

Theme 2: Understanding the International Economy

EVIDENCE

Argument	World	US	Western Europe	Japan	Developing World	IMF / IBRD	OPEC	Second World
Indicators								
GDP	1950s <ul style="list-style-type: none"> 5% 1974-90 <ul style="list-style-type: none"> 2.8% 		1948-52: Marshall Recipients <ul style="list-style-type: none"> 15-25% (GNP) 1950s-60s: France <ul style="list-style-type: none"> 5% 	1945-73 <ul style="list-style-type: none"> 10% 	1979: Argentina <ul style="list-style-type: none"> 10%, despite oil crisis 1978-81: Mexico <ul style="list-style-type: none"> 8%, despite oil crisis 1980s <ul style="list-style-type: none"> Predicted stagnation to 10% decline in per capita GDP for Sub-Saharan Africa 1982: Argentina <ul style="list-style-type: none"> -4.2% 1983: Venezuela <ul style="list-style-type: none"> -3.8% 1981-2000: Argentina <ul style="list-style-type: none"> -0.6%, down from 2.6% in the preceding two decades 1981-2000: Brazil <ul style="list-style-type: none"> 0.1%, down from 4.6% in the preceding two decades 1981-2000: Mexico <ul style="list-style-type: none"> 0.1%, down from 8% from 1975-81 			1950s <ul style="list-style-type: none"> 6% 1970s <ul style="list-style-type: none"> 2.4%
Exports	1948-68 <ul style="list-style-type: none"> Volume of merchandise exports in non-communist countries grew by 290% 1950s <ul style="list-style-type: none"> 6% 1960s <ul style="list-style-type: none"> 8% 1973-79 <ul style="list-style-type: none"> 4.5% 1980s <ul style="list-style-type: none"> 1.5% 		1948-55 <ul style="list-style-type: none"> Intra-European exports doubled 1958-69 <ul style="list-style-type: none"> Trade between EEC countries quadrupled 1950s-60s <ul style="list-style-type: none"> Europe's exports to America grew by 8-9% annually 1960s <ul style="list-style-type: none"> Volkswagens became lead exports 	1970s <ul style="list-style-type: none"> Hondas and Nissans became lead exports 				

Argument	World	US	Western Europe	Japan	Developing World	IMF / IBRD	OPEC	Second World
International trade	1973-75 <ul style="list-style-type: none"> • -13% overall 1982 <ul style="list-style-type: none"> • -2.2% 							
Industrial output			1950-57: Germany <ul style="list-style-type: none"> • Industrial production doubled 	Mid-1950s <ul style="list-style-type: none"> • Production matched pre-war levels 				
Productivity		1960-75 <ul style="list-style-type: none"> • 2.7% 	1960-75 <ul style="list-style-type: none"> • 5-6% 1973-92 <ul style="list-style-type: none"> • 2.3% 	1960-75 <ul style="list-style-type: none"> • 10% 				
BOP / BOT	1961 <ul style="list-style-type: none"> • More foreign-held USD than available US gold stock 	1970 <ul style="list-style-type: none"> • First trade deficit since 1893 1971 <ul style="list-style-type: none"> • \$2.7bn trade deficit 1992 <ul style="list-style-type: none"> • Trade deficit returned to 0, with a BOP surplus 	1967: Britain <ul style="list-style-type: none"> • UK's BOP problems abandoned their status as a reserve currency 		1973 <ul style="list-style-type: none"> • \$12bn deficit 1978 <ul style="list-style-type: none"> • \$36bn deficit 		1974-80 <ul style="list-style-type: none"> • OPEC members deposited over \$150bn in oil earnings into commercial banks 	
Inflation	1971 <ul style="list-style-type: none"> • 6% 1973 <ul style="list-style-type: none"> • 10% 1974 <ul style="list-style-type: none"> • >15% 1973-79 <ul style="list-style-type: none"> • 12% 	1982 <ul style="list-style-type: none"> • 4% 						
Unemployment	1975-90 <ul style="list-style-type: none"> • >10% across industrial countries 	1982 <ul style="list-style-type: none"> • 10.6%, with automobile unemployment at 23.2% and steel at 29.2% 	1974-75 <ul style="list-style-type: none"> • 7m increase in unemployment 					
Oil prices	1970 <ul style="list-style-type: none"> • Oil accounted for 60% of Western Europe's energy consumption 1955-71 <ul style="list-style-type: none"> • \$2 Dec 1973 <ul style="list-style-type: none"> • OPEC cut oil supply and imposed embargoes against the West until Israel evacuated territories gained 							

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	<ul style="list-style-type: none"> in the 1967 Arab-Israeli War \$12 (+130%) 1980 <ul style="list-style-type: none"> 1979 Iranian Revolution led to plummeting oil supply \$40 (+300%) 							
Bank returns on equity		1988: Britain, US, Canada <ul style="list-style-type: none"> 30% 						
Policies								
Foreign aid / loans		1948-52: Marshall Plan <ul style="list-style-type: none"> \$13bn to Europe 1940s-50s <ul style="list-style-type: none"> \$2.3bn to Japan 1972 <ul style="list-style-type: none"> Contributed 30% of worldwide developmental aid 1979 <ul style="list-style-type: none"> 0.2% of their GDP 1982: Volcker <ul style="list-style-type: none"> \$3.5bn to Mexico 1985 Baker Plan 1989 Brady Plan	1972 <ul style="list-style-type: none"> 15 EU members of the DAC contributed over 50% of all worldwide developmental aid 1979: France, Germany, Britain <ul style="list-style-type: none"> 0.5% of their GDP 	1965 <ul style="list-style-type: none"> \$800m to South Korea and \$150m to Taiwan 1973 <ul style="list-style-type: none"> \$5.8bn 1974 <ul style="list-style-type: none"> 4th largest donor in the Development Assistance Committee 		1945-52 <ul style="list-style-type: none"> \$250m to France, \$500m to Europe 1982 <ul style="list-style-type: none"> \$3.8bn to Mexico 1983-84 <ul style="list-style-type: none"> \$9bn to 11 most heavily indebted LatAm countries 		
Defence aid		1949: Mutual Defence Assistance Programme <ul style="list-style-type: none"> \$1.4bn, then \$5.2bn after the Korean War 1951: US-Japan Treaty of Mutual Cooperation and Security						
Export absorption		1952 <ul style="list-style-type: none"> European exports constituted 50% of US imports 1958: US Trade Act <ul style="list-style-type: none"> 30% of Japanese exports were absorbed by the US 1950s-60s <ul style="list-style-type: none"> Europe's exports to America grew by 8-9% annually 						
Economic planning			1946 Monnet Plan <ul style="list-style-type: none"> Financed the modernisation 	1949: "Inclined Production Mode" <ul style="list-style-type: none"> Focused on raw material 				

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			of private industry, railway system and electrical consumption	production, e.g. steel, coal, cotton				
Welfare state			1938-49: France, Britain <ul style="list-style-type: none">Spending on social services increased 64% in France and 50% in Britain 1945: Belgium, Italy, Norway and Austria introduced universal unemployment insurance 1945: France established a welfare state 1948: UK established a welfare state <ul style="list-style-type: none">Based on the 1942 Beveridge Report	1960: Ikeda Income Doubling Plan <ul style="list-style-type: none">Included a social safety net				
Contribution / Participation in BWI		1944 Bretton Woods Agreement <ul style="list-style-type: none">Spearheaded creation of BWS and BWI 1950s-60s <ul style="list-style-type: none">Annual contributions exceeded \$10bn 1959 <ul style="list-style-type: none">Held 30% of vote	1944 Bretton Woods Agreement <ul style="list-style-type: none">France, Britain spearheaded creation of BWS and BWI 1959 <ul style="list-style-type: none">Held 20% of vote	1959 <ul style="list-style-type: none">Held 2.7% of vote				
Regional cooperation		1985 Plaza Accords <ul style="list-style-type: none">Came to an agreement on depreciating the dollar to make US exports more competitive	1950-58: European Payments Union (EPU) <ul style="list-style-type: none">\$500m grant from the US to promote intra-European trade1948-55: Intra-European exports doubled1958: Free convertibility of European currencies and multilateral trade restored 1958: European Economic Community (EEC) <ul style="list-style-type: none">Customs union provided free trade and a common tariff to the outside world 1979 Exchange Rate Mechanism <ul style="list-style-type: none">Sought to stabilise exchange rates 1985 Plaza Accords <ul style="list-style-type: none">Came to an agreement on depreciating the dollar to	1985 Plaza Accords <ul style="list-style-type: none">Came to an agreement on depreciating the dollar to make US exports more competitive				

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			make US exports more competitive					
FDI / MNCs	1969 <ul style="list-style-type: none"> MNCs accounted for 30% of worldwide production and 50% of the largest economic entities 	1950-65 <ul style="list-style-type: none"> American subsidiaries in Western Europe quadrupled 1967 <ul style="list-style-type: none"> 9000 American subsidiaries in Western Europe 	1967: Britain <ul style="list-style-type: none"> \$15bn 	1973 <ul style="list-style-type: none"> \$2bn 				
Defence spending		1964-73: Vietnam War <ul style="list-style-type: none"> \$168bn Late 1960s <ul style="list-style-type: none"> Nearly 9% of GDP 		1958-60 <ul style="list-style-type: none"> Japanese defence spending as share of GDP declined by 20% 1970 <ul style="list-style-type: none"> Japanese defence spending fell below 1% of GDP 				
Trade liberalisation	1947-93: GATT <ul style="list-style-type: none"> Average tariffs fell from 22% to 5% by the Uruguay round 1947-52: Geneva Round <ul style="list-style-type: none"> 45,000 trade barriers lifted in the Geneva Round alone 1973-79: Tokyo Round <ul style="list-style-type: none"> 102 participating nations with concessions made on \$19bn of trade 1986-93: Uruguay Round <ul style="list-style-type: none"> Average tariffs fell to 5% 123 participating nations, establishing the WTO 							
Protectionism	Agriculture excluded from GATT rounds 1974 Multi-Fibre Agreement <ul style="list-style-type: none"> Imposed quotas on clothing and textiles developing countries could export to developed nations Cost the developing world some 27 million jobs and US\$40 billion a year in lost exports 1990s: Protectionism linked trade to human rights and environmental standards to disguise trade barriers	1971 Nixon Shock <ul style="list-style-type: none"> Ended dollar-gold convertibility Imposed 10% tariff on imports 1974 US Trade Act <ul style="list-style-type: none"> Section 301 enabled the US President to carry out tariff and non-tariff-based retaliation Strengthened by the 1988 amendment that established Super 301, compelling the President to investigate a broad range of unfair trade practices 1981 US-Japan VRA on	1962 EU Common Agricultural Policy <ul style="list-style-type: none"> Agricultural subsidies to European farmers undercut agricultural producers in the Third World 1968 EU Customs Union <ul style="list-style-type: none"> Established a common tariff across Europe, increasing barriers to international trade even as it promoted intra-European free trade 1968 US-EU VRA on steel <ul style="list-style-type: none"> Enhanced in 1978, when Carter instituted the trigger price mechanism to establish a reference price 	1968 US-Japan VRA on steel <ul style="list-style-type: none"> Enhanced in 1978, when Carter instituted the trigger price mechanism to establish a reference price for steel 1976 UK-Japan VRA on automobiles <ul style="list-style-type: none"> VRAs expanded to West Germany, Canada, the Netherlands etc. 1977 France-Japan VRA on automobiles <ul style="list-style-type: none"> VRAs expanded to West Germany, Canada, the Netherlands etc. 				

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		automobiles <ul style="list-style-type: none"> VRAs expanded to West Germany, Canada, the Netherlands etc. 1988 Omnibus Foreign Trade and Competitiveness Act <ul style="list-style-type: none"> Countries with trade surpluses with the US would be subjected to bilateral surplus-reduction requirements of 10% 	for steel 1976 UK-Japan VRA on automobiles <ul style="list-style-type: none"> VRAs expanded to West Germany, Canada, the Netherlands etc. 1977 France-Japan VRA on automobiles <ul style="list-style-type: none"> VRAs expanded to West Germany, Canada, the Netherlands etc. 	1981 US-Japan VRA on automobiles <ul style="list-style-type: none"> VRAs expanded to West Germany, Canada, the Netherlands etc. 				
Debt		1967 <ul style="list-style-type: none"> \$33bn in foreign liabilities 1971 <ul style="list-style-type: none"> \$68bn in foreign liabilities 			1975-82: Latin America <ul style="list-style-type: none"> 20-4% annual increase in debt to commercial banks External debt quadrupled to \$315bn, reaching 50% of regional GDP 1979: Volcker Shock <ul style="list-style-type: none"> 1% increase in interest rates cost debtors \$4-5bn a week 1981: Latin America <ul style="list-style-type: none"> Latin America borrowed \$1bn a week, amounting to \$50bn in the whole year 			
Defaults		1982 <ul style="list-style-type: none"> Losses to bankers in the United States were perhaps more than the banking industry's entire collective profits since the nation's founding 			1982: Mexico <ul style="list-style-type: none"> \$97bn 1982: Brazil <ul style="list-style-type: none"> \$99bn 1982: Argentina <ul style="list-style-type: none"> \$48bn 			
Debt servicing	Paris Club London Club	1982: Volcker <ul style="list-style-type: none"> \$3.5bn to Mexico 1985 Baker Plan 1989 Brady Plan				1982 <ul style="list-style-type: none"> \$3.8bn to Mexico 1983-84 <ul style="list-style-type: none"> \$9bn to 11 most heavily indebted LatAm countries 		
Financial reforms	1988 Basel Capital Accord <ul style="list-style-type: none"> Harmonises minimum capital requirements for internationally active banks 							

Argument	South Korea	Taiwan
Indicators		
GDP	1970s <ul style="list-style-type: none"> 8% 1980s <ul style="list-style-type: none"> 9% 	1970s <ul style="list-style-type: none"> 9% 1980s <ul style="list-style-type: none"> 8%
Exports	1971 <ul style="list-style-type: none"> \$1bn 1973 <ul style="list-style-type: none"> Accounted for 36% of GDP 1977 <ul style="list-style-type: none"> \$10bn 1988 <ul style="list-style-type: none"> \$60bn 	1980 <ul style="list-style-type: none"> Accounted for 47% of GDP 1985 <ul style="list-style-type: none"> Taiwan's \$75bn forex reserves were the third-largest in the world 1990 <ul style="list-style-type: none"> 12th largest exporter
FDI	1972-76 <ul style="list-style-type: none"> \$565m, ballooning over 15x from a decade before 	1980s <ul style="list-style-type: none"> 33% growth in FDI
Heavy industry	1970s <ul style="list-style-type: none"> Heavy industries grew from 40% to 56% of GDP 	1972-80 <ul style="list-style-type: none"> Heavy and chemical industries expanded from 27% to 36% of exports
Technology	1980s <ul style="list-style-type: none"> Consumer electronics, computers and semiconductors as lead exports 	1982-90 <ul style="list-style-type: none"> High-tech industries expanded from 18% to 27% of exports
Private businesses	1973-78 <ul style="list-style-type: none"> Annual growth rate of value added by top 10 largest chaebols was as high as 30% 1970s-80s <ul style="list-style-type: none"> 75% of South Korea's R&D is business-led, with 90% of that R&D invested in manufacturing 	1970s-80s <ul style="list-style-type: none"> Accounted for 96% of industry and around 60% of exports 1971-84 <ul style="list-style-type: none"> Share of SMEs in total production of manufactures grew from 27% to 48%
Government		
Pivots	1972-76 Third Five Year Plan <ul style="list-style-type: none"> Heavy focus on HCI, such that it was referred to as the HCI plan Focused on 5 strategic fields of electronics, shipbuilding, machinery, petrochemicals and non-ferrous metals HCI Planning Corps managed this transition 	1973: Ten Major Construction Projects <ul style="list-style-type: none"> \$5bn invested in six transportation projects, nuclear power plants, an integrated steel mill, a shipyard and petrochemical plants

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	<p>1982-86 Fifth Five Year Plan</p> <ul style="list-style-type: none"> Shifted emphasis towards precision machinery, electronics and information <p>1982 Korea Institute for Industrial Economics and Trade</p> <ul style="list-style-type: none"> Relaunched in 1982 as an industrial studies institute with IT research capacities 	<p>1980: Hsinchu Science-Based Industrial Park</p> <ul style="list-style-type: none"> Houses over 400 high-tech companies from industries ranging from telecommunications to optoelectronics <p>1979: Formation of United Microelectronics from the Industrial Technology Research Institute</p> <p>1987: Formation of TSMC from the Industrial Technology Research Institute</p>
Support for private businesses	<p>1961: All banks were nationalised</p> <p>1965: National Highway Project</p> <ul style="list-style-type: none"> 1970: Highway completed after just 2.5 years Supported national industrialisation efforts by facilitating transportation and creating jobs <p>1975: Government provided subsidies to bail out Hyundai Shipbuilding</p> <ul style="list-style-type: none"> Korean refineries were forced to ship oil in Korean-owned tankers <p>1985: Kukje Group forced to liquidate</p> <ul style="list-style-type: none"> Kukje Group's head refused to provide the requested financial contributions to the regime, and was punished by Chun pressuring banks to demand repayment of loans, forcing the firm to liquidate 	<p>1957: PVC plant</p> <ul style="list-style-type: none"> Government constructed Taiwan's first plastics plant for PVC and handed it over to a private entrepreneur <p>1957: Rayon plant</p> <ul style="list-style-type: none"> Government oversaw the creation of a rayon-making plant with help from US advisors, before it became the largest private firm <p>1970s: China Development Corporation / National Development Fund</p> <ul style="list-style-type: none"> Served as new sources of long-term financing for businesses <p>1980s: Acer hired the ITRI to develop the IBM-compatible computer for Acer</p> <p>1980s: K. T. Li used his influence on bank chairmen in Taipei to secure loans for Acer</p> <p>1981: SME Administration</p> <ul style="list-style-type: none"> Launched a series of programs for upgrading the management skills of SME directors <p>1984 Centre Satellite Programme</p> <ul style="list-style-type: none"> Meant to promote subcontracting relations between large firms and SMEs
Courting FDI / Promoting EOI	<p>1970: Free Export Zone Law</p> <ul style="list-style-type: none"> Announced the creation of FTZs where export barriers would be removed 1979: FTZ exports totalled \$600m and accounted for 4% of all exports <p>1970: Masan FTZ</p> <ul style="list-style-type: none"> 1973: Masan FTZ hosted 115 companies, with 95% of investment coming from abroad <p>1973: Iksan FTZ</p> <p>1984: Advanced Notice of Tariff Reduction</p> <ul style="list-style-type: none"> Import tariffs would be gradually lowered over 11 years 	<p>1972: Kaohsiung EPZ</p> <ul style="list-style-type: none"> Home to 161 factories <p>1970s: Tantz and Nantz EPZs</p> <p>1985: Taiwan announced "Non-Interference Principle of Indirect Exports to the Mainland"</p> <ul style="list-style-type: none"> 1981-89: Trade with China ballooned from \$460m to \$3.9bn 1987: China became Taiwan's largest trading partner

Argument	South Korea	Taiwan
Complementary policies	<p>1960s: Restrained wage increases</p> <ul style="list-style-type: none"> 1961-66: Industrial real wage rate remained virtually unchanged <p>1962 Price Control Act</p> <ul style="list-style-type: none"> Empowered the government to control the prices of most staple grains and public utilities 	<p>1949 Land Reforms</p> <ul style="list-style-type: none"> Reduced rent from 50% of harvest to 37.5% 71% of farmland transferred from landlords to tenants From 1953: Public land sold to tenant farmers <p>1969: Committee for Science Development</p> <ul style="list-style-type: none"> Meant to develop a science and technology policy to encourage innovation <p>1973: Industrial Technology Research Institute (ITRI)</p> <ul style="list-style-type: none"> Collection of engineers engaged in technological innovation Researchers licensed and imported technology from American firms and disseminated it to local companies <p>1979: Twelve New Projects</p> <ul style="list-style-type: none"> \$5.75bn invested in expanded steel mills, nuclear power plants and new cross-island highways <p>1985: Fourteen Key Projects</p> <ul style="list-style-type: none"> Constructed new railways, the Taipei Metro and the expansion of the China Steel Corporation
Private Businesses		
Composition		<p>1970s-80s</p> <ul style="list-style-type: none"> Between 60-70% of firms had less than 10 persons
Vertical integration	<p>Samsung</p> <ul style="list-style-type: none"> Samsung controls every step of the electronics supply chain, from the batteries (Samsung SDI), display (Samsung Displays) to the eventual consumer electronics product (Samsung Electronics) 	
Horizontal integration	<p>1980: Samsung</p> <ul style="list-style-type: none"> Samsung acquiring a 50% stake in Korea Semiconductors 1980: Samsung acquired Hanguk Jeonja Tongsin, a telecommunications company 	
Nimbleness / Flexibility		<p>1978</p> <ul style="list-style-type: none"> 11,400 startups sprung up in manufacturing sector <p>Acer / Carolyn Yeh</p> <ul style="list-style-type: none"> Carolyn Yeh, the wife of Acer's founder, handled the finances while also mopping floors without taking a salary for 2 years
Innovation	<p>Samsung</p> <ul style="list-style-type: none"> 1980s: Began producing mobile phones 1983: Began producing computers 1984: Sales reached 1 trillion won 	<p>Multitech (later Acer)</p> <ul style="list-style-type: none"> It produced the Microprofessor I-III before joining the emerging IBM PC compatible market and becoming a significant PC manufacturer by 1987

Argument	South Korea	Taiwan
Diversification	<p>1973, 80: Hyundai</p> <ul style="list-style-type: none"> Hyundai innovated to expand into shipbuilding and heavy industries in 1973, and the electronics industry by 1980s <p>1970: Samsung</p> <ul style="list-style-type: none"> Samsung expanded into shipbuilding, petrochemicals, and aircraft engines 	
International Developments		
US aid	<p>1945-79</p> <ul style="list-style-type: none"> Direct financial aid totalled \$13bn <p>1950s</p> <ul style="list-style-type: none"> US aid accounted for % of Korean imports <p>1954 ROK-US Mutual Security Agreement</p> <p>1965-70</p> <ul style="list-style-type: none"> More than \$1bn paid in subsidies by the US to Korean soldiers that served in Vietnam 	<p>1950-65</p> <ul style="list-style-type: none"> Aid totalled more than \$4bn % spent on the development of infrastructural projects <p>1950s-60s</p> <ul style="list-style-type: none"> US aid constituted 40% of capital formation in Taiwan <p>1954 Sino-American Mutual Defense Treaty</p>
US technological transfers	<p>1966 Brown Memorandum led to South Korean firms being granted lucrative contracts to US and South Vietnamese forces</p> <ul style="list-style-type: none"> Gave firms experience in steel, machinery and heavy industries, e.g. Hyundai <p>1972: Korea Educational Development Institute formed with US support</p> <ul style="list-style-type: none"> Spearheaded educational/pedagogical R&D 	<p>1964: Invitation of General Instrument (GI) to Taiwan to convince them to set up manufacturing plants</p> <ul style="list-style-type: none"> Taiwan subsequently served as an assembly area for US products <p>1960-67: 15% of Taiwan's college graduates went to US for post-grad study</p> <ul style="list-style-type: none"> By 1986, more than 90% of these highly trained graduates returned, contributing significantly to the growth of Taiwan's high-tech industry
Trade liberalisation	<p>1967: Korea joins GATT</p> <ul style="list-style-type: none"> 1973-79 Tokyo Round: 102 participating nations with concessions made on \$19bn of trade 1986-93 Uruguay Round: 123 participating nations 	<p>1948: Taiwan is a founding member of GATT</p> <ul style="list-style-type: none"> 1973-79 Tokyo Round: 102 participating nations with concessions made on \$19bn of trade 1986-93 Uruguay Round: 123 participating nations
Japanese FDI	<p>Early 1970s</p> <ul style="list-style-type: none"> Japan became South Korea's largest investor, even surpassing the US <p>1987</p> <ul style="list-style-type: none"> Japan invested US\$494 million or 47% of total foreign investment 	<p>1990</p> <ul style="list-style-type: none"> Japanese investment in Taiwan accelerated given yen appreciation after the Plaza Accords, peaking at \$840m in 1990
Japanese technological transfers	<p>1970: Sumitomo-Samsung</p> <ul style="list-style-type: none"> Sumitomo Corporation established a joint venture with Samsung Electronic Tube in manufacturing color TV picture tubes <p>1973: Mitsubishi-Hyundai</p> <ul style="list-style-type: none"> Mitsubishi Motors cooperated on the development of an automobile engine with Korea's Hyundai Motors <p>1962-79: Japan supplied 60% of foreign technology</p>	<p>Narumiya</p> <ul style="list-style-type: none"> Japanese textile firm Narumiya moved to Taiwan, familiarising local entrepreneurs with processes in textile manufacturing After Japanese textile firms offshored to Taiwan, the island produced 50% of the world's synthetic leather in the 1970s

Argument	South Korea	Taiwan
Chinese trade / FDI		1978 <ul style="list-style-type: none"> Chinese investment reached \$213m 1985: "Non-Interference Principle of Indirect Exports to the Mainland" 1981-89 <ul style="list-style-type: none"> Trade with China ballooned from \$460m to \$3.9bn 1987 <ul style="list-style-type: none"> China became Taiwan's largest trading partner
Oil Crisis	1980: Oil crisis led in part to -1.6% growth	1974: Inflation reached 40% due to the oil crisis 1974-76: Taiwan entered a recession
Wage competition	1977: Ministry of Labour statistics showed real wages in manufacturing jobs grew 21.5% in one year alone	1980: Taiwanese wages exceeded those in Sri Lanka, China and the Philippines
Culture		
Working hours	1970s <ul style="list-style-type: none"> Korean work week was 35% longer than in other industrialised countries, stretching up to 53 hours a week 1970-75 <ul style="list-style-type: none"> Even though productivity had grown 60%, real wages had only risen 20% 	1975 <ul style="list-style-type: none"> Taiwan's wages were 6% of America's, and 13% of Japan's 1970s-80s: <ul style="list-style-type: none"> Legal work week in Taiwan was 48h
Literacy	1970 <ul style="list-style-type: none"> Literacy rate was one of the highest in the world at 87.6% Late 1980s <ul style="list-style-type: none"> Over 90% of students attended secondary school 	1970 <ul style="list-style-type: none"> Government expenditure on education constituted 20% of budget By 1989 <ul style="list-style-type: none"> Literacy rate was 92.9% and primary school enrolment was 99.9%
Thriftiness	1988 <ul style="list-style-type: none"> Savings reached 41% of GDP 	1962-73 <ul style="list-style-type: none"> Ratio of net domestic saving to national income rose from 7.6% to a massive 35% 1973 <ul style="list-style-type: none"> 35% of savings were used for investment
Political stability	1961-79: Park Chung Hee 1981-87: Chun Doo Hwan	Until 1987: Military rule, the longest in the world 1948-75: Chiang Kai Shek 1978-88: Chiang Ching Kuo