Instructor's Introduction
Inter-regional comparison is one of the most effective ways to gain a balanced view of economic development and the nexus of politics, economics, and social change. This unit takes East Asia and Latin America as the cases for such a comparison. The comparison of these two regions is valuable because the selected countries from each region can be roughly classified as "middle income," (except for Japan, which is high-income) and yet each set of countries took different development approaches resulting in different results. The origin of these differences can be attributed to historical and social factors as well as to contrasting governmental strategies. At one point in history, some Latin American countries seemed on the verge of becoming fully developed economies, but this period of growth came to a close in the 1980s, when the economic model adopted by these governments reached its limit. Over much the same time period, East Asian economies, guided by a different approach to development, emerged as perhaps the most successful case of economic development of the post-World War II era.

In this unit, we focus on a few selected countries from both regions. The definition of such diverse regions as East Asia and Latin America is itself is open to debate. East Asia, for example, might include North Korea (the Democratic People's Republic of Korea), whose development path is too unique to be useful in this context. In Latin America there are many small states, such as El Salvador and Honduras, whose comparison with larger economies such as Brazil may not be helpful for students. In response to this diversity, we limit our comparison to a few selected countries from both regions. Those countries are: Japan, South Korea, and Taiwan from East Asia; Mexico, Brazil, and Argentina from Latin America.

The selected countries have the following similarities. First, the population of each economy is greater than twenty million people. Second, all of them have at one point or another exhibited the type of economic growth that pundits have labeled "miraculous," and two of the countries, Japan and Argentina, continue to rank among the richest in the world. Third, all of the economies under consideration have achieved a certain level of industrialization (manufacturing) — they are able to produce heavy and chemical industrial products such as steel, ships, and automobiles.
Some may wonder why the People's Republic of China (PRC, henceforth referred to as China) is not included in this unit in spite of its rapid economic growth in recent decades. China has been excluded because of the difficulties involved in determining its level of economic and industrial development. It is still too early to clearly understand China's development path, particularly in terms of technological catch up.

All of the selected Latin American economies were far more economically advanced than their East Asian counterparts (with the exception of Japan, whose per capita GDP was higher than that of all other countries under consideration by 1960) prior to the 1960s and 1970s. Be that as it may, Argentina (the second largest economy under consideration in terms of per capita GDP) was one of the richest economies in the *world* at the turn of the 19th century. The East Asian economies (including Japan) were far behind at that time. And in fact, Japanese engineers visited Buenos Aires in the early 20th century to learn how to make a subway system. Even more recently, the category of NIC (Newly

Industrialized Countries) has included such Latin American countries as Mexico and Brazil. Brazil had its own economic “miracle” in the mid-1960s. It was only in the late 1960s that South Korean per capita GNP surpassed that of the Latin American economies under consideration. According to the World Bank’s World Development Indicators database, South Korea surpassed Mexico in 1969, Brazil in 1978, and Argentina in 1988. Similarly, the strategic choices made by Latin American and East Asian leaders illustrate a remarkable degree of contrast.

As recently as the 1950s, countries in both regions adopted similar development strategies. Most obviously, Taiwan, South Korea, Mexico, and Brazil all focused their efforts on the domestic manufacture of basic labor-intensive commodities (what theorists call “Primary Import Substituting Industrialization,” henceforth referred to as primary ISI). By the 1960s, however, approaches to development began to diverge.

East Asian economies moved to primary Export Oriented Industrialization, or EOI, immediately after mastering the technologies needed for primary ISI and Latin American countries moved to *secondary* ISI hoping that their relatively large domestic markets would be able to sustain economies of scale. As time passed, East Asian countries proceeded to *secondary* ISI and then, again, moved into *secondary* EOI. This is where significant differences emerged between East Asian and Latin American countries. Latin American countries incurred massive debt while East Asian economies benefited from significant trade surpluses.

Import Substituting Industrialization (ISI) — To nurture infant industries that lack international competitiveness, the government protects the market and helps develop a domestic industry.

Export Oriented Industrialization (EOI) — Once a domestic industry acquires enough skills to produce goods, the government encourages export for larger markets.

At the level of theory, the comparison of East Asian and Latin American economic development is significant because many theories of economic and political development, most notably dependency theory and bureaucratic authoritarianism theory, were originally based on Latin American cases. East Asia provides us with an excellent opportunity to “test” these theories.

The different strategies and performances of East Asian and Latin American economies spawned academic and political debates. Mainstream economists and international financial institutions (e.g. the World Bank and International Monetary Fund) claimed that East Asian economic success was attributable to the development of free market economies while the Latin American failure was the result of excessive government interventions in the economy. Against this neoliberal claim, some economists, sociologists, and industrial economists argue that governmental involvement was, in fact, an essential component of the East Asian economic “miracle.” (This position has been labeled the developmental state argument). This unit allows students to experience this debate at first hand as they examine readings and reports from the 1980s and 1990s.

East Asian Economic Development

- The economic development of certain East Asian economies over the last three to four decades has been dubbed the "East Asian Miracle." This remarkable regional economic growth started in Japan in the 1960s and was followed by the rise of South Korea and Taiwan in the 1970s and 1980s.

- Each of the East Asian economies covered here began their economic rise from an agricultural base. This rise started in the 19th century in the case of Japan and the 1950s for South Korea and Taiwan. These economies expanded relatively rapidly into such light industries as textiles and clothing, and even more rapidly into heavy industries such as steel, shipbuilding, and automobile manufacture. The move to electronics was especially rapid. In each of these cases, the state took an active role in nurturing and guiding the process of industrialization.

- Both students and pundits alike tend to attribute recent East Asian economic success to such vague cultural explanations as "Confucianism." It is important to remind students that economic development is contingent on particular historical, political, and international factors. Modern East Asian economic development was neither natural nor predetermined. Students are in good company when they resort to insufficiently precise cultural arguments. Both Max Weber and Karl Marx predicted that China would never successfully enter into the capitalistic mode of production, each of them claiming that the country's "culture" would impede the onset of capitalism.

Latin American Economic Development

- Certain Latin American countries achieved limited economic prosperity as early as the beginning of the 19th century. In fact, Argentina was thought to be more prosperous than the United States during the early decades of the century. For the most part, this early economic development was based on the region's wealth of natural resources. It was only after the Great Depression of the 1930s that industrialization began in earnest in Latin America.

- Argentina , Brazil and Mexico have all achieved a significant degree of industrialization. Although all three countries relied heavily on exports of minerals and agricultural products, each of them also acquired technology to build steel, ships, and automobiles. This industrial development was primarily funded by European and North American capital, however, and those corporations that were domestically owned tended to be state-run rather than private.

General Reference for Instructors and Students

The following textbook is recommended to those interested in the basic theoretical issues discussed in this unit:

Handelman, Howard. 2003. *The Challenge of Third World Development*. 3 rd. Ed. Prentice Hall. (esp. Ch. 1 “The Causes of Underdevelopment” and Ch. 10 “The Political Economy of Third World Development”).

Chapter 1 is a lucid summary of development theory. The chapter discusses the definition of “underdevelopment,” competing theories of underdevelopment, and possible solutions to the problem of underdevelopment. A student with no background in economics should be able to understand this chapter. Terms are always defined when they are used, and graphs are explicated in detail when they are referred to in the text.

Chapter 10 treats a broad range of issues including competing theories of economic development, different paths of economic development, and sustainable development. The chapter ties these issues together, using historical case studies when appropriate. Handelman explains complicated economic phenomena in an easy-to-understand manner. Also recommended for students.