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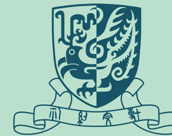

Economic Development of the Four Little Dragons

Lessons for LDCs and China

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Economic Development of the Four Little Dragons: Lessons for LDCs and China[1]

Abstract

Until recently economic development has been confined to either European countries, countries settled by Europeans or countries with a history of imperialism like Japan. This historical fact is the empirical basis of the neo-Marxist thesis of dependency and under-development which has influenced the development policies of many African and Latin American countries. The success of the Four Little Dragons refutes this thesis. They show a new road to economic development based on export-oriented growth and integration with the international capitalist economy. Colonial heritage or colonial status is not an obstacle to economic development. Capital accumulation through exploitation and extraction of surplus from backward countries by means of colonialism and imperialism is not essential to economic development. For LDCs there is a successful alternative to the socialist road of development. The development of the Four Little Dragons into newly industrialised countries (NICs) will have a major impact on the history of economic development of the developing world. Lessons for LDCs and China are far-reaching.

Economic Growth of the Four Little Dragons

By 1990 the Four Little Dragons of Asia, Hong Kong, Singapore, Taiwan and South Korea, have gone through three decades of continuous high growth. From 1960 to 1990, the compound annual growth rate of real GDP of these four economies was 6-9%. These growth rates far exceed those of the advanced countries and other LDCs (Table 1). It is remarkable that these economies are able to sustain such high growth rates for such an extended period. Since World War II there are countries which experienced spurts of rapid growth, but very few had been sustained for a period as long as three decades.

Table 1 International Comparisons of Real GDP Growth Rates, 1960-90

Countries	Growth Rates of Real GDP in National Currencies 1960-70	1970-80	1980-90
Developed Countries			
Japan	10.6	4.1	3.8[a]
West Germany	4.1	2.5	1.5[a]
U.S.A.	3.5	2.1	3.3[a]
U.K.	2.6	1.8	2.4[b]
Four Little Dragons			
Hong Kong	5.2[c]	8.5	5.9
Singapore	8.4	8.3	6.2[b]
Taiwan	8.2	8.8	6.7[d]
South Korea	8.6	7.1	8.0
Asean-4			
Malaysia	–7.9	6.9	5.7
Thailand	7.9	5.1	6.9
Indonesia	6.9	7.2	4.4[a]
Philippines	4.7	5.6	1.0[a]
Latin America			
Mexico	6.3	6.0	1.4[a]
Brazil	7.0[e]	7.7	1.2
Argentina	2.7	2.3	1.0[b]
Chile	—	10.3[f]	2.6
Peru	5.0	4.9	3.0[a]

Sources: *International Financial Statistics Yearbook*, Washington, D.C.: International Monetary Fund (IMF), various issues.

Notes: a: 1980-88
b: 1980-89
c: 1966-70
d: 1980-87
e: 1963-70
f: 1973-80

Although the high economic growth of the Four Little Dragons was well under way in the 1960s, East Asia had not attracted the attention of development economists and international agencies during that period. The focus of attention of development economists had been elsewhere in Latin America, Africa and South Asia. During this period the economic development of many Latin American countries was very much influenced by the policy of import substitution espoused by Prebisch and the Economic Council of Latin America of the United Nations as well as by neo-Marxist theories of dependency and underdevelopment. Foreign aid poured into Africa while India became the favourite recipient of aid from all sorts of international aid agencies.

In 1961 Rosenstein-Rodan (1961) predicted that by 1976 Sri Lanka would have a higher per capita income than Taiwan or South Korea. Argentina would have twice the per capita income of Singapore and Colombia was expected to be way ahead of Hong Kong. In 1966 Chenery and Strout (1966) estimated that India and Pakistan would grow faster than South Korea from 1962 to 1976. As it turned out, South Korea grew about three times as fast as India. Gunnar Myrdal, writing in the 1960s, devoted his book, *Asian Drama : An Inquiry into the Poverty of Nations*, to India and Pakistan. There was no mention of Hong Kong, Taiwan or South Korea. Singapore was dismissed in a line or two as being beset with unemployment problems.[2]

It was not until the 1970s that development economists were awakened by the high growth of the East Asian economies, which was by then eye-catching. Even then writings on these economies were rather scanty. There were detractors to their success. They were export pessimists arguing that trade protectionism by the developed countries would soon slow down the export-oriented growth of these economies. As it turned out, the Four Little Dragons surged ahead with their growth and increased significantly their share of exports.[3]

In the 1980s the economic success of the Four Little Dragons

and the economic potential of the Pacific Basin were well documented. Literature on the Four Little Dragons as newly industrialised countries (NICs) proliferated, and there were predictions that the next century would be the century of the Pacific Basin.

The economic success of the Four Little Dragons was unforeseen at the beginning and came as a surprise. Development economists and policy makers did not recognise it until rather late. When they finally awoke to this fact, the phenomenal success had a major impact on development economics as a body of ideas and as a set of policy actions.

After three decades of rapid growth, the Four Little Dragons had closed considerably the gap of the standard of living between them and the advanced countries. Figure 1 shows that the ratio of GDP per capita in current prices of the U.S. to those of the Four Little Dragons fell rapidly over the years. Figure 2 shows the trend of the same ratio for the United Kingdom. Both figures reveal a rapid decline in these ratios. By 1989, the U.S. GDP per capita was only twice that of Singapore and Hong Kong, less than 4 times that of Taiwan and about 4 times that of South Korea. In the 1960s, the ratio was 7 to 34 times.

The standard of living of the Four Little Dragons as measured by GDP per capita in current U.S. dollars have caught up with and surpassed low-income European countries like Spain, Portugal, Ireland and Greece (Table 2). As a matter of fact, the GDP per capita of the upper half of the Four Little Dragons, namely Hong Kong and Singapore, has approached that of the United Kingdom.

Figure 1 Ratio of GDP Per Capita in US Dollars

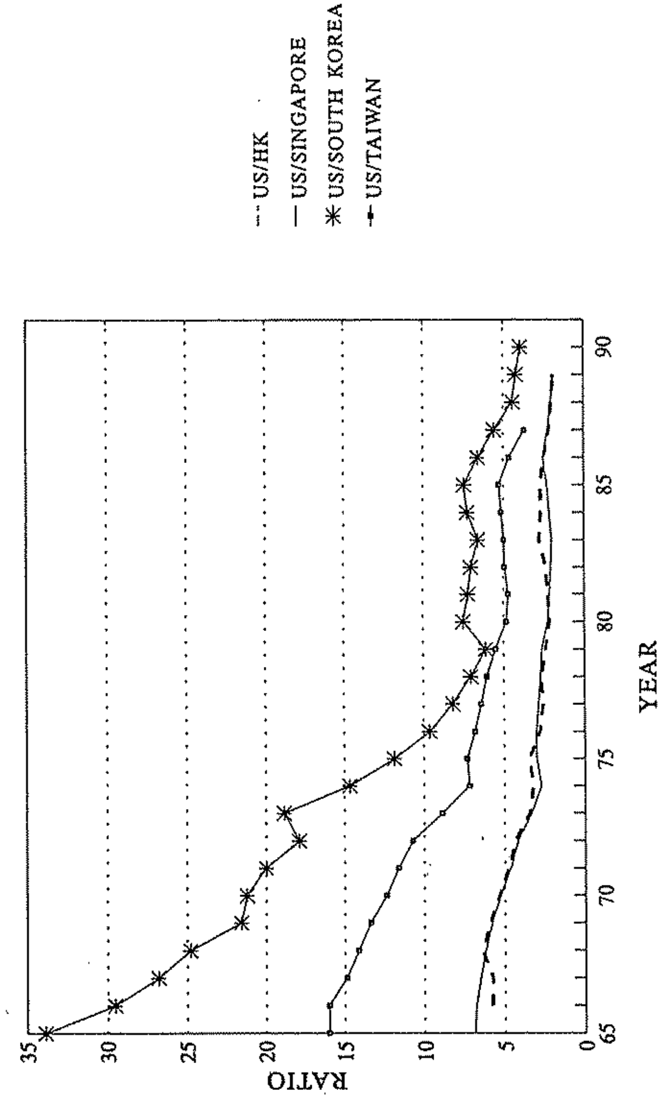


Figure 2 Ratio of GDP Per Capita in US Dollars

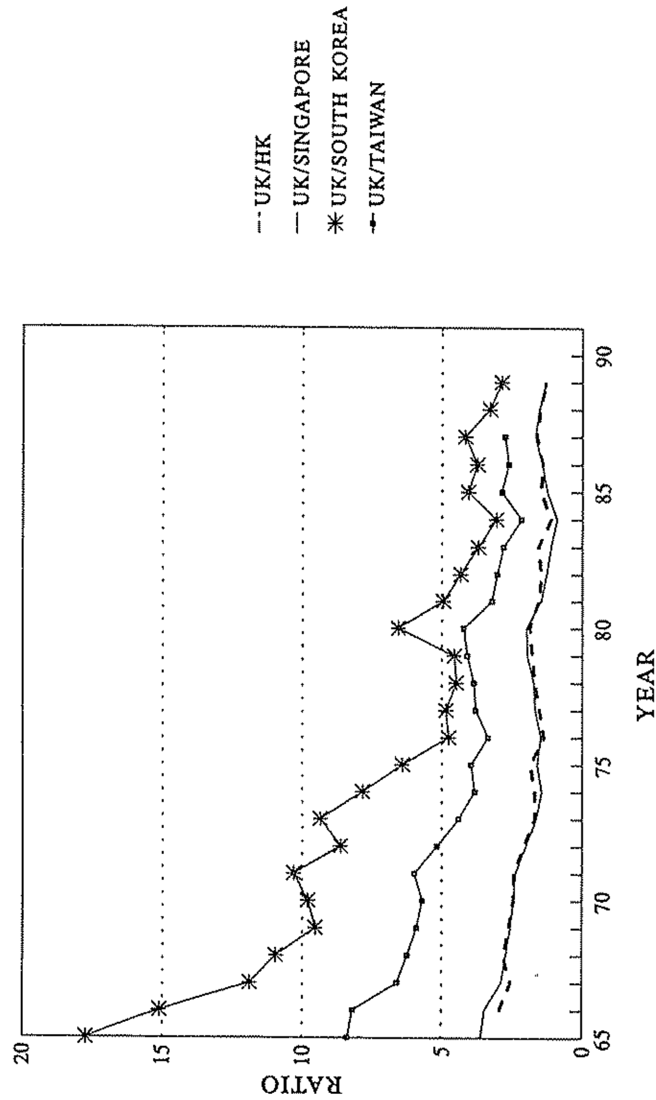


Table 2 International Comparisons of GDP Per Capita

	GDP Per Capita (Current US dollars)	Year
High-income Developed Countries		
Japan	22,377	1989
West Germany	21,203	1989
U.S.A.	20,843	1989
France	18,761	1989
Italy	16,256	1989
U.K.	14,243	1989
Low-income Developed Countries		
Ireland	10,604	1989
Spain	10,564	1989
Greece	5,559	1989
Portugal	3,896	1988
Four Little Dragons		
Hong Kong	10,928	1989
Singapore	10,920	1989
Taiwan	4,969	1987
South Korea	4,940	1989
Asean-4		
Malaysia	2,386	1990
Thailand	1,396	1990
Philippines	715	1989
Indonesia	459	1988
China	326	1990
Guangdong	487	1990

Sources: *International Financial Statistics Yearbook*, Washington, D.C.: IMF, various issues.
Statistical Yearbook of China, Beijing: State Statistical Bureau, various issues.
Statistical Yearbook of the Republic of China, Taipei: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, various issues.

Historical Significance

The catching up of some of the developed European countries by the Four Little Dragons has enormous historical significance. Prior to the emergence of the Four Little Dragons, all developed countries, with the exception of Japan, were either European countries or countries colonised and settled by Europeans such as the U.S.A., Canada, Australia and New Zealand. Many of these countries including Japan have a history of imperialism and subjugation of less developed countries in Asia, Africa and Latin America as colonies. The coincidence of advanced economic development with imperialism, colonialism and European settlement and for a long time the lack of any success case of an LDC in the Third World developing into the rank of advanced countries have a profound effect on the intellectual thinking on the causes of development and underdevelopment from the last century to the middle of this century. Specifically, these historical facts provide the empirical basis for Marxist, Leninist, neo-Marxist and leftist theories of economic development which have greatly influenced the development policies of many LDCs in the first half of this century.

Marx said very little about the economic development of the Third World although he wrote about capital accumulation and the exploitation and oppression of these countries by western colonialists. Lenin pushed the idea further by identifying imperialism as the highest stage of capitalism. To continue with their development capitalist countries will turn imperialistic to expand and colonise but this stage will presage the end of capitalism. An inference from these ideas is that if LDCs develop successfully through capitalism, they will have to become imperialists and colonialists also.

The first to apply a Marxist analysis to the economic development of LDCs is Paul Baran.[4] Baran believed that capitalism is a hurdle to economic development of the LDCs. Drawing on Lenin's theory of imperialism, he argued that "The backward world has always represented the indispensable hinterland of the highly developed capitalist West" from which the West obtained raw materials, directed investments and extracted vast profits.[5] The capitalist West is therefore opposed to the industrialisation of the backward countries. Even after their independence, imperialists will impose control through economic infiltration. The rational solution to the backward countries is socialist economic planning.

The neo-Marxist ideas of Baran found fertile soil in Latin America amidst frustration with capitalist development. Most Latin American countries had been independent for a century, but independence and capitalism had not brought development. Baran's thesis was extended into the dependency theory. The dependency theory had its origin in Prebisch's "centre-periphery" interpretation of the world economy. Writing as early as in the 1940s, Prebisch argued that LDCs were dependent on trade with the advanced countries, but they were vulnerable as their terms of trade in primary products declined secularly over time, thus transferring benefits from the poor periphery to the rich centre.[6] Therefore, he argued in support of protectionism by LDCs and adoption of an import substitution policy.

Prebisch's idea of an unequal sharing of benefits between the centre and the periphery was extended into a theory of dependency involving domination and economic exploitation by a Brazilian economist, Celso Furtado. In his thesis, Western consumption patterns were transplanted to the LDCs while national resources and access to technology were controlled by transnational corporations.

Perhaps the most influential of all dependency theorists was Andre Gunder Frank. According to his thesis, "it is capitalism, world and national, which produced underdevelopment in the past and which still generates underdevelopment in the present."[7] Frank's thesis is an elaboration of Lenin's theory of imperialism. "The metropolis expropriates economic surplus from its satellites and appropriates it for its own economic development. The satel-

lites remain underdeveloped for lack of access to their own surplus."[8] In contrast to Marx's theory that capitalism is a necessary historical stage of development of LDCs and Baran's thesis that capitalism is an obstacle to this process, Frank argued further that capitalism actually caused underdevelopment.[9] Economic development of the capitalist countries took place at the expense of the LDCs. Development and underdevelopment are the opposite faces of the same coin. Looking from a historical perspective, the history of the underdeveloped countries in the last five centuries is, in large part, the history of the consequences of European expansions. The automatic functioning of the international economy which Europe dominated first created underdevelopment and then hindered efforts to escape from it.[10] According to Frank, the dependency relationship reinforces the process of development in the increasingly dominant metropolis and underdevelopment in the ever more dependent satellites until this contradiction is resolved by the satellites breaking away and abandoning capitalism. The implication is clear. The only alternative to capitalist development for the LDCs is the socialist road.

Due to the historical fact that development has been confined to European capitalist and imperialist countries, the Marxist and the neo-Marxist ideas of development were accepted not only by communist countries but were also embraced, in one form or another and to a different degree, by African countries such as Tanzania, Ethiopia and Angola and Latin American countries. From the 1950s to 1970s, the dependency theory held sway in many Latin American countries, especially in intellectual circles. Asian countries like India also adopted the socialist five-year plan along the Soviet model. Common characteristics of the development strategies adopted by these countries include an emphasis on self sufficiency, trade protectionism, import substitution, control of foreign investments and restriction of private property rights.

Experience and Lessons

With the history of capitalist development and imperialism as background, the breakthrough of the Four Little Dragons as NICs has enormous historical significance. The lessons from the success of the Four Little Dragons for LDCs are far-reaching. They are made all the more poignant by the fact that no LDC following the socialist road to economic development over the last three decades has come anywhere near to success. The experience of the development of the Four Little Dragons directly contradicts and refutes the neo-Marxist thesis of dependency.

Colonial Heritage

The Four Little Dragons share some common experience in development. First, they are all either former colonies of imperialist powers or in the case of Hong Kong still a colony. Taiwan and South Korea were freed from the colonial rule of Japan only at the end of World War II. Singapore became independent (at first as part of Malaysia) from Britain later. According to the neo-Marxists, these are countries that were exploited or are still being exploited by the colonial powers. The experience of the Four Little Dragons shows that a colonial heritage, or indeed present colonial status, does not prevent them from economic development. Development of the capitalist West does not cause underdevelopment in the Four Little Dragons as hypothesised by Frank. On the other hand, the Four Little Dragons, being themselves victims of colonial rule, have not developed their economies by accumulating capital through exploiting and extracting surpluses from other LDCs. Moreover, as small countries (territories), the Four Little Dragons are unlikely to develop into imperialist powers in the future.

Open Economy

Second, all Four Little Dragons adopted outward-looking policies

of export-oriented growth. These are in sharp contrast to the inward-looking import substitution policies implemented by many LDCs, especially those in Latin America. It has been argued that the most important factor behind the success of the Four Little Dragons is their willingness to take risk by adopting export promotion policies in an uncertain international trading environment shadowed by protectionism.[11] Their risk-taking was awarded by greater international market shares at a time when other LDCs were engaged in their version of protectionism - import substitution.

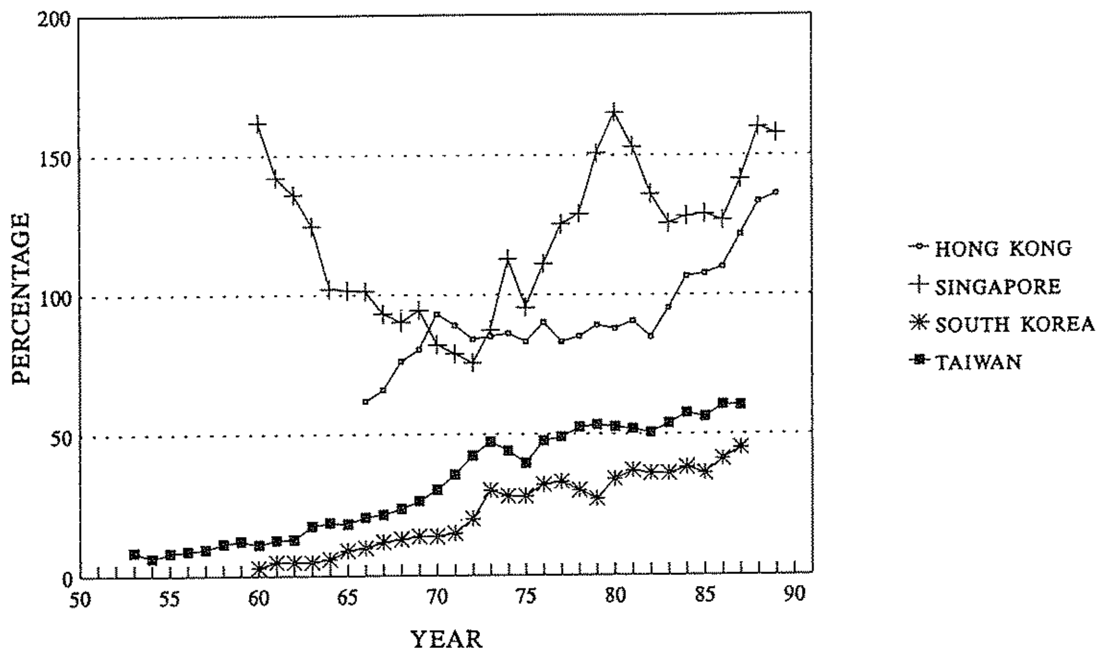
Import substitution policy emerges from a thesis that international trade generates inequality between the centre and the periphery, and strengthens the industrial countries whose cheap products ruin the traditional industries of the LDCs.[12] This thesis argues that while it is true that international trade has stimulated the production of primary products in the LDCs, due to inelastic demand and a secular decline in terms of trade, the LDCs are in fact impoverished by trade.[13] Import restrictions afford the means of at once creating the necessary demand for domestic industries and protect them from international competition until these infant industries become fully grown.[14]

By the 1960s, the problems of import substitution became obvious. The easy phase of import substitution had soon reached its limit in the practising countries, and its harmful effects became apparent. Import substitution deprived the countries of the dynamic benefits of international trade. Import licensing often encouraged domestic production of consumption goods rather than capital goods. In a necessarily small home market, domestic industries could not take advantage of economies of scale. What is worse is that they were sheltered by protection from international competition. When incentives for cost reduction and quality improvement were destroyed, high cost enterprises were created producing expensive products. Nascent industries became dependent on government decisions for their profits and so devoted their efforts to obtaining privileges by pressure on the government rather than cutting costs.[15]

By adopting an outward-looking and export-oriented policy, the Four Little Dragons have by necessity opened up their economies to a large extent to international trade and investment. Export industries have to be competitive internationally. To promote exports, raw materials and intermediate inputs have to be imported. Therefore, the domestic markets have to be open to imports. Of the Four Little Dragons, Hong Kong adopted a completely free trade policy. South Korea and Taiwan have selective protection policies for agriculture and some industrial products. However, their success in exporting and generating trade surplus creates pressure for a more open domestic market from the advanced countries suffering trade deficits. This has already happened so that, in due course, both countries will have to open their market further to imports. As for foreign investments, all Four Little Dragons are open to foreign investors with again Hong Kong and Singapore being the most open and placing the least restriction.

Figure 3 shows the trend of increasing openness of the economies of the Four Little Dragons over the last three decades. The degree of openness is measured by the export of goods and services as a percentage of GDP. The increasing trend of Hong Kong, Taiwan and South Korea over time is obvious. In the case of Singapore, there were reversals, but over the three decades the ratio stayed above 100% most of the time indicating that its economy has been very open. By late 1980s, the ratio of export to GDP is 130% for Hong Kong, 160% for Singapore, 60% for Taiwan and 45% for South Korea.[16] These ratios well exceed the ratios of 10-20% for the Latin American countries of Argentina, Brazil, Mexico and Peru. Under the influence of the import substitution policy, the ratio of export to GDP remained stagnant over time for many Latin American countries. In the case of Peru, the ratio actually fell from 24% in 1960 to 9% in 1987. Mexico is an exception as it experienced a steady increase in the ratio which rose to 17% in 1986, but it is still far below those of the Four Little

Figure 3 Export of Goods and Services As A % of GDP



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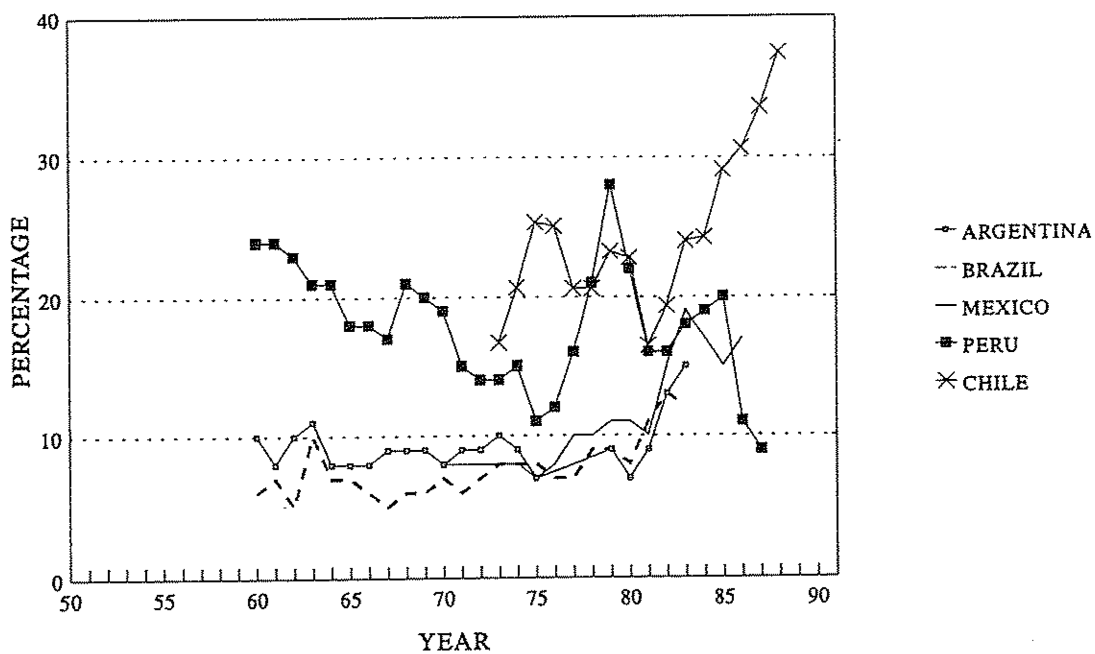


Dragons. Chile is by the far the most open Latin American country with a ratio that rose to 37% in 1988 (see Figure 4).

To summarise, export-oriented growth which is the key to the success of the Four Little Dragons requires openness to trade and foreign investment and full integration into the international capitalist economy. This road of development is precisely the one chastised by neo-Marxists as the road to dependency and underdevelopment as the result of unequal international exchange, control by transnational corporations and exploitation and extraction of surplus by the capitalist West.

Short Time Span

Thirdly, the catching up of the Four Little Dragons with the European industrialised countries has been accomplished through three decades of rapid growth which is a relative short period as far as time scale in economic development is concerned. Table 2 shows that by 1989 Hong Kong and Singapore had about the same GDP per capita as Ireland and Spain while Taiwan and South Korea were at about the same level as Greece, having surpassed Portugal.

Over the same period, none of the LDCs following the inward-looking or the socialist model of development has been able to match this achievement of sustained high growth, let alone catching up with the developed countries. Back in 1960 the GDP per capita of Taiwan and South Korea were about US$150, which were considerably lower than that of Peru (US$209) and less than half of that of Mexico (US$346). By 1989 their GDP per capita were about ten times that of Peru and more than double that of Mexico.

Lessons for LDCs

There are lessons for the LDCs that can be learned from this set of common experiences of the Four Little Dragons. These lessons may not be sharp or noticeable to the LDCs in the 1960s when many of them were pre-occupied with inward-looking import

substitution, protectionism, planning and neo-Marxist or socialist models of economic development. By the 1980s, the historical lessons for LDCs were amply clear. Colonial heritage or colonial status is not an obstacle to economic development. Economic development is not confined to colonial and imperialist powers or countries settled and developed by settlers from these powers. Capital accumulation through exploitation and extraction of surplus from backward countries by means of colonialism and imperialism is not essential to economic development. LDCs that do not or cannot dominate other countries have an alternative to the socialist road of development, namely the road followed by the Four Little Dragons which involves outward-looking, export-oriented growth, opening up the economy to trade and investment and greater integration with the international capitalist economy. Following this road, it is possible for the LDCs to catch up with some of the industrialised countries in as short a period as three decades.

Four Little Dragons As Models of Development

Whether the Four Little Dragons can serve as models of economic development for LDCs will depend on whether they can be emulated. In other words, it depends on whether the Four Little Dragons have factors that are unique to them which cannot be duplicated.

First, the Four Little Dragons are countries which are densely populated. They are endowed with little natural resources other than human resources. These characteristics are commonly shared by many LDCs.

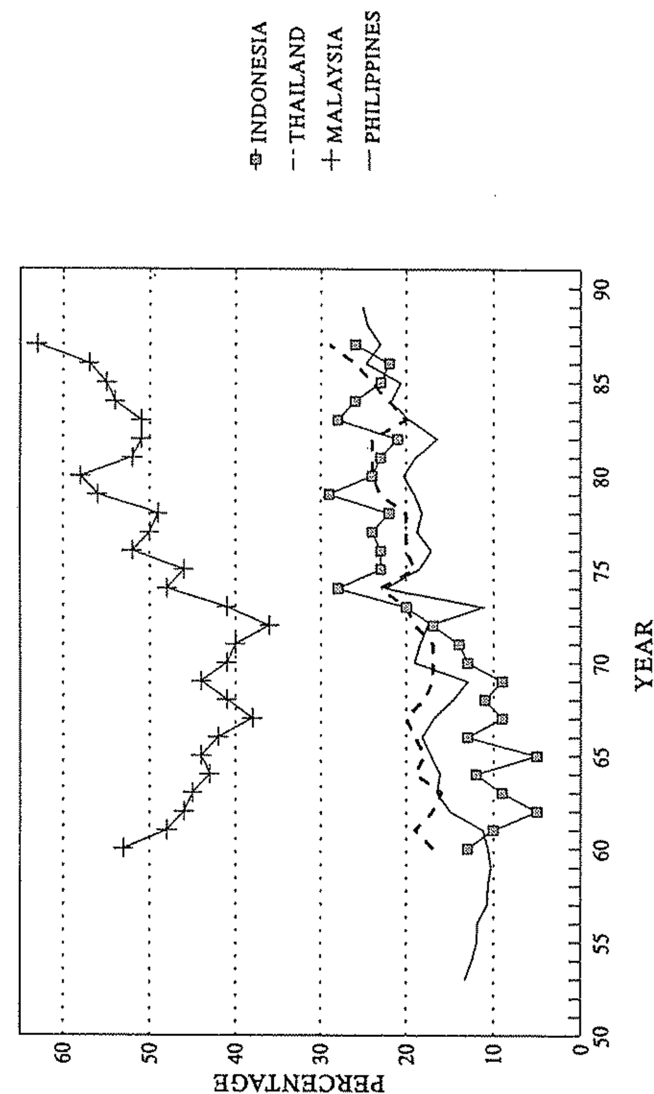
A more disturbing thesis that argues against emulation by other LDCs places emphasis on the importance of cultural factors on economic development. Kahn (1979) first argued that Confucian ethic was an important factor behind the success of the Four Little Dragons, all of which have a neo-Confucian culture. If Kahn's thesis is supported, the experience of the Four Little

Dragons will have little relevance to countries outside the neo-Confucian world. Critics of Kahn's thesis pointed out that economic development is a recent phenomenon in these countries although they have a neo-Confucian culture for centuries. When these countries were backward, scholars like Weber argued the opposite, that backwardness was because of Confucianism.[17]

Perhaps the strongest case against the uniqueness of Confucian ethic in bringing about export-oriented growth to the Four Little Dragons is empirical. Following the successful example of the Four Little Dragons, Malaysia, Thailand and Indonesia of the Asean-4 have been adopting the exported-oriented strategy. Their export to GDP ratios are rising over time as in the case of the Four Little Dragons (see Figure 5). In fact Malaysia has an export to GDP ratio of 63% which is higher than those of Taiwan and South Korea. Among the Asean-4, Malaysia and Thailand have been rather successful in sustaining high economic growth just like the Four Little Dragons (see Table 1). The per capita GDP in current US dollars of Malaysia (US$2,386) and Thailand (US$1,396) are only one-quarter to one-half of those of Taiwan and South Korea but they are substantially ahead of most LDCs. If they can sustain their high growth for another decade, one may classify them as the next generation of NICs, the fifth and the sixth dragons in the row. Malaysia is Islamic and Thailand is Buddhist in culture. Their culture bears little resemblance with the neo-Confucian culture. This suggests that given the right policies and the right incentive structure, people of different cultural background will engage in economic activities that will bring about development of their countries. Cultural factors are not critical to economic development. *Ipso facto*, difference in cultural background should not be the reason why the development of the Four Little Dragons cannot be emulated by LDCs.

Another view that questions the relevance of the development experience of the Four Little Dragons to all LDCs is based on trade pessimism. If all LDCs adopt export promotion strategies, will there be sufficient market demand for their manufactured

Figure 5 Export of Goods and Services As A % of GDP



products in the industrialised countries that will sustain their growth? It should be noted that, in the 1960s when the take-off of the Four Little Dragons began, there was also trade pessimists among development economists who regarded obstruction to the access to markets in the advanced countries by protectionism as the deciding factor against export-oriented growth. History afterwards proved that they were overly pessimistic. Increasing international trade tends to promote economic growth which expands the size of markets for imports. As long as the advanced countries continue to grow, they will buy more imports and the export markets for LDCs will expand. Moreover, the first generation of NICs, the Four Little Dragons, will soon be graduating and promoted to the class of advanced industrialised countries. In turn, they will offer sizeable markets for imports from the aspiring NICs. As long as the LDCs develop into NICs in phases and generations and not all at once, international demand for their manufactured exports should not be a problem.

The last point of concern is related to the previous one on trade pessimism. Is the experience of the Four Little Dragons relevant only to small open economies but not to large countries? Can a large country be as open as a small country? Is the world market large enough for a country with a large population to sustain high growth through export promotion? Here some empirical observations are relevant. Among the countries that are export-oriented in the group of Four Little Dragons and the Asean-4, South Korea has a population of 42.8 million, Thailand 57.2 million and the Philippines 60.1 million. These are medium-sized countries in population. With the exception of the Philippines which has been beset with problems of political stability, South Korea and Thailand have been very successful in adopting an export-oriented strategy towards development. Their export to GDP ratios are 45% and 29% respectively in 1987. Among these two groups of countries, Indonesia is a large country with a population of 179.1 million. It has an export to GDP ratio of 26% which means that its economy is quite open to trade. China, the largest country of all, has a population of 1.13 billion and a rather high export to GDP ratio of 31%. These figures seem to indicate that population size does not prevent a country from following the export-oriented strategy. While it may not be possible for large countries to be as open as small countries, like Singapore and Hong Kong which have export to GDP ratios of well over 100%, it is possible for them to attain a relatively high export to GDP ratio. The export markets complemented by a large domestic market will create the demand for manufactured products of these large countries that will sustain their industrialisation.

To summarise, there are no factors critical to their success which are unique to the Four Little Dragons that make emulation by other LDCs impossible.

Lessons for China

After decades of inward-looking autarky, China embarked upon a new path by adopting a reform and open door policy under the leadership of Deng Xiaoping in 1978, following a decade of chaos brought about by the Cultural Revolution. By this time the success of the Four Little Dragons was clear. Judging from statements by Deng on creating many Hong Kongs in China and developing Hainan Island into another Taiwan, the successful economic development of the Four Little Dragons, especially Hong Kong and Taiwan, must have had an impact on Deng's thinking. Recently in January 1992, when Deng toured Shenzhen and Zhuhai again after eight years, he repeated the theme of creating more Hong Kongs in China and developing the Pearl River Delta into the fifth little dragon. One can conclude the lessons of the development of the Four Little Dragons were critical to the decision of the Chinese leaders in their dramatic shift in policies in 1978.

The first lesson that China learned is to open up its economy to trade and investment. Initially, China proceeded gingerly towards opening up of its economy to trade and foreign invest-

ment by imposing restrictions and safeguards. After several waves of reform, trade and investment restrictions were liberalised. Very favourable terms are now offered to foreigners to entice them to invest and trade in the Special Economic Zones and the coastal provinces. The Chinese leaders have learned the lesson and abandoned the ideological position that foreign investors exploit and extract surplus from their investment.

When China opened up to trade, it did so at a dramatic speed. Table 3 shows that China's export of goods to GDP ratio increased rapidly from 10% in 1978 to 31.4% in 1990.

Table 3 China's Ratio of Export of Goods to GDP

Year	Ratio
1978	10.0
1979	11.4
1980	12.8
1981	15.4
1982	14.9
1983	14.8
1984	17.3
1985	24.2
1986	29.4
1987	27.3
1988	27.3
1989	26.1
1990	31.4

Sources: *Statistical Yearbook of China*, Beijing: State Statistical Bureau, various issues.

By 1990, measured in terms of the export to GDP ratio, China has a more export-oriented economy than countries like U.K. (26%), Germany (29%), Japan (11%) and Thailand (29%). Much of the rapid increase in exports is concentrated in Guangdong Province, particularly in the Pearl River Delta, and is related to

outward processing activities of Hong Kong manufacturers. Since 1978, Hong Kong manufacturers took advantage of the cheap labour and land in the Pearl River Delta by relocating their production facilities into China. It is estimated that, by 1990, 3 million workers in the Pearl River Delta region were employed in outward processing activities. Business negotiation, marketing, merchandising, design, research and development, financing and insurance continue to be done in Hong Kong. In these outward processing activities, raw materials and intermediate outputs are sourced from overseas and imported into the Pearl River Delta via Hong Kong. Manufactured products from the region are exported to overseas countries through Hong Kong after packaging and final processing in the territory. These activities have greatly boosted re-export trade between Hong Kong and China. Table 4 shows the remarkable annual growth rate of this re-export trade in the 1980s.

Table 4 Growth Rate in Hong Kong-China Re-export Trade

Year	Growth Rate %
1982	6.3
1983	26.9
1984	48.3
1985	26.1
1986	16.4
1987	49.2
1988	50.7
1989	25.8
1990	19.5

Source: Tang (1991).

Largely due to this re-export trade, Hong Kong and China become each other's largest trading partner. Table 5 shows the increasing importance of Hong Kong to China's international

trade. The figures show China's exports to Hong Kong as a percentage of China's total exports and her imports from Hong Kong as a percentage of her total imports. By 1990, 47.5% of China's exports are either to Hong Kong for final use or re-exported through Hong Kong, and 38.1% of all imports into China are from or through Hong Kong.

Table 5 Hong Kong-China Trade, 1966-1990

Year	China's Export to H.K. (Percentage of Total)	China's Imports From H.K. (Percentage of Total)
1966	20.5	0.5
1970	20.7	0.5
1975	19.0	0.5
1977	22.8	0.6
1979	22.3	2.5
1981	24.2	8.9
1983	26.5	11.8
1984	27.2	18.4
1985	28.5	18.6
1986	33.1	17.6
1987	37.4	26.1
1988	40.8	30.8
1989	46.5	31.8
1990	47.5	38.1

Sources: *Review of Overseas Trade*, Hong Kong: Census and Statistics Department, various issues.
Statistical Yearbook of China, Beijing: State Statistical Bureau, various issues.
Sung (1991).

One may conclude from these figures that the lesson of the Four Little Dragons, especially of Hong Kong, that the road to economic development is through export-oriented growth and greater openness, is well learned in China, at least among the reformers.

Another lesson that the Chinese leaders may have inferred

from the experience of the Four Little Dragons is that rapid economic development, at least in the initial stage, can proceed under authoritarian political control of the government. Singapore has always been under one-party rule. Until very recently, governments in Taiwan and South Korea were authoritarian and close to being dictatorial. Hong Kong does not have a democratic government either. The first direct election to the legislature was conducted only last year. The Chinese leaders must have been influenced by this observation when they opted for liberalisation of the economy and open-door policy while maintaining tight political control.

One lesson concerning the Four Little Dragons that the Chinese leaders have yet to learn or are unwilling to accept concerns private property rights. While the Four Little Dragons may not be models of democracy during the early phase of their take-off, private property rights have always been respected and protected by law. Their economies are premised on private property rights, and incentives associated with them are the force behind their efficiency and growth. In China, it is now clear that the most vibrant sector of the economy is the private sector. State-owned enterprises are in general inefficient, heavily in debt and unable to make profits. They lag farther and farther behind enterprises in the private sector. China's policy towards private property rights and state-owned enterprises will be critical to whether the Pearl River Delta or Guangdong will develop into a dragon in the next century.

Conclusion

Four little countries (territories) with a combined population of only 71 million have by their achievement shown a new road to development, a new road that took development economists by surprise, revised mainstream theory of economic development and discredited an entire school of the radical left. Through demonstration effect, they have caused a dramatic shift in

development policies in many LDCs in Latin America and Asia. Their success has influenced communist countries like China and Vietnam to open up their economies. One may even surmise that it may have an influence on the thinking of leaders in Eastern Europe in their great leap towards capitalism.

The development of the Four Little Dragons into NICs are historical events with historical significance. As long as they remain successful, they will continue to have a major impact on the history of economic development of the developing world.

Notes

1. The essential idea of this paper first appeared in an article on "The Historical Significance of the Economic Development of the Four Little Dragons in Asia," *Twenty First Century* No. 7 (October 1991):5-7 (in Chinese).
2. For a discussion of the belated recognition of the success of the Four Little Dragons, see Hicks (1989).
3. One of the export pessimists is Lewis (1980) who argued that, as developed countries slow down in growth, LDCs' growth will slow down as they have to rely on their markets. If developed countries cannot achieve 6% growth rate, LDCs will need increasingly to trade with one another and/or promote further import substitution. For a discussion of this point, see also Arndt (1987), Chapter 3.
4. See Baran, (1957).
5. *Ibid*, p.120.
6. See United Nations Economic Commission for Latin America (1949).
7. See Frank (1969), p.11.
8. *Ibid*, p.33.
9. For a discussion of the development of the dependency theory from Prebisch, Furtado to Frank, see Arndt (1987), Chapter 5.

10. See Griffin (1969), a historian of Latin America who shared a similar analysis of the history of Latin American development with Frank.
11. For a discussion of the factors behind the rapid growth of the Four Little Dragons, see Bhagwati (1984), James, Naya and Meier (1987), and Hicks (1989).
12. See Myrdal (1956).
13. The thesis on the secular decline in terms of trade of primary products is due to Prebisch (1949) and Singer (1949).
14. For views that support import restriction, see Myrdal (1956) and Hirschman (1958).
15. Among the critics of the import substitution policy are Power (1963), and Little, Scitovsky and Scott (1970).
16. The Singapore figure refers to export of goods only.
17. For a discussion of the critique of Kahn (1979), see Hicks (1989).

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四小龍的經濟發展：
可供發展中國家及中國參考的經驗

廖柏偉著

（中文摘要）

直至近年，經濟發展一直都局限於歐洲國家、歐洲人移居的國家和有帝國主義歷史的國家（如日本）。這歷史事實是新馬克思主義有關依賴及發展落後理論的經驗基礎。此理論曾影響非洲及拉丁美洲國家的發展策略。四小龍的成功反駁了此一理論，它們揭示了一條以出口帶動增長及和國際資本主義經濟整合為基礎的經濟發展道路。殖民地的傳統或地位並非經濟發展的障礙。通過殖民主義及帝國主義來剝削落後國家，榨取剩餘對經濟發展並非必要。發展中國家除了社會主義的發展道路外，另有導致成功的選擇，四小龍發展成為新興工業國家，對發展中世界的經濟發展史將有巨大影響，對發展中國家及中國的啟示是深刻的。