Developing Countries of ADB.

* The figures in parantheses are those for the US occupying the trade with Japan in the total of US exports or imports.

Table 12: Government Budget, 1971-82

	Gov. Expend./GDP			Gov. Tax Revenue/GDP			Budget Balance/GDP	
	71-75	76-80	82	71-75	76-80	82	72	82
<u>Industrial Market Economy</u>								
Japan	22.3	27.7	29.8	20.1	20.8	23.9	-1.7	-5.9
<u>Asian NICs</u>								
Singapore	24.4	29.6	22.6	25.8	17.4	28.5	1.3	2.7
Hong Kong	15.3	16.7	20.4	9.8	10.8	12.4	..	-8.4
Taiwan	19.4	22.9	28.2	15.6	17.8	25.6	..	2.6
Korea, R.O.	18.6	18.9	19.5	12.7	16.0	19.1	-3.9	-3.2
<u>ASEAN-4</u>								
Malaysia	27.6	33.9	41.0	18.7	22.1	29.2	-9.8	-15.9
Thailand	15.4	16.9	19.9	12.1	12.7	13.9	-4.3	-5.9
Philippines	13.1	14.2	12.2	10.2	11.4	11.2	-0.2	-4.3
Indonesia	18.7	24.6	23.5	14.8	19.8	22.2	-2.6	-2.1
<u>Giant Economies</u>								
China	-	-	27.1	-	-	26.4	-	-0.7
India	13.3	16.1	15.1	7.8	7.9	13.6	-	-1.6
<u>South Asia</u>								
Pakistan	22.3	24.1	16.1	9.4	10.8	14.6	-	-4.5
Sri Lanka	25.9	35.9	34.4	16.2	24.7	17.2	-	-14.4
Burma	15.8	13.7	17.1	9.3	12.6	38.2	-	0.7
Nepal	9.9	13.9	17.2	5.2	6.7	8.7	-1.2	-5.2
Bangladesh	11.8	16.1	15.9	5.3	6.6	7.7	-	-8.2
<u>Socialist Economies</u>								
Vietnam	-	-	-	-	-	-	-	-
Kampuchea, Dem.	-	-	-	-	-	-	-	-
Lao, P.D.R.	-	-	-	-	-	-	-	-
Korea, D.P.R.	-	-	-	-	-	-	-	-

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books

Table 13: Central Government's Expenditure, 1972 & 1982

	Defence		Education		Health		Welfare		Economic Services		Other	
	72	82	72	82	72	82	72	82	72	82	72	82
<u>Industrial Market Economy</u>												
Japan **	6.4	5.5	11.1	10.3	..	..	18.2	22.0	..	..	..	..
<u>Asian NICs</u>												
Singapore	35.3	22.9	15.7	19.0	7.8	6.4	3.9	8.2	9.9	14.2	27.3	29.1
Hong Kong	3.0	4.3	16.2	14.2	8.6	6.9	12.5	12.7	36.4	10.5	23.3	51.4
Taiwan	..*	..*	7.5	4.4	0	1.1	14.8	11.9	10.3	17.6	67.4	65.0
Korea, R.O.	25.8	31.3	15.9	19.5	1.2	1.4	5.8	10.5	25.6	13.3	18.1	19.5
<u>ASEAN-4</u>												
Malaysia	10.5	15.1	23.4	15.9	6.8	4.4	4.4	10.5	14.2	29.0	32.7	25.2
Thailand	20.2	20.6	19.9	20.7	3.7	5.0	7.0	4.9	25.7	22.2	23.5	26.5
Philippines	10.9	13.6	16.3	10.0	3.2	5.3	4.3	4.2	17.6	53.7	47.7	7.2
Indonesia		13.9		8.4		2.5		1.1		31.3		42.8
<u>Giant Economies</u>												
China												
India		20.2		1.9		2.2		4.3		24.3		47.1
<u>South Asia</u>												
Pakistan	-	33.5	-	2.2	-	1.1	-	6.8	-	31.0	-	25.3
Sri Lanka	-	1.4	-	7.4	-	3.3	-	2.8	-	13.1	-	62.0
Burma	-	19.0	-	11.2	-	7.0	-	9.3	-	35.2	-	18.4
Nepal	7.2	5.4	7.2	9.9	4.7	4.5	0.7	4.3	57.2	53.1	23.0	22.7
Bangladesh	-	6.4	-	7.4	-	4.8	-	4.5	-	56.3	-	0.6
<u>Socialist Economies</u>												
Vietnam	-	-	-	-	-	-	-	-	-	-	-	-
Kampuchea, Dem.	-	-	-	-	-	-	-	-	-	-	-	-
Lao, P.D.R.	-	-	-	-	-	-	-	-	-	-	-	-
Korea, D.P.R.	-	-	-	-	-	-	-	-	-	-	-	-

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books; Asian Development Bank, Key Indicators of Member Developing Countries of ADB.

* As for the defense expenditure in Taiwan, it is included in the expenditure of the Department of Foreign Affairs, so that it is not separable. Here it is included in Others.

** Classification of Japanese government expenditure according to the categories presented here are not readily available.

Table 14: International Comparison of Income Inequality

	Year Studied	Lower 20%	Upper 20%	Upper 10%	Degree of Inequality
<u>Industrial Market Economy</u>					
Japan	79	8.7	37.5	22.4	5.1
<u>Asian NICs</u>					
Singapore	75	5.4	48.9	28.7	10.6
Hong Kong	80	5.4	47.0	31.3	11.6
Taiwan	79	8.6	37.5	22.0	4.4
Korea, R.O.	76	5.7	45.3	27.5	9.6
<u>ASEAN-4</u>					
Malaysia	73	3.5	56.1	39.8	22.7
Thailand	76	5.6	49.8	34.1	12.2
Philippines	71	5.2	54.0	38.5	14.8
Indonesia	76	6.6	49.4	34.0	10.3
<u>Giant Economies</u>					
China	-	-	-	-	-
India	76	7.0	49.4	33.6	9.6
<u>South Asia</u>					
Pakistan	-	-	-	-	-
Sri Lanka	70	7.5	43.4	28.2	7.5
Burma	-	-	-	-	-
Nepal	77	4.6	59.2	46.5	20.2
Bangladesh	77	6.2	46.9	32.0	10.3
<u>Socialist Economies</u>					
Vietnam	-	-	-	-	-
Kampuchea, Dem.	-	-	-	-	-
Lao, P.D.R.	-	-	-	-	-
Korea, D.P.R.	-	-	-	-	-
Argentina	70	4.4	51.4	34.6	15.8
Brazil	72	2.0	66.6	50.9	50.9
Mexico	77	2.9	57.7	40.6	28.0
Peru	72	1.9	61.0	42.9	45.2

Sources: World Development Report, 1985 and 1986 and National Statistical Year Books