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Manufacturing Miracles

PATHS OF INDUSTRIALIZATION IN
LATIN AMERICA AND EAST ASIA

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Paths of Industrialization: An Overview

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INDUSTRIALIZATION has been the hallmark of national development in the twentieth century. Development studies in a variety of disciplines have focused on the determinants and consequences of the domestic changes that take place as agricultural and natural-resource-based societies have moved into the industrial world. The process of industrialization, although rooted in national societies, is also a global phenomenon, and it is shaped by the dynamics of the world-system.

The United States rose to a position of unparalleled economic and political dominance in the two decades after World War II. The postwar economic expansion of the United States was fueled by a decade of reconstruction in Europe and Asia. The revitalization of direct foreign investment (DFI) and international trade that followed reconstruction laid the groundwork for a new international division of labor, based on increasingly complex networks of industrial production and sourcing and new forms of geographical specialization (Fröbel et al., 1981; Gereffi, 1989a). A number of newly industrializing countries (NICs), which have been especially prominent in Latin America and East Asia, succeeded in significantly expanding their world share in the production and export of manufactured goods, which allowed them to penetrate key markets in the advanced industrial countries and rival the global dominance of manufacturing firms from these core nations (see OECD, 1979).

Industrial development in the Latin American and East Asian NICs is the central focus of this book. The timing, strategies, and consequences of industrial growth in the NICs have been uneven, however. The phrase “*newly industrializing countries*” actually is a misnomer when applied to Argentina, Brazil, and Mexico since they established their first major wave of import-substituting industries in the 1930s and 1940s in response to the international economic dislocations caused by the Great Depression and World War II (see Hirschman, 1968; Thorp, 1984). These Latin America NICs sought to deepen their industrialization in the mid-1950s by opening their doors to new waves of DFI from the United States, Western Europe, and eventually Japan. Whereas foreign investors in Latin America traditionally had concentrated on natural resource exports in the mining, oil, and agricultural sectors, postwar DFI emphasized

import-substituting investments in advanced manufacturing industries—such as automobiles, chemicals, machinery, and pharmaceuticals—whose output was destined primarily for the relatively large domestic markets in Latin America.

The East Asian NICs (Hong Kong, Taiwan, South Korea, and Singapore) followed a contrasting sequence. Taiwan and South Korea did not begin their rapid economic growth until the mid-1960s, after an extended period of colonization by Japan prior to 1945 and with a heavy infusion of American aid during the next two decades. All four of the East Asian NICs pursued policies of outward-oriented industrialization in the 1960s in order to generate foreign exchange via manufactured exports. During this initial phase of export expansion, the rapid growth of these East Asian nations was founded on light, labor-intensive industries like textiles, garments, and consumer electronics. In subsequent phases, however, South Korea, Taiwan, and Singapore achieved success in much heavier industries like steel, petrochemicals, shipbuilding, vehicle manufacture, and computers that were further removed from their original factor endowments (i.e., limited raw materials, unskilled labor, and small markets).

The Latin American and East Asian NICs are now among the most industrialized nations in the developing world, but they have followed different paths of industrialization. In addition, their industrial growth has had disparate economic and social consequences. During the 1980s, Latin American nations found it difficult to maintain their previous levels of economic expansion as they confronted staggering external debts, high rates of inflation, shortages of investment capital, and the growing social and economic marginalization of large segments of their population. In the social realm as well, the East Asian nations have performed significantly better than their Latin American counterparts in terms of standard indicators of development such as GNP per capita, income distribution, literacy, health, and education (see World Bank, 1989a, tables 1, 28–30).

Their current differences notwithstanding, the NICs in both Latin America and East Asia have been motivated by the principle of turning their diverse initial comparative advantages into dynamic sources of competitive advantage. This book will explore how this has been accomplished, with an eye toward identifying the obstacles that have been overcome in these two regions and toward the challenges that lie ahead.

UNITING REGIONS AND DISCIPLINES

The cross-regional comparison of Latin America and East Asia raises a number of critical issues about contemporary development. How did the NICs in the two regions become so industrialized? In what ways are their

development trajectories similar and in what ways different? What role did government policies, domestic institutions, social actors, and cultural factors play in the development process? Is the current development crisis in Latin America a short-lived phenomenon, or is it symptomatic of profound structural problems that will require a major reorientation of these economies? Is the superior economic and social performance of the East Asian NICs in the 1980s a result of their outward-oriented development strategies or of unique historical and national conditions? Are the East Asian NICs models to be emulated by the rest of the developing world, or do they represent just one of a variety of viable paths of industrialization?

The essays in this volume seek to provide answers to these and other questions. The task is a daunting one, and it has led us to adopt an analytical approach with several distinctive characteristics. Our perspective is simultaneously cross-regional, multidisciplinary, and historical, since the global parameters within which national development is taking place are constantly shifting.

Cross-regional research is especially difficult. Although all national comparisons entail a variety of well-known problems, studies within a specific geographical region tend to be more tractable because the researcher is likely to encounter similar cultural backgrounds, related languages, and shared historical experiences. Cross-regional studies, on the other hand, demand the inclusion of a broader range of outcomes and possible explanatory variables, and the coverage of widely varying research literatures. In spite of these difficulties, we believe that a cross-regional perspective is invaluable because it affords greater theoretical payoff in trying to understand the diversity of development experiences in the world today.

The majority of the chapters in this volume are cross-regional studies of several countries in Latin America and East Asia. The essays that are not explicitly cross-regional compare nations within a single region. These regional chapters usually have been paired, however, so that the same topic is covered by different authors for both Latin America and East Asia. While the contributors to this volume certainly do not claim a mastery that would be required to do exhaustive cross-regional work, we believe that the effort to extend our analysis to include both the Latin American and the East Asian cases can help avoid the parochialism that often plagues the generalizations based on development research in just one country or a single region.

The essays in this volume are not only cross-regional, they also are interdisciplinary. This is because our examination of the determinants and consequences of the development paths followed by the Latin American and East Asian NICs covers a wide range of alternative explanations. The factors that will be analyzed include the comparative advantages of the

NICS in the two regions; the impact on regional and national development of major historical events, such as the Great Depression of the 1930s, World War II, the Chinese Revolution of 1949, the Korean War, land reform, the OPEC oil cartel, and the economic recession of the 1970s; the role played by geopolitical factors, including the hegemonic influence of the United States in the early postwar period and Japan's subsequent emergence as a premier world economic power; the legacy of distinct cultural heritages; the effect of domestic institutions and local class structures on the mobilization of protest and repression; the influence of government policies on economic outcomes; and the character of national political regimes.

The authors are trained as economists, sociologists, and political scientists, yet it would be difficult to identify any of their chapters with a narrow disciplinary perspective. All of the authors have felt compelled to be interdisciplinary in their treatment of development issues. It is precisely the connections between economic, social, and political factors that need to be understood in order to come up with a realistic appraisal of the accomplishments as well as the challenges facing the NICs.

The broad historical perspective of this volume, which is its third distinguishing feature, allows us to focus on three categories of comparative outcomes in the Latin American and East Asian NICs: (1) the similarities that characterize all of the NICs; (2) the cross-regional differences between the NICs in Latin America and East Asia; and (3) the sources of intraregional or national variation among the NICs.

The most striking commonalities among the NICs in the two regions have to do with their relatively high levels of economic growth, their industrial diversification, and their prominence as exporters, especially of manufactured goods. On the other hand, the Latin American and East Asian NICs frequently have been taken to represent two contrasting paths to industrialization: Argentina, Brazil, and Mexico are seen as having given primacy to an inward-oriented (import-substituting) mode of development, while the East Asian "Four Tigers" are associated with an outward-oriented (export-promoting) model. These countries vary not only in the timing and trajectories of their industrialization efforts but also in the ways they are linked to the world-system. Geopolitical alliances, foreign aid, DFI, international debt, and foreign trade have played very different roles in each region's development experience. Each of these factors will be analyzed in the chapters that follow.

While these regional patterns are of considerable importance in helping us understand Latin American and East Asian development, national diversity among the NICs often overshadows regional similarities. For example, Brazil, Mexico, and South Korea all have contracted substantial amounts of foreign debt, but Taiwan has not. Brazil, South Korea, and

Taiwan are major importers of oil, while Mexico is a major oil exporter. Mexico and Taiwan are similar to the extent that a single political party (the PRI and the KMT, respectively) has been dominant in each for the past four decades, while Brazil and South Korea share a common experience with more overt forms of military authoritarianism. Finally, there is substantial national variation in the industrial structure of the NICs in terms of the role played by foreign-owned firms, state enterprises, and different types of local private capital.

This introductory chapter will attempt to set the stage for the remainder of the volume. First, I will summarize the main economic achievements of the Latin American and East Asian NICs. This is the point of departure for all the essays, since the similar level of industrial development attained by the NICs in both regions serves as a baseline for their comparison. The main focus of the volume is on four countries: Mexico, Brazil, South Korea, and Taiwan. However, other nations are frequently dealt with in individual chapters in order to elaborate these comparisons.

Secondly, this chapter will identify the broad development patterns and strategies embodied in the historical trajectories of the Latin American and East Asian NICs. In contrast to the preceding emphasis on *what* the NICs have attained, the discussion in this section will indicate *how* their industrialization has taken place. Of concern here will be the timing and sequencing of distinct phases of inward- and outward-oriented development, the leading industries in each phase, and the changing constellations of domestic actors that assume primary responsibility for local industrialization.

Thirdly, I will outline the organization of the volume in terms of central questions, the comparative scope of each author, and the relationships between their chapters.

The Latin American and East Asian NICs that are the focus of this book frequently have been described as economic miracles. This metaphor, like all others, has the potential to mislead as well as enlighten. It is true that few observers looking at Mexico and Brazil in the 1930s, or South Korea and Taiwan in the mid-1950s, would have dared to predict that these nations were destined to become industrial powers several decades later. Nonetheless, these are not unadulterated success stories, nor should we accept the facile connotations of the term miracle.

The "manufacturing miracles" in the Latin American and East Asian NICs are no windfall achievements. They involved state planning, numerous entrepreneurial initiatives, and the sacrifices of millions of workers. Furthermore, economic growth in the NICs has gone hand in hand with authoritarian political regimes that often rose to power through military coups and the violent repression of dissident groups. Industrial progress in Latin America and East Asia, past and present, is not the result of

divine grace, nor is its continuation inevitable. Rather, it is the product of the sweat, tears, and blood of the people who live in these nations. Only they can say whether they have been beneficiaries or victims of the miracle.

THE SETTING: THE SCOPE AND PACE OF INDUSTRIALIZATION IN THE NICs

The East Asian and Latin American NICs are a very heterogeneous group, with major differences in population, land area, resource endowments, cultural legacies, political regimes, social structures, per capita income, and economic policies. Nonetheless, these nations tend to have several dynamic features in common that lead them to be widely perceived as industrial success stories: rapid and relatively sustained economic growth based on a sharp increase in the manufacturing sector's share of total output and employment, a growing diversification of industrial production that permits each nation to make ever broader ranges of manufactured goods, and a fast expansion of exports with an emphasis on manufactures.

The Latin American and East Asian NICs are at similar levels of industrial development. They are all upper-middle-income countries by World Bank standards, although the average gross national product (GNP) per capita in 1987 was considerably higher in the East Asian nations: Hong Kong, \$8,070; Singapore, \$7,940; Taiwan, \$5,550; South Korea, \$2,690; Argentina, \$2,390; Brazil, \$2,020; and Mexico, \$1,830. However, while the East Asian NICs grew rapidly during the 1980s, the Latin American NICs suffered an absolute as well as a relative decline. The 1981 GNP per capita figures highlight both trends (see table 1.1). The Latin American NICs had substantially *lower* per capita incomes in 1987 than six years earlier. The East Asian NICs, on the other hand, sharply raised their average incomes in the 1980s.

Manufacturing has been the cornerstone of development for the Latin American and East Asian NICs. The manufacturing sector's share of gross domestic product (GDP) in 1987 was 22 percent in Hong Kong; it ranged between 25 percent and 31 percent in Mexico, Brazil, Argentina, Singapore, and South Korea; and it reached a peak of 39 percent in Taiwan. The prominence of manufacturing activities in the NICs tends to be much higher than in the United States (20 percent) and many of the other advanced industrial economies, including Japan (29 percent). In all of the core nations, the service sector rather than manufacturing now accounts for the largest share of the economy.

TABLE 1.1
The East Asian and Latin American NICs: Basic Indicators

Country	Population (millions, mid-1987)	Area (thousands of square kilometers)	GDP (US\$ millions)		GNP per capita		Distribution of Gross Domestic Product (percent)							
			1965	1987	1981	1987	Agriculture		Industry		Manufacturing ^a Services, etc.			
			1965	1987	1981	1987	1965	1987	1965	1987	1965	1987		
Taiwan	19.7	36	2,800	105,750	2,560	5,550	27	6	29	48	20	39	44	46
Hong Kong ^b	5.6	1	2,150	36,530	5,100	8,070	2	0	40	29	24	22	58	70
South Korea	42.1	98	3,000	121,310	1,700	2,690	38	11	25	43	18	30	37	46
Singapore	2.6	1	970	19,900	5,240	7,940	3	1	24	38	15	29	74	62
Brazil ^c	141.4	8,512	19,450	299,230	2,220	2,020	19	11	33	38	26	28	48	51
Mexico ^c	81.9	1,973	20,160	141,940	2,250	1,830	14	9	27	34	20	25	59	57
Argentina	31.1	2,767	16,500	71,530	2,560	2,390	17	13	42	43	33	31	42	44

Sources: World Bank (1989a, pp. 165, 167, and 169); World Bank (1983, p. 149) for 1981 GNP per capita; and CEPD (1988, pp. 3-4, 23, 29, 41, and 199) for the data on Taiwan.

^a Because manufacturing is generally the most dynamic part of the industrial sector, its share of GDP is shown separately.

^b The most recent data for GDP and the sectoral distribution of GDP are for 1986. GNP per capita refers to GDP per capita.

^c The sectoral distribution of GDP data are for 1986.

The Timing of Economic Growth

There is a staircase pattern of economic growth in the Latin American and East Asian NICs. Mexico has the longest record of sustained economic progress. From the mid-1930s until the late 1970s, while experiencing uninterrupted political stability under its dominant party, the Partido Revolucionario Institucional (PRI), the Mexican economy grew at an average annual rate in excess of 6 percent, and manufacturing output rose approximately 8 percent a year. Mexico's real GDP increased most rapidly (about 9 percent per annum) from the mid-1950s until 1970, a period of considerable prosperity and price stability known as "stabilizing development" (Reynolds, 1970; Hansen, 1971).

The Brazilian economic "miracle" was just as impressive as Mexico's, although it peaked somewhat later. In the first three postwar decades (1945–1975), industrial growth averaged 8.8 percent a year; per capita income increased by 4 percent annually; and agricultural output showed a yearly increase of 5.6 percent—all in real terms. The decade following the military coup in April 1964 corresponds to the high point of the Brazilian economic cycle: real GDP grew at an average annual rate of 10.2 percent; there was a surplus in the balance of payments in every year from 1968 to 1973, thus providing ample resources to finance Brazil's chronic current account deficit; and the rate of inflation, although still high, had declined to around 15 percent (Malan and Bonelli, 1977; Fishlow, 1973).

South Korea, like Brazil, launched a major economic growth spurt on the heels of a military takeover. The 1950s in Korea were marked by a devastating war, extensive political corruption, and slow economic growth (about 4 percent annually in real terms). After General Park Chung Hee came to power in a coup in 1961, the economy became a central part of the regime's planning focus and of its legitimacy. During the 1960s and 1970s, GNP grew at an average rate of more than 10 percent a year, and per capita income tripled in real terms. The manufacturing sector was the star performer, growing at 18 percent annually in constant prices and increasing its share in the GNP from 14 percent to 30 percent, while at the same time, agriculture's share of the GNP fell from 40 percent to less than 25 percent. Exports skyrocketed, particularly of manufactured goods, with an average real rate of increase of 33 percent a year between 1961 and 1976 (Hasan and Rao, 1979; Mason et al., 1980).

Taiwan is, in many ways, the most successful of the NICs in terms of its economic performance. Gross national product grew at an average annual rate of 8.7 percent from 1953 to 1982, with a peak of 10.8 percent for the years 1963 to 1972, while industry's rate of expansion in the former period was even more spectacular, averaging 13.3 percent in real

terms. Trade surpluses have been registered nearly every year since 1970, and the gross domestic savings rate has been above 20 percent of GNP ever since 1966 (Gold, 1986, pp. 4–5). All of this has been accomplished with negligible unemployment, nearly universal literacy, and an equitable income distribution record. Like Mexico, Taiwan has experienced a lengthy period of domestic political stability under the authoritarian one-party rule of the Kuomintang (KMT) from 1947 until the outbreak of popular antigovernment violence in the town of Chung-li in 1977, including a relatively smooth leadership transition after the death of longtime patriarch Chiang Kai-shek in 1975.

In summary, South Korea and Taiwan did not experience accelerated rates of economic growth until the mid-1960s, while Mexico and Brazil were already entering a second dynamic phase of import substitution by 1955. The East Asian NICs have been able to sustain their rhythm of economic growth into the 1980s, however, a far better performance than that of the Latin American NICs. While real GDP in the two East Asian NICs has grown at an average rate of about 9 percent between 1965 and 1987, Brazil's growth rate for this same period was 7.2 percent and Mexico's was 4.6 percent. The contrast is sharpest in the period from 1980 to 1987, when South Korea and Taiwan managed to grow at 8.6 percent and 7.5 percent, respectively, while Brazil's average real GDP increase was only 3.3 percent and Mexico struggled at 0.5 percent (see table 1.2).

These disparities in the timing of economic growth indicate that it would be extremely shortsighted to overemphasize the recent achievements of the East Asian NICs, as impressive as they might be, without considering them in their global context. Two features of this economic growth, however, make it especially noteworthy: the ability of the East

TABLE 1.2
Average Annual Growth Rates of Real Gross Domestic Product, 1955–1987

Years	Mexico	Brazil	South Korea	Taiwan
1955–1965	9.7	NA	5.1	8.1
1965–1980	6.5	9.0	9.5	9.8
1980–1987	0.5	3.3	8.6	7.5
1965–1987	4.6	7.2	9.2	9.0

Sources: IMF (1979, 1988) and World Bank (1989a, p. 167) for all countries except Taiwan. Figures for Taiwan are from CEPD (1988, p. 23).

NA = Not available.

Asian NICs to sustain it, even in the face of adverse circumstances, and its export-led nature.

The Export Drives of the NICs

The East Asian and Latin American NICs all have launched major export drives since 1965, when the overseas sales of the majority of these nations totaled between \$1 billion and \$1.6 billion, with Taiwan (\$0.5 billion) and South Korea (\$0.2 billion) lagging behind the others. Two decades later, the East Asian NICs had clearly established themselves as the Third World's premier exporters. Taiwan topped the list in 1987 with over \$50 billion in exports, followed by Hong Kong and South Korea with export totals of approximately \$48 billion each. Singapore and Brazil occupied a second tier with \$28.6 and \$26.2 billion of exports respectively, followed by Mexico (\$20.9 billion) and then at a considerable distance Argentina (\$6.4 billion) (see table 1.3). The three East Asian "superexporters" thus surged well ahead of the other NICs in export volume.

The NICs also vary considerably in the priority given to external trade. The East Asian nations are export-led economies in which exports in 1987 accounted for 48 percent and 39 percent of GDP in Taiwan and South Korea, respectively, and for 97 percent and 144 percent of GDP in the entrepôt city-states of Hong Kong and Singapore, respectively. This compares with export/GDP ratios of only 9 to 15 percent in the much larger Latin American NICs. To put these figures in a broader perspective, Japan, which often is seen as a model for its East Asian neighbors, had an export/GDP ratio of just under 13 percent in 1987, while the export ratio for the United States was only 6 percent. The East Asian NICs, partly because of their smaller size, thus are far more dependent on external trade than their Latin American counterparts or Japan.

The export drives of the East Asian NICs have been spearheaded by the phenomenal growth of their manufactured exports. In 1965, Taiwan led the NICs in both regions, with \$207 million in manufactured exports, followed by Mexico (\$170 million), Brazil (\$124 million), and South Korea (\$104 million). Ten years later, export revenues for manufactured goods from South Korea and Taiwan topped \$4 billion for each country (a fortyfold increase for Korea and a more than twentyfold increase for Taiwan); Brazil's manufactured exports totaled almost \$2.4 billion in 1975, while Mexico finished a distant fourth with \$930 million in sales. The export drive of the East Asian NICs has continued to accelerate through the 1980s, with Taiwan earning an astounding \$50 billion and South Korea close to \$44 billion for manufactured export items in 1987. Brazil's overseas sales of manufactures grew very rapidly between 1975 and 1980, and reached a total of almost \$12 billion in 1987. Mexico re-

TABLE 1.3
Exports by the East Asian and Latin American NICs, 1965 and 1987

Country	Exports (US\$ billions)		Exports/GDP (percentage)		Percentage Share of Exports ^a							
	1965	1987	1965	1987	Primary Commodities		Textiles and Clothing		Machinery and Transport Equipment		Other Manufactures	
					1965	1987	1965	1987	1965	1987	1965	1987
Taiwan	0.5	50.8	18	48	58	7	5	17	4	30	32	46
Hong Kong	1.1	48.5	51	97 ^b	13	8	44	34	6	22	37	36
South Korea	0.2	47.2	7	39	40	7	27	25	3	33	29	34
Singapore	1.0	28.6	103	144	65	28	6	6	11	43	18	23
Brazil	1.6	26.2	8	9 ^b	92	55	1	3 ^b	2	17	6	25
Mexico	1.1	20.9	5	15	84	53	3	2 ^b	1	28	12	17
Argentina	1.5	6.4	9	9	94	69	0	3	1	6	5	22

Sources: World Bank (1989a, pp. 190-91, 194-95). The 1965 export figures for all countries except Taiwan are from the IMF (1986, pp. 114-17). Taiwan's export total for 1965 is given in CEPD (1988, p. 208).

^a Percentages may not add up to 100 percent due to rounding.

^b 1986.

mained in fourth place among the Latin American and East Asian NICs, with nearly \$10 billion in manufactured exports in 1987 (see table 1.4).

A major difference between the East Asian and Latin American NICs is that exports from the former are almost exclusively manufactured goods, while in Brazil and Mexico industrial products are still less than one-half of all exports. The Latin American NICs export a more diversified range of products, reflecting their more abundant supply of natural resources. The East Asian NICs, in response to growing protectionist pressures in some of their major overseas markets as well as rising domestic wages, have been shifting their manufactured exports in the direction of more technology-intensive (rather than labor-intensive) production. Even though the NICs in both regions have mounted successful export drives, they must continuously adapt their strategies in the face of economic and political trends and uncertainties.

Income Distribution

The contrast in terms of income distribution in the Latin American and East Asian NICs could hardly be more striking: Brazil and Mexico have among the most inequitable distributions of income in the world, while Taiwan and South Korea exhibit relatively egalitarian patterns of income distribution, especially by developing country standards. Data on the percentage distributions of household income show that the ratio between the top quintile and the bottom quintile of households is 33 to 1 in Brazil, 20 to 1 in Mexico, 8 to 1 in South Korea, 7.5 to 1 in the United States, 5 to 1 in Taiwan, and 4.3 to 1 in Japan (see table 1.5). A particularly dramatic example of the concentration of income in Brazil is the fact that in 1976 the top 1 percent of the population received a slightly larger slice of national income than the entire bottom 50 percent (Hewlett, 1982, p. 321).

In the East Asian NICs as well as Japan, the relatively flat profile of income distribution had its origins in events that can be traced back to the 1940s and 1950s: wars and foreign occupation made large segments of the population of these countries relatively poor, while land reform substantially benefited the cultivators by giving them land and placing restrictions on the size of land ownership. The resulting equalization of incomes in Taiwan constitutes, according to one observer, "a distribution revolution greater than any achieved under socialist or communist auspices and [it] was one of the main policies that fueled high-speed growth" (Johnson, 1981, p. 10). Brazil, on the other hand, never had a major land reform. And although there was an extensive and well publicized redistribution of land in Mexico in the late 1930s under President Lázaro Cárdenas, these measures were not effectively enforced or continued by sub-

TABLE 1.4
The Growth of Manufactured Exports, 1955-1987^a

	Mexico		Brazil		South Korea		Taiwan	
	US\$ Millions	Percent of Total Exports	US\$ Millions	Percent of Total Exports	US\$ Millions	Percent of Total Exports	US\$ Millions	Percent of Total Exports
1955	76	12	11 ^b	1 ^b	3	16	13	10
1960	92	12	29	2	5	14	53	32
1965	170	15	124	8	104	59	207	46
1970	392	33	388	14	641	77	1,165	79
1975	931	31	2,371	27	4,147	82	4,441	84
1980	2,234	15	7,770	39	15,722	90	17,990	91
1987	9,774	47	11,750	45	43,579	92	50,290	94

Sources: United Nations (1985) for all countries except Taiwan up to 1965. From 1970 to 1987, the export data are from the World Bank (1989b, pp. 159, 355, 407). The data for Taiwan come from CEPD (1988), table 11-8.

^a Manufactured exports for Mexico, Brazil and South Korea include the Standard International Trade Classification (SITC) sections 5, 6, 7 and 8, less chapter 68. For Taiwan, manufactured exports fall under the category of "Industrial Products" in CEPD (1988).

^b 1954.

TABLE 1.5
Patterns of Income Distribution

Percentile Groups of Households	Percentage Share of Household Income					
	Brazil (1972)	Mexico (1977)	South Korea (1976)	Taiwan ^a (1973)	Japan (1979)	United States (1980)
Lowest 20 percent	2.0	2.9	5.7	7.8	8.7	5.3
Second quintile	5.0	7.0	11.2	13.7	13.2	11.9
Third quintile	9.4	12.0	15.4	15.4	17.5	17.9
Fourth quintile	17.0	20.4	22.4	24.4	23.1	25.0
Highest 20 percent	66.6	57.7	45.3	38.7	37.5	39.9
Highest 10 percent	50.6	40.6	27.5	NA ^b	22.4	23.3
Ratio: Highest 20 percent/ Lowest 20 percent	33/1	20/1	8/1	5/1	4.3/1	7.5/1

Sources: World Bank (1989a, p. 223) for all countries except Taiwan. The figures for Taiwan are based on the author's calculations, using data in Fei et al. (1979, p. 306).

^a The five quintiles correspond to the following percentile groups of families in Taiwan ranked according to their income: lowest quintile (19 percent); second quintile (the next 21 percent); third quintile (the next 19 percent); fourth quintile (the next 22 percent); and highest quintile (the top 19 percent).

^b The top 5.7 percent of families in Taiwan accounted for 17.2 percent of total family income.
NA = Not available.

sequent administrations, and Mexican peasants became increasingly marginalized economically and socially.

A recent study of South Korea indicates that income inequality increased noticeably there in the 1970s, with the Gini index rising from 0.332 to 0.391 between 1970 and 1975 (Koo, 1984). The income distribution gains of the first decade of export orientation may have been eroding, therefore, in the second decade. One possible explanation is that the expansion of employment opportunities created by labor-intensive, export-oriented jobs was close to its maximum level by the early 1970s, thus diminishing the equity-promoting effect of export manufacturing. This interpretation is supported by the trend in the early 1980s for the tertiary sector (services) labor force to grow faster than the secondary sector (industrial) labor force.

DEVELOPMENT PATTERNS AND DEVELOPMENT STRATEGIES AS COMPARATIVE CONCEPTS

Our overview of the dynamic economic performance of the Latin American and East Asian NICs shows why they are standouts in terms of Third

World industrialization. In fact, their rapid rates of growth equal or exceed those attained by almost all of today's advanced industrial nations, even in the latter's periods of greatest economic expansion. This discussion does not tell us, however, how these NICs managed to achieve such impressive industrial development, nor does it indicate why the East Asian economies appeared to some to be better situated in the 1980s than their Latin American counterparts. To help answer these questions, we need to take a closer look at the principal phases of development of each of the four NICs. We also need to explore how government policies have shaped these economic outcomes.

Development Patterns

The development experience of the Latin American and East Asian NICs is complex. One way to conceptualize their trajectories is in terms of *development patterns* that are historically and structurally situated. These development patterns have three dimensions: (1) the types of industries that are most prominent in each phase of a country's economic development; (2) the degree to which these leading industries are inwardly or outwardly oriented (i.e., whether production is destined for the domestic market or for export); and (3) the major economic agents relied on to implement and sustain development.

Based on a broad historical view of industrialization in the Latin American and East Asian NICs, we can identify five main phases of industrial development. Three of these are outward-looking: a commodity export phase and primary and secondary export-oriented industrialization (EOI). The other two are inward-looking: primary import-substituting industrialization (ISI) and secondary ISI. The subtypes within the outward and inward approaches are distinguished by the kinds of products involved.

In the *commodity export* phase, the output typically is unrefined or semiprocessed raw materials (agricultural goods, minerals, oil, etc.). *Primary ISI* entails the shift from imports to the local manufacture of basic consumer goods, and in almost all countries the key industries during this phase are textiles, clothing, footwear, and food-processing. *Secondary ISI* involves using domestic production to substitute for imports of a variety of capital- and technology-intensive manufactures: consumer durables (e.g., automobiles), intermediate goods (e.g., petrochemicals and steel), and capital goods (e.g., heavy machinery). The two phases of EOI both involve manufactured exports. In *primary EOI* these tend to be labor-intensive products, while *secondary EOI* includes higher value-added items that are skill-intensive and require a more fully developed local industrial base.

Following this schema, the principal phases of industrial development in Mexico, Brazil, South Korea and Taiwan are outlined in figure 1.1 and

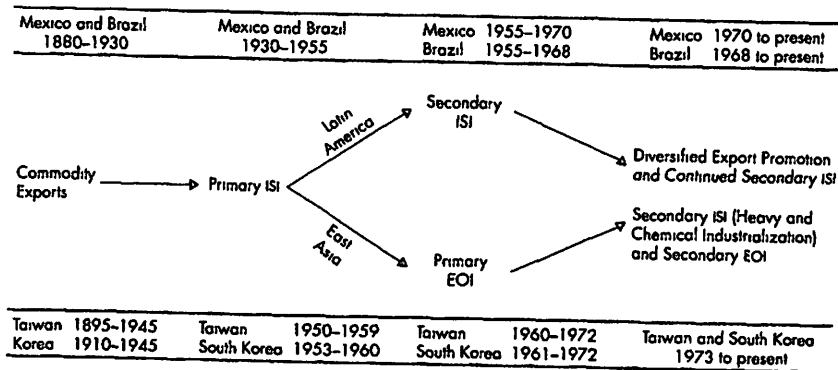


FIGURE 1.1
Paths of Industrialization in Latin America and East Asia: Commonalities, Divergence, and Convergence.

(ISI = import-substituting industrialization; EOI = export-oriented industrialization.)

table 1.6. Each of the two regional pairs of NICs has followed a sequence of development strategies that closely approximates the ISI and EOI ideal types mentioned above, plus a “mixed” strategy in the most recent period. An analysis of these sequences, as shown in figure 1.1, suggests the following conclusions (see Gereffi and Wyman, 1989).

First, the contrast often made between the Latin American and East Asian NICs as representing inward- and outward-oriented development strategies, respectively, is oversimplified. While this distinction is appropriate for some periods, a historical perspective shows that each of these NICs has pursued *both* inward- and outward-oriented approaches.

Every nation, with the exception of Britain at the time of the Industrial Revolution, went through an initial stage of ISI in which protection was extended to incipient manufacturing industries producing for domestic markets. Furthermore, each of the NICs subsequently has combined both advanced ISI and different types of EOI in order to avoid the inherent limitations of an exclusive reliance on domestic or external markets and also to facilitate the industrial diversification and upgrading that are required for these nations to remain competitive in the world economy. Rather than being mutually exclusive alternatives, the ISI and EOI development paths in fact have been complementary and interactive.¹

¹ Indeed, a previous period of import-substitution may have been a prerequisite for the successful adoption of EOI in East Asia based on national entrepreneurs (see Haggard and Cheng, 1987).

TABLE 1.6
Patterns of Development in Latin America and East Asia

Development Strategies	Mexico and Brazil			Orientation of Economy
	Commodity Exports	Primary ISI	Secondary ISI	
Main Industries	Mexico: Precious metals (silver, gold), minerals (copper, lead, zinc), oil Brazil: Coffee, rubber, cocoa, cotton	Mexico and Brazil: Textiles, food, cement, iron and steel, paper, chemicals, machinery (Brazil)	Mexico and Brazil: Automobiles, electrical and nonelectrical machinery, petrochemicals, pharmaceuticals	
Major Economic Agents	Mexico: Foreign investors Brazil: National private firms	Mexico and Brazil: National private firms	Mexico and Brazil: State-owned enterprises, transnational corporations, and national private firms	
Orientation of Economy	External markets	Internal market	Internal market	External and internal markets

(continued on page 20)

TABLE 1.6 (cont.)

Taiwan and South Korea

Development Strategies	Commodity Exports	Primary ISI	Primary EOI	Secondary ISI and Secondary EOI
Main Industries	Taiwan: Sugar, rice Korea: Rice, beans	Taiwan and South Korea: Food, beverages, tobacco, textiles, clothing, footwear, cement, light manufactures (wood, leather, rubber, and paper products)	Taiwan and South Korea: Textiles and apparel, electronics, plywood, plastics (Taiwan), wigs (South Korea), intermediate goods (chemicals, petroleum, paper, and steel products)	Taiwan: Steel, petrochemicals, computers, telecommunications, textiles and apparel South Korea: Automobiles, shipbuilding, steel and metal products, petrochemicals, textiles and apparel, electronics, video-cassette recorders, machinery
Major Economic Agents	Taiwan and Korea: Local producers (colonial rule by Japan)	Taiwan and South Korea: National private firms	Taiwan and South Korea: National private firms, corporations, state-owned enterprises	Taiwan and South Korea: National private firms, transnational corporations, state-owned enterprises, transnational banks (South Korea)
Orientation of Economy	External markets	Internal market	External markets	Internal and external markets

Note: ISI = import-substituting industrialization; EOI = export-oriented industrialization.

Second, the early phases of industrialization—commodity exports and primary ISI—were common to all of the Latin American and East Asian NICs. The subsequent divergence in the regional sequences stems from the ways in which each country responded to the basic problems associated with the continuation of primary ISI. These problems included balance-of-payments pressures, rapidly rising inflation, high levels of dependence on intermediate and capital goods imports, and low levels of manufactured exports.²

Third, the duration and timing of these development patterns vary by region. Primary ISI began earlier, lasted longer, and was more populist in Latin America than in East Asia. Timing helps explain these sequences because the opportunities and constraints that shape development choices are constantly shifting. The East Asian NICs began their accelerated export of manufactured products during a period of extraordinary dynamism in the world economy. The two decades that preceded the global economic crisis of the 1970s saw unprecedented annual growth rates of world industrial production (approximately 5.6 percent) and world trade (around 7.3 percent), relatively low inflation and high employment rates in the industrialized countries, and stable international monetary arrangements. The expansion of world trade was fastest between 1960 and 1973, when the average annual growth rate of exports reached almost 9 percent.

Starting in 1973, however, the international economy began to enter a troublesome phase. From 1973 to the end of the decade, the annual growth in world trade fell to 4.5 percent as manufactured exports from the developing countries began to encounter stiffer protectionist measures in the industrialized markets. These new trends were among the factors that led the East Asian NICs to modify their EOI approach in the 1970s.

Fourth, the development strategies of the Latin American and East Asian NICs show some signs of convergence in the 1970s and 1980s. To support this convergence thesis, it is necessary to distinguish two sub-phases during the most recent period. In the 1970s Mexico and Brazil began to expand both their commodity exports (oil, soybeans, minerals, etc.) and their manufactured exports, as well as to accelerate their foreign borrowing, in order to acquire enough foreign exchange to finance the imports necessary for furthering secondary ISI. This “diversified exports” approach was an important addition to their earlier emphasis on industrial deepening.

South Korea and Taiwan, on the other hand, emphasized heavy and

² The problems associated with ISI in Latin America are discussed in Baer (1972) and Hirschman (1968). For an account of similar problems in the East Asian countries, see Lin (1973, pp. 68–74) and Deyo (1987).

chemical industrialization from 1973 to 1979, with a focus on steel, automobiles, shipbuilding, and petrochemicals. The objective of heavy and chemical industrialization in East Asia was twofold: to develop national production capability in these sectors, justified by national security as well as import-substitution considerations, and to lay the groundwork for more diversified exports in the future. China's reentry into the international community, ushered in by its *détente* with the United States in the early 1970s, not only made South Korea's and Taiwan's domestic defense concerns more credible but also presented a long-term threat to labor-intensive industries in the region.

Thus, the Latin American and East Asian NICs coupled their previous strategies from the 1960s (secondary ISI and primary EOI, respectively) with elements of the alternate strategy in order to enhance the synergistic benefits of simultaneously pursuing inward- and outward-oriented approaches.

It is clear that neither inward-oriented nor outward-oriented development strategies are economic panaceas. Both are susceptible to systemic constraints or vulnerabilities such as recurring balance-of-payments problems, persistent inflation, and the disruption of key trading relationships.³ However, the NICs in each region have adapted or switched development strategies in response to these problems, and thus they succeeded in moving to a more diversified pattern of export growth in the 1980s.

Development Strategies

The development phases outlined above are economic outcomes that themselves need to be explained. There are a multitude of determinants that could impinge on such an explanation (see Gereffi and Wyman, 1989). One could look at the comparative advantage of these economies in terms of natural resource endowments or market size, the kinds of economic policies pursued, the role of geopolitical considerations, the impact of diverse transnational economic linkages, elite policy preferences and levels of state intervention, social coalitions, cultural predispositions, and prevailing development ideologies. The reciprocal influence of these external and internal determinants are seen most clearly, however, when one tries to understand the major choices that are made by key actors during periods of transition from one development phase to another. The importance of choices, in turn, raises the issue of whether there are purposeful strategies that guide or facilitate the process of developmental change.

³ The inherent limitations of both import-substituting and export-oriented development strategies in the NICs are outlined in Gereffi (1989b).

Development strategies can be defined as sets of government policies that shape a country's relationship to the global economy and that affect the domestic allocation of resources among industries and major social groups. This notion of development strategies links policies and production structures in such a way as to shed light on a country's relationship to international markets and resources and on its decisions about domestic economic growth and equity. A variety of policies may be used to establish a particular pattern of inward- or outward-oriented production, but the focus here is on the broad strategy itself rather than on policy oscillations or shifts within specific ISI or EOI approaches.

The question of whether governments have acted as leaders or followers in the industrial transformation of the Latin American and East Asian NICs is a key issue that various chapters in this volume will address. Our working hypothesis is that state-led industrialization has become the norm in the Latin American and East Asian NICs since the 1950s, although the motives, instruments, and consequences of this government involvement vary.

The essays in this volume, therefore, look at strategy choice as well as at the consequences of that choice. To see how this is accomplished, I will briefly review the focus of each of the chapters.

ANALYZING INDUSTRIALIZATION

Colin I. Bradford, Jr.'s chapter offers a new way to look at the role of markets and governments in development strategies. Rather than seeing inward- and outward-oriented development strategies as a dichotomous typology, Bradford argues that they actually form a continuum. Both the ISI and EOI development strategies range from market-oriented versions, where the government's role is very mild, to *dirigiste* versions, in which government intervention is quite substantial. The importance of this perspective is that it allows us to increase the range of policy choices associated with distinct development strategies. Bradford also reviews the main macroeconomic trends in the four principal Latin American and East Asian NICs from the mid-1960s to the mid-1980s, with an emphasis on their patterns of investment growth and adjustment, their export drives, and the external debt situation, thus supplementing the economic frame of reference provided in the introductory chapter.

The next five chapters deal with key economic, political, and social dimensions of industrialization in the Latin American and East Asian NICs. In chapter 3, Barbara Stallings looks at the role of foreign capital in the postwar economic development of the four major NICs in the two regions. Stallings frames her analysis in terms of two debates: the modernization-dependency debate about the positive and negative impact of foreign cap-

ital in national development and the statist-dependency debate, which is concerned with the ability of governments to shape the contributions of foreign capital in ways compatible with national interests. Her main argument is that the Latin American and East Asian NICs have had very different experiences with foreign capital. In the Latin American NICs, private foreign capital (direct foreign investment and private bank loans) has been very important, while in the East Asian NICs local private capital and the state have played a dominant role in recent years. The form of foreign capital that has been most important in Taiwan and South Korea is public bilateral and multilateral loans, especially in the 1950s and early 1960s. One of the reasons the dependency approach has been more prevalent in the studies of the Latin American NICs is that DFI and private foreign loans tend to be particularly conflictive in relations with the host countries.

In chapter 4, Gary Gereffi extends the analysis of Stallings by focusing on the relations between big business and the state in the Latin American and East Asian NICs. Gereffi shows that there are sharp regional contrasts in the composition and political impact of the big business sector. In Brazil and Mexico, the largest firms are transnational corporations and state-owned enterprises, while in the East Asian NICs, local private firms are the main economic actors. However, there are also important subregional differences. The role of state enterprises, for example, is more prominent in Mexico and Taiwan than in their regional counterparts. Furthermore, the size of local private companies varies greatly in the East Asian NICs. South Korea is characterized by the predominance of giant, vertically integrated industrial conglomerates (*chaebols*), whereas the industrial structure of Taiwan is composed mainly of small and medium-sized family-owned firms. These differences in the ownership, size, and sectoral distribution of big business in the NICs influence the autonomy of the state to formulate and implement effective industrial policies in these nations. They also affect their ability to internationalize their industries.

The chapters by Robert R. Kaufman and Tun-jen Cheng are cross-national studies of Latin America and East Asia, respectively, which identify major sources of intraregional variations in the transitions between distinct development strategies. Both authors share the same premise: namely, the first phase of ISI in Latin America and East Asia was a spontaneous "situational imperative" induced by the Great Depression of the 1930s (Latin America) or the breaking of colonial ties with Japan and associated postwar economic exigencies (East Asia). When confronted with the need to choose a subsequent strategy after the inevitable end of "easy" ISI, the governments in each of these countries assumed a far more explicit and directive role, notwithstanding the fact that the Latin American and East Asian NICs moved in divergent directions.

Kaufman examines six Latin American nations: the three large nations (Argentina, Brazil, and Mexico) and three smaller countries (Chile, Colombia, and Uruguay) in order to consider a fuller range of ISI experiences. His concern is with the patterns of alliance and conflict among four sets of actors: (1) the agricultural-mercantile groups in charge of export staples; (2) anti-oligarchical coalitions, composed of popular sector groups and rival agrarian interests; (3) state elites, especially military officers and civilian technocrats; and (4) industrial capitalists, national and international.

In exploring the two critical turning points of the Depression and the early 1940s, when first-stage ISI accelerated, and the two decades following the end of World War II, when secondary ISI was implemented, Kaufman finds substantial variation within the Latin American region. In the Southern Cone countries (Argentina, Chile, and Uruguay), the pressures were strongest for an inclusive form of ISI relying on old-style urban-based distributive politics. In Mexico and Colombia, more cautious fiscal and monetary policies were adopted in the face of considerably weaker distributive pressures. Brazil, which exercised the greatest degree of state control over the popular sector, moved furthest to consolidate a "triple alliance" based on foreign and national industrial capitalists and state enterprises, with the working class largely excluded from the benefits deriving from this arrangement.

In chapter 6, Cheng provides an original and carefully crafted analysis of the differences between South Korea and Taiwan in terms of political regime dynamics. He examines the initial transitions, implementation, and sociopolitical bases of the three main phases of postwar industrial development in the East Asian NICs: ISI, EOI, and EOII deepening. He finds that in general South Korea and Taiwan differ in their approaches to implementing development strategies: South Korea's approach is hierarchical, unbalanced, and command-oriented, while Taiwan has followed a contrasting path that is horizontal, balanced, and incentive-oriented.

This difference is reflected in each of the development strategies pursued by these two nations. With regard to ISI, South Korea followed a classic "rent-seeking" approach, while Cheng characterizes Taiwan's experience as "surplus-generating." In implementing EOII, South Korea's approach was "centralized" while Taiwan's was "decentralized." EOII in South Korea was supported by an alliance of accumulation between the military regime and the leading businesses, while the party state in Taiwan organized and supervised a loose distributional coalition consisting of technocrats, fragmented local capital, foreign investors, farmers, labor, and household savers. The contrast for EOII deepening was equally striking: South Korea's "big push" approach to heavy and chemical industrialization, in which the industries that were to be the new backbone of

national exports were rapidly built on the basis of heavy foreign borrowing, versus Taiwan's "gradualist" approach based on decentralized industrialization that would preserve the key elements of the regime's broad distributional coalition.

In chapter 7, Frederic C. Deyo picks up some of the same themes raised by Kaufman and Cheng in his analysis of the popular sector in the Latin American and East Asian NICs. Deyo argues that the political role of the popular sector is mainly indirect—i.e., it opposes or encourages particular policies that flow from more general development strategies, and thus it can shape the implementation of these strategies in important ways. The polar opposite cases in Deyo's analysis are Taiwan (which has a strong state and a weak society) and Argentina (weak state and strong society), with Brazil and South Korea falling in between. The role of the popular sector generally has been stronger in Latin America than in East Asia. It is strongest in Argentina and weakest in Taiwan, which is the extreme case of top-down, guided, preemptive democratization. While political regimes provide the political opportunity for an insertion of popular class agendas in national policy-making, Deyo shows how socioeconomic structural factors such as employment concentration and the emergence of class-homogeneous communities can encourage popular sector mobilization and generate the capacity to create autonomous class organizations that allow popular sector groups to seize elite-sponsored opportunities in an effective manner.

Chapters 8 through 11 deal with the role of government policies in shaping the performance of the Latin American and East Asian NICs. The chapters by Gustav Ranis and Robert Wade offer differing viewpoints of the degree to which the government has taken a leadership role in East Asia's economic success, while the chapters by Chi Schive and René Villarreal focus on how current development strategies in the East Asian and Latin American NICs, respectively, are posing quite different problems for the next stage of industrialization in these regions.

The current interest in comparing East Asia and Latin America is testimony, according to Ranis, that policy choices can in fact make a good deal of difference in development outcomes. The key issue is whether the policy choices that confront nations in their development experience are explicit, debated, and negotiated; or implicit, clandestine, and imposed. Ranis sees explicit tax and expenditure policies as examples of "on the table" measures of the first type, while inflation and overvalued exchange rates are instances of "under the table" income transfers that are symptomatic of "governments' myopic need to solve short-run problems while putting off the social conflict consequences to a later point in time."

In chapter 8, Ranis looks at four medium-sized cases from the two regions: Taiwan, South Korea, Mexico, and Colombia. His analysis iden-

tifies two distinct regional patterns. The East Asian pattern is one in which the nations studied gradually but consistently shift away from "under the table" (or implicit) income transfers among groups toward "on the table" (or explicit) revenue and expenditure-related government policies. The Latin American pattern is characterized by liberalization/interventionist cycles in which the persistence of ISI is related in part to the ability of these nations to continue to pay for ISI through the ample availability of traditional natural resource revenues, and also to the governments' felt need to be viewed as solving all problems in order to forestall social conflict.

Wade traces in chapter 9 two different explanations of the role of the state in the East Asian NICs: the "self-adjusting market" theory, which holds that East Asian economic success is due to the vigor of private entrepreneurs operating in relatively open economies, and the "developmental state" theory, which holds that "East Asian governments (minus Hong Kong) have been active players in the market, able to influence the use of public and private resources in line with a vision of how the industrial structure of the country should be evolving." Wade dissects the experiences of Taiwan and South Korea in a variety of industrial sectors and concludes that in both these nations government has exercised a substantial amount of leadership in promoting industrial growth.

The mode of government leadership is quite different in the two cases, however. In Taiwan, leadership has been exercised through public enterprises or public research and service organizations. In South Korea, on the other hand, government leadership takes the form of pushing and prodding large private firms, which are backed by a considerable amount of direct and indirect state assistance. Although industrial policy in a government "followership" mode can still be worth pursuing, Wade asserts that economies whose governments have the capacity to intervene effectively in a "leadership" mode have greater potential for welfare-enhancing transformations.

In chapter 10, Schive examines the two most recent development strategies pursued in Taiwan and South Korea: secondary ISI, which aims to replace imported intermediate and capital goods with local production, and secondary EOI, which attempts to develop high-tech industries to substitute for conventional exports. With regard to secondary ISI, Schive shows that Korea is ahead of Taiwan in heavy industries, especially machinery, while Taiwan tends to be ahead of Korea in certain intermediate goods industries, such as chemicals, petrochemicals, petroleum, and coal.

To explore secondary EOI, which is ushering in the next stage of industrialization in these NICs, Schive highlights the production of very-large-scale integrated circuits (VLSI). In an analysis that recalls the industrial structural differences between the East Asian NICs outlined in chapter 4

and the distinction between the “big push” versus “gradualist” approaches to implementing secondary EOI mentioned in chapter 6, Schive shows that Taiwan and South Korea built their VLSI industries in contrasting ways: Taiwan first developed the technology, then moved into manufacturing, while Korea first established its manufacturing capacity, then acquired the needed technology. “The development of Korea’s VLSI industry in a scant four years can be attributed not only to the enormous capital invested, but also to a heavy reliance on foreign technology.” Taiwan, on the other hand, has had the capacity to design VLSI technology since 1985, but the ability to manufacture those designs remains a problem.

In chapter 11, René Villarreal focuses on the Latin American experience with ISI. Villarreal acknowledges that ISI has created an anti-export bias in Latin America. As a backdrop to his comparative analysis of ISI in Brazil and Mexico, however, Villarreal criticizes the neoliberal orthodoxy of the Southern Cone countries (Argentina, Chile, and Uruguay) as the wrong solution to the problem, since ultraliberalism in the Southern Cone has resulted in extensive deindustrialization and financial upheavals.

Like Schive, Villarreal paints contrasting portraits of the two leading NICs in his region, Brazil and Mexico. Brazil has advanced further down the path of secondary ISI than Mexico has, which is best exemplified by Brazil’s capital goods industry, the strongest in Latin America. The energy crisis of the 1970s affected Brazil and Mexico in opposite ways: Brazil gave top priority to a fuller integration of its productive structure through ISI; Mexico became a prominent oil exporter, but in the process the structural integration of its economy took several steps backward. Villarreal provides a detailed discussion of the various stages of ISI in Mexico and concludes by advocating a three-dimensional industrial model for Mexico’s future, involving a combination of endogenous growth, industrial exports, and selective ISI.

Fernando Fajnzylber and Ronald Dore call our attention to previously ignored variables and begin to chart new comparative research agendas based on their understandings of the forces influencing the Latin American and East Asian NICs. In Chapter 12, Fajnzylber begins to outline in a systematic way the argument that key aspects of the development patterns of South Korea and the three Latin American NICs are outgrowths of their efforts to emulate the Japanese and American experiences, respectively. The Japanese development pattern, like that of the East Asian NICs, can be characterized by the following traits: a strategic, long-term orientation toward economic affairs; a tendency toward high levels of saving; firms oriented toward the conquest of international markets; and relatively high levels of social integration, with top priority given to education in the system. The development pattern of the United States has a contrasting set of features: a preoccupation with short-term planning,

high levels of consumption, an emphasis on producing for large and secure domestic markets, and relatively low levels of social integration.

Fajnzylber demonstrates in a detailed empirical analysis that the Latin American NICs have been attempting to reproduce the “American way of life.” In contrast to East Asia, the Latin American NICs have lower levels of economic dynamism, consumption trends that are heavily skewed in favor of urban elite groups, domestically oriented production structures, lower international competitiveness, and less distributive equity. Whereas Latin American nations have emphasized “showcase modernity,” the East Asian nations have given top priority to “endogenous modernity.”

Dore observes in Chapter 13 that there has been relatively little attention given in this volume or in recent development literature as a whole to the historically conditioned role of culture and ideas as they influence development strategies and social institutions. Dore discusses a variety of cultural dimensions in terms of their salience for cross-regional comparative research: the intensity of the will to develop; the sense of backwardness and its determinants; the centrality of national cohesion and the sense of nationhood; the legitimacy of elites and political authority; values and economic achievement; and attitudes toward technological learning and technical change.

At a broader conceptual level, Dore stresses again the importance of distinguishing between development “strategies” (i.e., the mixture of intentions and forecasts people have when they take policy decisions) and development “patterns,” which are sequences of events or economic and social outcomes. The main contribution of a focus on development “patterns” is the development of typologies that can aid us in providing explanations as well as clarifying our value judgments about the kinds of outcomes we find desirable.

The last chapter, by Christopher Ellison and Gereffi, seeks to order some of the conclusions arrived at in the volume along two broad dimensions: first, the level of their explanatory variables (world-system factors, the role of national, institutional, and organizational forces, development strategies, and grounded interpretations of networks, culture, and historical events) and, secondly, the scope of the generalizations that the authors make in interpreting their findings. Ellison and Gereffi organize the findings from the chapters into three sets of outcomes: (1) patterns of development that are common to the NICs in both Latin America and East Asia, (2) development outcomes that vary between the two regions but are basically similar for the NICs within each region, and (3) aspects of the development experience in Latin America and East Asia where there is sharp intraregional variation or distinctive national traits. Ellison and Gereffi also seek to identify some promising areas for the next wave of

development research and emphasize the emerging importance of social networks at the global, national, and local levels.

It is not the intent of this volume to extol the virtues of either the Latin American or the East Asian paths of development, nor to try to advocate the adoption of "correct" economic policies or institutional arrangements. Historically conditioned patterns cannot be repeated, and policies or institutions that work well in one national setting may have quite different consequences elsewhere. Countries obviously are capable of learning from each other, and highly selective adaptation or emulation may prove successful. Whatever is "learned," however, must be adapted to particular historical, cultural, and political circumstances. The goals, needs, and resources of the Latin American NICs are quite different from those of the East Asian NICs. Comparative research is most helpful if it combines good history and good theory, and both lead to a better appreciation of the constraints as well as the possibilities of the present.

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