

OPPORTUNITIES FOR THIRD WORLD INDUSTRIALIZATION:DEPENDENCY
THEORY AND THE NEWLY INDUSTRIALIZING COUNTRIES

by

AMANELE FIDELIA IYOGUN

B.A, University of Ife, 1981.

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF ARTS

in

THE FACULTY OF GRADUATE STUDIES

Anthropology and Sociology

We accept this thesis as conforming
to the required standard

THE UNIVERSITY OF BRITISH COLUMBIA

October 1987

© Amanele Fidelia Iyogun, 1987

Permission has been granted to the National Library of Canada to microfilm this thesis and to lend or sell copies of the film.

The author (copyright owner) has reserved other publication rights, and neither the thesis nor extensive extracts from it may be printed or otherwise reproduced without his/her written permission.

L'autorisation a été accordée à la Bibliothèque nationale du Canada de microfilmer cette thèse et de prêter ou de vendre des exemplaires du film.

L'auteur (titulaire du droit d'auteur) se réserve les autres droits de publication; ni la thèse ni de longs extraits de celle-ci ne doivent être imprimés ou autrement reproduits sans son autorisation écrite.

ISBN 0-315-41954-7

In presenting this thesis in partial fulfilment of the requirements for an advanced degree at the University of British Columbia, I agree that the Library shall make it freely available for reference and study. I further agree that permission for extensive copying of this thesis for scholarly purposes may be granted by the head of my department or by his or her representatives. It is understood that copying or publication of this thesis for financial gain shall not be allowed without my written permission.

Department of SOCIOLOGY / ANTHROPOLOGY

The University of British Columbia
1956 Main Mall
Vancouver, Canada
V6T 1Y3

Date 2/11/87

ABSTRACT

This study is an exploration of dependency theory and the Newly Industrializing Countries (NICs). The issues which are addressed are threefold:

1. An exploration of dependency theory, especially the variant of it that is advocated by Frank, Amin and Wallerstein. These authors have constantly maintained that growth is not possible in the Third World as long as the region is integrated into the world capitalist economy. The NICs, particularly Taiwan and South Korea are testimonies that that assumption is not entirely valid because they are incorporated and have also witnessed impressive economic growth.
2. An examination of the debate over the character of the NICs. An analysis of Taiwan and South Korea shows that they have experienced considerable economic growth. However, there is limited transformation in the standard of life of the citizens.
3. The factors that are responsible for the economic growth of Taiwan and South Korea are hypothesized. These factors are both external and internal to these countries. They are (a) a strongly polarized international ideological atmosphere which made these countries client states of the United States of America, (b) an inflow of massive aid from the U.S to these states and (c) the presence of a strong state apparatus in these countries. The state institutions combined internal creativity with the opportunities provided by the international scene to initiate and implement good strategies for their industrial transformation.

The lessons other Third World countries can learn from Taiwan and South Korea is that East and West rivalry can create opportunities for strategic countries in

the region of conflict. But the internal dynamics of the countries have to be responsible for seizing the chance and for utilizing it well.

TABLE OF CONTENTS

ABSTRACT	ii
ACKNOWLEDGEMENT	vi
Chapter 1. INTRODUCTION	1
Chapter 2. DEPENDENCY THEORY AND THE NEWLY INDUSTRIALIZING COUNTRIES (NICs)	10
2.1. PROPONENTS OF DEPENDENCY THEORY	15
2.2. FRANK	21
2.2.1. FRANK ON UNDERDEVELOPMENT	21
2.2.2. FRANK ON DEPENDENT DEVELOPMENT	23
2.3. AMIN	29
2.3.1. AMIN ON SOCIAL FORMATIONS	30
2.3.2. AMIN ON THE UNEQUAL EXCHANGE	32
2.3.3. AMIN ON THE POSSIBILITY OF GROWTH	34
2.4. WALLERSTEIN	40
2.4.1. THE MODERN WORLD SYSTEM	41
Chapter 3. DEPENDENT DEVELOPMENT ARGUMENTS AND THE NICs	52
3.1. CRITICISMS OF DEPENDENCY THEORY	52
3.2. WARREN AND THIRD WORLD INDUSTRIALIZATION ...	55
3.3. ARE THE NICS DEVELOPING OR EXPERIENCING NEW DEPENDENCY?	60
Chapter 4. INDUSTRIAL TRANSFORMATION IN TAIWAN AND SOUTH KOREA	76
4.1. THE INTERNATIONAL FACTOR	78
4.1.1. THE U. S. MODES OF INTERVENTION IN TAIWAN AND SOUTH KOREA	83
4.2. INTERNAL DYNAMISM: THE STATE FACTOR	93
Chapter 5. CONCLUSION	103
Bibliography	107

List of Tables

Table 1: Some Basic Indicators of Selected NICs	12
Table 2: Annual Growth Rate of GDP per Capita (%) of Selected Countries — 1870-1975	13
Table 3: Historical Annual Growth Rate of GDP per Capita (%) of Selected NICs — 1950-1975	13
Table 4: Economic Indicators for Selected NICs: 1955, 1960, and 1977	62

ACKNOWLEDGEMENT

I am very grateful to my supervisor, Professor Pat Marchak who has been a great source of inspiration to me and who diligently guided me throughout the period of this study. I am also very grateful to the other members of my research committee, Professors Yunshik Chang and Tissa Fernando for their suggestions at various stages of the research. I would also like to thank Professor Martin Meissner whom I have worked with for the longest period. I have benefitted greatly from interacting with him. My thanks also go to Professor Neil Guppy for the various ways he has helped me. My appreciation to Sylvia Woodcock for the many hours of intellectual discussions we had over the years.

Finally my sons, Onnie and Odalo are a constant source of joy to me. That makes my studies easier. And to Paul I dedicate this work. If all partners were like him, every woman with one would be very successful.

CHAPTER 1. INTRODUCTION

Thesis Problem This study is a contribution to the debate on the current structural changes in the NICs. The main question which I intend to address is: What factors are responsible for the industrial success of two NICs, Taiwan and South Korea. My objective is to develop some working hypotheses to use for future work about the specific factors that have led to the impressive industrial and economic performance of Taiwan and South Korea. To this end, I intend to provide

1. critical analysis of the NICs
2. a critical review of the literature on dependency theory, as it relates to the possibility of growth in the Third World, including the NICs.
3. Attention will be paid to the particular processes by which Taiwan and South Korea have achieved growth where dependency theory suggests it is impossible.
4. Finally I will explore what the experiences of Taiwan and South Korea hold for other countries in the Third World, particularly Africa.

Industrialization of the Third World has become a central theme in development studies. A feature of this development is that the concepts of industrialization and development have become synonymous. It is almost an accepted notion that better conditions of living for a country's inhabitants come automatically with higher levels of industrialization. This view was propounded by Warren (1973). He and other variants of developmentalist thought have been criticized for equating improved industrial production with improved standards of living (McMichael, Petras and Rhodes, 1974).

On the one hand, it can be argued that non-imitative models of development like those propounded by Illich (1969), which argues that solutions to underdevelopment should be simple and original instead of trying to duplicate the West, are not popular among theoreticians and practitioners. The modest industrial performance of certain peripheral or Third World societies has, on the other hand, assumed prominence and attracted a sophisticated level of analysis in the social sciences.

The term **Third World** is not very useful theoretically or analytically (Chilcote, 1984).† The term is used loosely here to refer to the "vast community of independent nations, most recently emerged from the colonial era, to be found mainly in the lower latitudes" (Mountjoy, 13: 1978). This includes a diverse group of countries that are poor, less industrialized, technologically backward and politically unstable. Other acronyms are "less developed countries (LDCs)", "non-developed countries (NDCs)", "newly industrializing countries (NICs)", or "peripheral countries". The fact is that these countries, mainly located in Africa, Asia, and Latin America, are poor. Most of their inhabitants live in abject poverty relative to the rest of the world.

The indices for measuring development or lack of it are themselves modern standards that have been developed by the industrial countries, reflecting the advancement they have made. Therefore, it is against these achievements that the peripheral societies are compared. The standard indices include the Gross National Product (GNP) per head, the net per capita income, literacy rate,

† See Chilcote, 1984, p. 1-3, and Vogel and de Souza, 1979 for the historical and political origins of the concept of Third World).

amount of energy per head of the populace, and the Physical Quality of Life Index (PQLI) developed by Morris (1979). No matter which of these or other indices are used, there is a startling disparity between the developed and peripheral societies.

There are moral objectives in the study of Third World societies. Most people would like to see an end to poverty and the indignities to which the inhabitants of Third World countries are subjected. Besides, the study of those new nations has become of strategic importance to the powerful nations. Imperialism, colonization, the global nature of capitalism and global conflict (more specifically superpower conflicts) have made the Third World susceptible to the influence of other powers and the focus of foreign attention. It is often said the fear of the spread of communism or Marxist ideology in the Third World spurred Western governments, especially the United States, to encourage the boom in academic interest in those societies. This "extra-academic impetus" enabled the governments or their affiliations to harness social scientists' research studies for intelligence and military purposes in foreign policy formulations (Warwick and Osherson, 1973: 6)

Despite the political and ideological connotations, the essential issue still is the differential rate of advancement in different regions of the world. Social scientists have been primarily concerned with generating theories to explain the origin, features and solutions to global and regional disparities and among their findings is the perception that the gap between the rich and poor regions is a relatively recent phenomenon. Seers (1971: 15) notes that "while poverty is, of course, not

new

... these contrasts between rich and poor countries have only emerged very recently. In terms of the purchasing power of the U.S. Dollars in 1960, the average income in 1850 in the emerging industrial countries of the North Atlantic area was probably less than \$200, and although in other countries, the average was lower than today, the ratio between the average incomes of Western Europe and North America on the one hand, and the rest of the world, on the other, was then about two to one ... it is now more than ten to one."

Why this growing gap?

Attempts to answer this question have led to a major debate of this century. The positions of Marx and Weber on the origins of capitalist development are especially noted for setting the stage for the debate. However, decades of research and propositions have left the unsettling feeling that the answers are not more evident now than they were in the days of Marx and Weber. The area has been informed and illuminated by the work of Marx and Weber, and has tended to be polarized along the same theoretical orientation.

Theoretical shifts have occurred in development studies over the past decades. At first, Western social scientists sought to explain why capitalist development took place first in Europe and not anywhere else. In contrast, most Third World scholars pursued the same question from a different angle. They wanted to know why the Third World was backward and poor while Western Europe was advancing.

In recent years, a great deal of interest has been generated by a few Third World countries that seem to be breaking away from the agrarian and stagnant

industrial economies that typifies the region. These countries have been christened the "Newly Industrializing Countries" - henceforth referred to as the NICs. This group includes Brazil, Mexico, Singapore, Hong Kong, Malaysia, Taiwan, South Korea and Indonesia. As we shall see in the analysis of the NICs, these countries are characteristically different from other Third World countries in their on-going economic and social transformations. They have registered impressive growth rates since the 1960s and manufacturing has accounted for an increasing proportion of their Gross National Product since 1960.

The industrial performance of the NICS especially, the "four little tigers" of South Asia, i.e. Hong Kong, Singapore, South Korea, and Taiwan, has created some controversies in the field of development. The NICS have variously been depicted as tests or challenges to dependency theory, whose proponents maintain that industrialization is not possible in the Third World as long as the region operates in the world capitalist economy in which it is subordinated. The relationship between the Third World and the advanced industrial countries is one of exploitation which allows the latter to drain surplus value from the former, according to the theory. The industrialization of the NICs is thus seen by many (Warren, 1973, 1980, Barrett and Whyte, 1982; Palma, 1978; and Luedde-Neurath, 1980) as contradicting dependency theory. This view was also immediately attacked by those who view the NICS industrialization as temporary or truncated or a deepening of their dependent status. (See Frobels, Heinrichs and Kreyes, 1978, 1980; Emmanuel, 1974; Lipietz, 1978; Beinefeld, 1980).

Beyond what type of industrialization is taking place in the NICS, writers have also been exploring factors that have led to the superior performance of the NICS, within the Third World community. Within dependency theory and beyond, they have looked at such factors as the role of the state. (Amsden, 1985; Evans, 1986; Barrett and Whyte, 1982). Class development or the role of the bourgeoisie, (Veltmeyer, 1978), and the role of foreign aid (Jacoby, 1966).

Argument

1. From the literature it is evident that the NICs are structurally different from other peripheral countries, mainly because of their accelerated growth rates in the past two decades. It is also apparent that impressive increases in the GNP has not translated into a significant increase in the standard of living for the inhabitants of these countries and they cannot be placed among the core group of countries. In other words, NICs are neither typically peripheral nor are they advanced developed countries. They are semi-peripheral in status, (Wallerstein, 1974).
2. My findings contradict dependency theory on the possibility of growth in the Third World. Dependency theory has established the exploitative nature of world capitalism on the peripheral countries. It does however underestimate the circumstances in which major concessions can be made to peripheral societies. In the case of Taiwan and South Korea, strategic ideological reasons have permitted them a larger room to manoeuvre in the world economy.
3. Taiwan and South Korea share similar historical experiences and both are

making the biggest gains in transforming their economies into technologically sophisticated industrial enclaves. The reasons the two countries have achieved their industrial successes are both historical and contemporary and can be attributed to circumstances both internal and external to the countries.

In concrete terms, my hypothesis about the factors which have influenced the industrial growth of Taiwan and South Korea are as follows:

Strong military oligarchies in Taiwan and South Korea maximized an inflow of external capital in the form of aid in an international environment polarized by sharp ideological struggles, to establish the countries' current industrial achievements. I have identified three main factors responsible for the industrial growth of Taiwan and South Korea. These are :

- a. a sharp ideological polarization in both the immediate environment of the countries as well as the larger international scene.
- b. high amounts of foreign capital in the form of aid.
- c. a strong military government present in each country.

Relevance of Problem

Any change in any part of the world has repercussions for the whole world. Third World industrialization is tied to the global attempt to resolve conflicts and ensure human survival. Theoretically it provides an occasion to reexamine our assumptions about the state of global welfare and the future of those countries that are still unable to advance on the road to industrialization. Critical

examination of the NICs helps to strengthen our theories and general knowledge of the state of development in a global context. The analysis of the structural conditions that affected the NICs is particularly relevant for the bulk of the Third World. While the aim is not prescriptions for industrialization, policy statements can be generated from it.

Therefore, part of this thesis will address the question of what other poor countries, especially Africa's, can learn from the experience of the NICs of the this discussion.

Research Methodology

The nature of this thesis makes it imperative for me to rely on documented data. There is an extensive literature on dependency theory as well as on the NICs. I shall therefore do a library research. I will use materials from books, articles and recorded tapes. I will also utilize international organization reports. Specifically, data collected by the World Bank and other United Nations agencies shall be particularly useful as statistical data on the characteristics of the NICs. Professional journals will be an added source of information. I will consult professors and students who have any expertise on aspects of dependency theory, and Asian industrialization.

One problem that I envisage with this research is the difficulty in locating and selecting the most appropriate pieces of information. I will have to sort through many sources in order to pick the more relevant literature for my purpose.

The shortcoming of library research is that the materials may be a little outdated because of the duration between when they were collected and what is actually happening now. Besides, any mistake in the original source of literature is carried through. The author's mistakes and biases are likely to become mine.

Limitations of the Study.

The literature and issues involved in Third World development are numerous and diverse. Also, so much has been written about dependency theory and the NICs, that any attempt here to assess the literature on both is at best selective. This study is therefore not a comprehensive analysis of the central issues. What I hope to achieve is to establish an argument in the form of a tentative hypothesis about the processes by which two particular NICs, Taiwan and South Korea have achieved their industrialization. This can be seen as a basis for future work in the area.

CHAPTER 2. DEPENDENCY THEORY AND THE NEWLY INDUSTRIALIZING COUNTRIES (NICS)

Which are the newly industrializing countries? These are a heterogeneous group of countries that have experienced progressive industrial growth in the past three decades. Various sources provide different definitions and include different groups. The Organization for Economic Cooperation and Development (OECD) has ten members on its list. It omits India from the list and includes the European countries: Spain, Greece and Portugal. These European countries are not included in my analysis as the focus is the "Third World." The members that are consistently so listed, and those that have received the most attention are, however, the South Asian NICs, especially Taiwan, South Korea, Hong Kong, and Singapore.

According to the OECD (1979: 47), the NICs can be distinguished from non-oil developing countries by their outward looking growth policies as a means of promoting rapid industrialization. They also have enlarged their export market share as well as the domestic market. They attract foreign investment and as a result, have accelerated the diffusion of advanced technology in the manufacturing sector. But the NICs are characteristically different from one another on major non-economic parameters. For example, some are very small in size; Singapore is populated by 2.5 million people; Hong Kong by 5.4 million. Mexico, on the other hand, has a population of 76.8 million, Brazil 132.6 million and India 749.2 million (see Table 1). Hong Kong and Singapore are city-states with very small land area (one thousand square kilometers), and massive natural seaport facilities. The South Asian NICs have limited agricultural and mineral resources. Latin

American NICs are endowed with extensive land areas and great natural resources (minerals and agricultural).

By major standard indicators the NICs are the intermediate group between the advanced industrial countries and the low income countries. To discern the status of the NICs, I have sought historical statistics which allow us to make comparative conclusions on the progress that has occurred in both current NICs and non-NICs. Table 2 shows statistical documents dating back to 1870. Taiwan, one of the leading NICs today, registers one of the lowest growth rates of GDP per capita between 1913 and 1950; 0.7 percent. Ghana, one of the poorest countries in the world today, had a higher growth rate of GDP per capita, 1.2 percent. By 1975 Taiwan's GDP had increased to 5.3 percent and Ghana's GDP had declined to 0.7 percent. Brazil, Mexico and Malaysia also experienced growth, but modest compared to Taiwan.

In another instance, we can trace the growth of another South Asian NIC. South Korea, according to Table 3, had a growth rate of GDP per capita of 2.6 percent between 1950 and 1960. India and Mexico had slightly lower figures of 2.3 percent and 2.4 percent, respectively. Malaysia and Brazil had higher growth rates; so did Taiwan and Hong Kong. As the second column on the table shows, major changes had occurred by the end of the following decade, 1960 to 1970. While South Korea experienced a growth rate 6.4 percent, Brazil declined to 2.3 percent and India 1.4 percent.

Certain conclusions can be drawn from the foregoing.

Table 1: Some Basic Indicators of Selected NICs

Indicator	Malaysia	Brazil	Hong Kong	India	South Korea	Mexico	Singapore	Taiwan
Population - mid 1984 (million) ¹	15.3	132.6	5.4	749.2	40.1	78.6	2.5	16.0 ¹
Average Annual Growth Rate - 1960-80 ² (%)	4.3	5.1	6.8	1.4	7.0	2.6	7.5	5.3 ¹
Literacy Rate - Age 15 years and over ³ (%)	53	66	77	52	88	74	NA	85
Life Expectancy at Birth - 1984 ⁴ (years)	69	64	76	56	68	66	72	NA
PQLI 1970 ⁴	67	68	86	50	82	73	NA	86

¹World Bank Report, 1986, p. 181

²World Bank Report, 1982, p. 777

³Morawetz, D., 1977, p. 15, Figures for 1950 to 1975

⁴Morris, D.M., 1979, pp. 75, 131-132

Table 2: Annual Growth Rate of GDP per Capita (%)
of Selected Countries — 1870-1975

Country	1870-1913	1913-50	1950-75
Brazil	NA	2.4	3.7
Taiwan	NA	0.7	5.3
Ghana	NA	1.2	0.7
India	0.7	0.2	1.5
Malaysia	NA	2.2	2.6
Mexico	1.2	1.2	2.7

Source: Morawetz, D., 1977, p. 14

Table 3: Historical Annual Growth Rate of GDP per
Capita (%) of Selected NICs — 1950-1975

Country	1950-60	1960-70	1970-75	1950-75
India	2.3	1.4	-0.4	1.5
Taiwan	4.8	5.9	5.8	5.3
Hong Kong	3.6	7.6	4.2	5.0
South Korea	2.6	6.4	8.3	5.1
Malaysia	2.8	3.9	4.3	2.6
Singapore	NA	6.2	7.3	NA
Brazil	3.1	2.3	6.8	3.7
Mexico	2.4	3.7	2.2	2.7

Source: Morawetz, D. 1977, pp. 78-79

1. Some countries are developing in the Third World as evidenced in the NICs. The NICs were no better than other colonies at the turn of the century. In fact, some were more backward than the now perpetual non-developing countries.
2. Among the NICs, some countries are growing faster than others. According to the data on Tables 2 and 3, the Latin American and some Asian NICs have undulating, inconsistent growth rates. Only the four NICs from South Asia have had the most consistent growth rates.
3. Accelerated growth rates in the fastest growing NICs seem to be correlated with certain social, political and historical events in the region. As can be ascertained from these tables and from other historical sources, tangible growths began to occur in the South Asian NICs, especially Taiwan and South Korea, after very specific historical events; the post Second World War decade, the decades following the Chinese Revolution, and the Korean War.

It is precisely these historical events that created an atmosphere of extreme ideological hostility in the regions around these countries and beyond. This situation invited superpower attention, especially that of the United States of America, which gave huge amounts of aid in the form of cash and materials to these countries. The third factor that was present was a strong military state apparatus in both countries. The state machinery put the situation to good use and the result in both cases is an impressive industrial development based on manufacturing.

The industrialization of Taiwan and South Korea as well as the other NICs do not seem to impress dependency theorists much, not because they do not see the statistics such as the GNP per capita of the NICs but because these countries are still subordinated in the World economy. Dependency theory has tended to dismiss industrialization in the NICs as temporary and truncated. In order to understand this view of the NICs, one needs to understand the conceptual basis of dependency thinking. Concepts like "dependency", "development" and "the relationship between advanced industrial countries and the rest of the world" need to be explored before one can appreciate the position of dependency theory about the NICs.

2.1. PROPONENTS OF DEPENDENCY THEORY

The emergence of the dependency theory marks a major paradigmatic shift in the analysis of change and development in nations and states. According to Kuhn (1962) scientific knowledge is not cumulative as proposed by positivism. Rather, scientific knowledge is revolutionary in nature, because each theory is replaced by another that is essentially incompatible with the former. For the last two decades (1965-1985) that revolution seems to have taken place in the sociology of development. Dependency theory was everything that modernization theory was not.

Modernization theory is essentially a neo-classical economic approach to development. It is an approach that places the factors of economic progress squarely on the shoulders of individuals and national units. Its units of analysis are thus individuals and nations. Rostow (1960), specified a structural approach

to development and modernization of nations. In his evolutionary view countries have to pass through progressive developmental stages in the development process. McClelland (1963, 1967), on the other hand proposed a psychological approach which claimed that the psychological make-up of a people is responsible for the country's ability to achieve modernity. Therefore, nations that succeed in transforming their economies and social institutions have people who are highly motivated. Those that fail to do so are inhabited by indolent people. Rostow and McClelland are representatives of the two approaches in the modernization school of thought. Dependency theory was the alternative theory that grew in reaction to modernization theory, (Palma 1978; Booth, 1981; Chirot and Hall, 1982).

The major problem with modernization theory is that it ignores the role of the international scene in which all countries must operate in the twentieth century. For example, it has become clear that the environment in which Britain developed had a different effect on a Colonizer as compared with the colonies. The twentieth century international system is even more complicated. One meaning of this is that the influence of this system is different from that of previous ones. Britain and its former colonies still do not have the same status in the present system. Britain is a dominant member while its former colonies are subordinate members. The two enjoy unequal privileges in the system. This is the point that the United Nations Economic Commission for Latin America (ECLA) recognized in the late 1950s.

The ECLA discovered among other things that the international structural arrangements in which most Latin American countries produce agricultural

commodities in exchange for manufactured goods from the industrial centres, was unfair to Latin America, the primary produce exporter. That started the critical examination of the relationship of the developed and the underdeveloped countries in the contemporary international system.

The ECLA like other international organizations had adopted the remedies formulated by the world community based on the views of modernization theory. Palma (1981:550-55) says that the disillusion of the ECLA administrators like Raul Prebisch led to a reaction which gave rise to an alternative theorizing on the origins and features of Third World backwardness.

Dependency theory has dominated development studies for the past two decades, overtaking modernization theory. As a theory that grew in response to the theoretical inadequacies of its predecessor, dependency theory tends to focus on the features of the international world system which either impels or impedes development in different regions of the world. Some brands of the theory have thus been criticized for having a one-dimensional approach — too much emphasis on exogeneous factors — in contrast to modernization theory which focused on only endogeneous factors.

To explore the literature on dependency theory, I shall isolate the works of three major scholars, Frank, Amin and Wallerstein, for a critical review. Particular attention will be paid to their (a) reconstruction of the origins of development and underdevelopment and (b) assessment of the transformations taking place in the NICs. These writers are selected for extensive analysis because of their well

articulated position on the "impossibility of growth" in the Third World thesis.

Dependency theory is diverse. According to Browett (1985: 790) "no unified theory of dependency commands universal assent; indeed, there is not even agreement as to whether or not separate dependency theories exist or can ever exist." For example, Booth (1985: 762-763) seems to argue that the earlier dependency formulations from Latin America as represented by Cardoso and Sunkel, and Quijano had a different conceptual theme from that found in the works of Frank, Amin,, and Wallerstein. The former group emphasized the patterns of "deteriorating income distribution," social regionalization and authoritarian politics', the role of multinationals, inappropriate technology "and "cultural alienation," in Latin America.

The latter group is characterized by a strong emphasis on structural underdevelopment in which dependency means an inextricable situation of lack of growth. Their definition also recognizes the dominant versus subordinated feature of the world economic order. Clarity is given to this orientation by the following definition of dependency:

By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more countries, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-starting, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development.

(Dos Santos 1970: 232)

Frank, Amin, and Wallerstein also differ on some grounds. That is why each will be discussed separately here. However, they are representative of the dependency paradigm at the basic level of theoretical originality. What is common to all dependency theorists is their contention that the backward nature of some countries, (the periphery countries) — is the result of their association with other countries. A relationship by which the core countries benefited led to development for them but underdevelopment for the periphery countries. The backwardness or underdevelopment of the countries in Latin America, Asia, and Africa, and the development of the core countries in Western Europe and North America are both different results of the same structural relationship, the world capitalist system.

What are the defining characteristics of development in the dependency theory? Certainly development is not to be equated with increases in the GNP per capita or "by ethnocentrically defined characteristics of modernization, but by the attainment of economic sovereignty and meeting of culturally determined needs for all persons." (Browett, 1979: 100). Dependent countries, by virtue of their reliance or incorporation into a capitalist system which dictates the structure of their economies, cannot be developed at the same time. Dependency and development are, therefore, contradictory concepts in the dependency theory. Of course, there are many arguments against this view. But even at a definitional level, one can argue that since there is interdependence in the world, no country can actually claim to be totally independent, and no country can also claim to be developed. That being so, a possible way out is to conceive of dependency and development in defined and well specified degrees, so that we know the

particular nature or degree of dependency that will be contradictory to development. As the NICS have shown and as I shall demonstrate, dependent economies can be developed. However, there is general agreement that the concept of development espoused by dependency theorists is much more encompassing and appropriate than that previously advocated by modernization theorists.

Portes (1976: 56) has summarized definitions of development which are appropriate for the purpose of this review.

1. "Economic transformation, in the direction of sustained and rapid increases in the national product and the conquest of "decision centers" in manufacturing, which give the country a measure of autonomy for guiding its future growth." (Furtado 1964).
2. "Social transformation, in the direction of a more egalitarian distribution of income and widespread access of the population to "social goods" such as education, health services, adequate housing, recreational facilities, and participation in political decision making." (Weiner 1966).
3. "Cultural transformation, in the direction of reaffirmation of national identity and traditions. Emergence, in the elites and masses alike, of a new self image which dispel feelings of second rate nationality and external subordination." (Lagos-Matus 1963).

These three parameters seem unattainable for a periphery country, but they are a process of change that has emerged from the developed countries. One can say they are the basic parameters on which the metropolises claim their superior

positions in the modern world.

2.2. FRANK

Frank is one of the leading exponents of the dependency perspective. His views are going to be discussed under two main headings or areas here. 1. The development of underdevelopment. 2. The possibility of development in the periphery, which also includes his analysis of the NICS. These two areas are complementary since his position on the origin of underdevelopment provides the theoretical basis for his arguments on development of whatever sort.

2.2.1. FRANK ON UNDERDEVELOPMENT

The first major shift in the theoretical argument about development is Frank's idea that development in the West and underdevelopment (or backwardness) in the periphery are both different results of the same structure: the world capitalist system. According to Frank (1966: 21), both developed and non developed countries should be studied together, as it is the relationship of the two groups which produced their different characteristic features i.e. development and underdevelopment. The colonies of Africa, Asia, and Latin America entered into a state of underdevelopment as a result of exploitation by their colonial and imperial masters. Frank contends that

the metropolis expropriates economic surplus from its satellites and appropriates it for its own economic development. The satellites remain underdeveloped for lack of access to their own surplus and as a consequence of the same polarization and exploitative contradictions which the metropolis introduces and maintain in the satellites domestic economic structure — Both (development and underdevelopment) are the necessary result and contemporary manifestations in the internal contradictions in the world capitalist system — One and the same historical process of the expansion and development of capitalism

through the world has simultaneously generated — and continues to generate both economic development and structural underdevelopment (Frank, 1969: 19).

The mechanisms for the exploitation of the colonies were to be found in the economic activities which were imposed on the periphery. The imperialists initiated and coerced the colonies into agricultural production that satisfied the needs of the European centres. The terms of trade were usually more favourable to the Europeans. Accordingly,

the secular excess of the undeveloped countries exports over imports has through this period (colonial rule) made fundamental contributions to the accumulation of capital, technological progress and economic development of the now developed countries; and the generation of this export surplus from the now underdeveloped countries has there developed the mode of production which underdeveloped Asia, Africa, and Latin America. (Frank 1979: 172).

Frank's focus is on the exchange relationship between the metropolis and the satellites. This unequal exchange as it has become known, was not fully explicated by Frank. Emmanuel (1974), and Amin (1976), have since provided a more comprehensive formulation of the appropriation of surpluses from the periphery through the unequal exchange.

Frank makes a distinction between undeveloped areas and underdeveloped ones. He defines the two concepts by way of comparing the now developed and the underdeveloped areas. He contends that the now industrial and developed countries were never underdeveloped, though they could have been undeveloped at some point in their history. On the contrary, the now underdeveloped countries were also undeveloped, until they entered into this unequal market relationship

with the Europeans (Frank 1969). The character of underdevelopment, as I can understand from this argument is that of weakness and subordination to the social and economic forces of a world capitalist system.

The contradictions of metropolis/satellite polarization is the major theme underlying Frank's analysis of the development of underdevelopment in the periphery and development in the metropolis. He variously shows how it is that both development and undevelopment are two sides of the same coin, i.e. the world capitalist system. In other words, there cannot be development for a few, without an accompanying underdevelopment of many others. This is a well known contradiction of capitalism. Frank believes that if external monopoly exploits and underdevelops an area, conversely a withdrawal from such a relationship will lead to economic progress for a former satellite. And as stated above, if incorporation of an area changes its status from undeveloped to underdeveloped one, then, it follows that non-incorporation or withdrawal will produce a progressive alternative to the area.

2.2.2. FRANK ON DEPENDENT DEVELOPMENT

One major aspect of Frank's formulation of the theory of development and underdevelopment is that which denies that growth in the periphery can be achieved within the world capitalist system. The conceptual nature of his theory makes the two states (i.e. development and underdevelopment) a zero-sum situation; one cannot be present without the other. Therefore given the state of dependency of peripheral societies in the world system or capitalism, growth cannot be achieved.

For Frank there simply is no possibility of nondependent, autocentric, self-generating or self-perpetuating capitalist development in the periphery; and hence, underdevelopment in the periphery will only be eliminated by its liberation from capitalism. (Browett 1985: 791).

Frank explicates his assumptions of the limitations put on the growth of incorporated peripheral areas through the following hypotheses.

1. "That, in contrast to the development of the world metropolis which is no one's satellite, the development of the national and other subordinate metropolis is limited by their satellite status." (Frank 1966: 23).
2. "The satellites experience their greatest economic development and especially their most classically capitalist industrial development if and when their ties to their metropolis are weakest."

Here Frank illustrates this point by showing that some parts of Latin America experienced great development during the Napoleonic War and the two world Wars, times of weak ties to the metropolis. In addition, he argues that areas that were loosely tied to the metropolis also showed "the most promising self-generating economic development of the classical industrial capitalist type." Furthermore, he contends that areas that were not incorporated or not satellized like Japan experience a development pattern that was not "structurally limited as did the countries that were so satellized." (1966: 24-25).

Growth in the periphery according to Frank can only occur in the absence of close ties with the centre. The conclusion from this is that peripheral societies should break away from the capitalist network of world accumulation. They should adopt socialism.

There are problems with this conclusion. The first is the recognition that there is no socialist mode of production as yet in the world. As many of Frank's colleagues have shown, the socialist economic structure is subsumed under the capitalist world economy. Wallerstein (1981) has argued that the Soviet economy is not socialist and it is probably impossible to have a socialist economic structure that will not be dominated or altered by the powerful capitalist world economy. Therefore, it is misleading to suggest that peripheral countries should adopt socialism, when socialist countries are themselves involved in the world capitalist system of accumulation.

Secondly, it has become apparent that the peripheral countries that have adopted socialism have not fared better than those that have been incorporated into the world economy. This is not to say that in theory, socialist countries are incapable of transforming their economy as much or better than the capitalist countries. But the realities of the world system seem to lean to the advantage of the "fully incorporated" capitalist countries. The fact that there is no socialist or delineated country in the NICs itself is proof of the advantages the world capitalist system bestows on its own. Of course there are those who, like Foster-Carter (1985), argue that some of the NICs are actually "delinked" in as much as they protect their internal markets from penetration by foreign imports and only encourage their exports to the world market.

There is no doubt that the NICs have posed the greatest threat to Frank's position on the possibility of transformation in the periphery. In reviewing the trend in the NICs, his argument has not been altered. He continues to maintain

that growth is not possible in the periphery with strong ties to the centre and that what is happening in the NICs is not growth. While conceding that the NICs have experienced increases in their GNP per capita as well as in manufacturing, those indicators do not translate into self-sustaining growth and increases in culturally defined needs of the people.

Frank and dependency theory have been short on explaining why the NICs are experiencing their growth. The attempt to attribute it to the crisis of accumulation in the centre is at best superficial. There is no scheme to explicate the underlying factors responsible for (a) the internationalization of capital to only certain periphery countries and (b) why some of these countries experience higher growths than others. What Frank has done most is to explicate the type of growth in the NICs. In his recent study on these developments in the NICs and the Third World, Frank (1981) focuses on what he calls the "superexploitation in the Third World." He characterizes the NICs or export-promoting countries such as South Korea as places where the ordinary citizen is now subjected to many faces of capitalist superexploitation. Particularly, he documents the huge increase in foreign debts and the balance of payments of these countries (p. 132-156) and the conditions of the worker. These countries, he argues, have intensified exploitation of women and children; the length of the work week is longest especially in South Korea. There is also underpayment of wages and salaries (p. 156-157). He also noted the rampant political repression of the regimes in these export-promoting countries (p. 188-229).

"Superexploitation is the appropriation by capital of so many of the fruits of the workers' labor that the workers cannot maintain

themselves or reproduce their labor power. In each major crisis of accumulation, capital has resorted to increased exploitation and superexploitation somewhere in the world. In the present crisis exploitation and superexploitation are spreading through the Third World as industry and agriculture are extending the daily and weekly working hours, intensifying the work place — with a resultant increase in industrial accidents — and lowering the rates of pay. In some Third World export-promoting countries, most notably South Korea, weekly working hours are twice as long as in the industrial countries of the West, and annual working time is 50 percent higher. Capital's literal exhaustion of workers, particularly young women, is rendered possible by rapid rotation: workers whose productivity declines are rapidly replaced by a new supply of virgin workers. Wage rates in the South are as low as one-tenth of those in the West, although labour productivity is often nearly equal and sometimes higher in equivalent productive activities in the Third World. These cost differentials help to stem the decline of profits during the world economic crisis. (Frank, 1981: 157)

There are many criticisms against Frank on the situation in the NICs. In particular, it is noted that he cannot account for the change in underdeveloped areas because of the conceptual problematics of his theory of underdevelopment. Browett (1985: 791) relates Frank's dilemma.

Frank tends to assume, in contrast to Marx, that capitalism will always act to accentuate existing differentials in levels of development between core and periphery. ... The constant deepening of the consistently unequal and asymmetrical metropole-satellite interrelationships of dominance and dependence derives from Frank's belief in historical continuity in change so that basic structure remains intact despite apparent transformation.... As such, Frank's conceptualization is trapped in a static and ahistorical problematic insofar that it is not able to account for changes in the structure and nature of dependent underdevelopment (of which the emergence of the NICs is a part).

Frank can also be faulted for only comparing the NICs with the advanced industrial countries instead of relating their performance to other Third World countries that are not in the group of NICs. In comparing NICs with the

industrial countries, Frank is doing what Marx did in the 19th Century in industrial Europe: analyze the conditions of the workers in view of the total surplus created. In other words, the concern is with what would have accrued to the workers in the absence of capital expropriation of the surplus value. Thus, while Marx conceptualized exploitation, Frank uses superexploitation for contemporary Third World industrialization. He says that

Capitalism has always involved exploitation. What distinguishes the contemporary process of capital accumulation is its increasing superexploitation of labor in the Third World. In other words, capital is now appropriating more than the surplus value produced by labour beyond the wages received for sustenance and reproduction of labor power; it is appropriating also part of the consumption fund workers need to survive, that is to sustain and reproduce labor power. The "forcible reduction of wages below this value ... [which] transforms, within certain limits, the labourer's necessary consumption fund into a fund for the accumulation of capital" [he quotes Marx], we may call superexploitation. (1981: 159)

Frank's critique of the export-promoting countries or NICs is valid insofar as it relates to the nature of capitalism. It is, however, inadequate when used as part of a theory of change. Historical experience shows the changes that occurred in Europe after industrialization. Yet Marx's documentation of the conditions of the proletariat did not negate the changes that were happening in the whole system. Therefore, Frank's analysis though relevant in showing the type of change occurring in the NICs, especially as it relates to the accumulation of surplus value, should also make allowance for the admittance of the fact of change and should proceed to explore why these changes have occurred and how other periphery countries can benefit from it.

2.3. AMIN

The starting point for Amin is to define his concept of territoriality and relative autonomy of different societies. He argues that there are no independent nations; that what we have are social formations.

A social formation is a concrete structure which on the one hand combines modes of production and on the other hand, organizes relations between societies, expressed in the existence of long-distance trade relations (Amin, 1976: 16, 1972: 500-507 for another definition).

Modes of production and exchange are imbedded in Amin's definitions of a social formation.

Whereas there were various modes of production in precapitalist societies, the capitalist mode of production is dominant in contemporary industrial areas. For him, this is the true capitalism which Marx analyzed so well. The contemporary periphery, on the other hand, is not recreating "pure" capitalism; it is experiencing distorted capitalism or marginalization. Marginalization is the analysis of periphery formations, which is peculiar to the periphery (Amin, 1976: 363). For this reason, Amin contends that the capitalist mode of production analysis is not a sufficient theoretical approach to the understanding of peripheral exploitation. The mode of production, he argues, necessarily confines one to look at the contradictions of capitalism as it operates between the bourgeoisie and the proletariat of each country in isolation from the rest of the world. Rather, he suggests that one looks at the contradictions in terms of world bourgeoisie and world proletariat. If this is done, the capitalist mode of production frame of reference becomes inappropriate; the systems of capitalist formations, reflected in

the division of centre and periphery becomes the framework for an analysis (Amin, 1976: 360).

Amin adopts a world system perspective in which the world is divided into two: bourgeois (centre) and proletariat (periphery) nations that are engaged in a relationship of unequal exchanges. He says

the centre and the periphery both belong to the same system. To understand this set of related phenomena, one should, therefore, not reason in terms of nations as if the latter constitute independent entities, but in terms of a world system (a world context for the class struggle), possessing strong links and weak links which are the points of maximum contradictions ... the controversy relating to the questions of unequal exchange concerns the main problem of our day. Since the relations between the centre and the periphery of the systems are relations of domination, unequal relations resulting in a transfer of value from periphery to the centre, should not the world system be analyzed in terms of bourgeois nations and proletariat nations ... (Amin 1976: 358-359).

2.3.1. AMIN ON SOCIAL FORMATIONS

In the centre, pure capitalism is identifiable together with a dominant capitalist mode of production. There are two main classes, bourgeois and proletariat. The economies of the developed countries are homogeneous between one sector and another. Amin (1974, 1976) provides extensive arguments for the transition from precapitalist formation to capitalism in the centre. The essential features are (a) the proletarianization of the peasants resulting from the disintegration of feudalism in Europe and (b) the accumulation of profit throughout the monopoly structure of long-distance trade by European merchants. The earlier long-distance trading monopolies did not result in major transformations until it was accompanied by the proletarianization of peasants. The wealth that was accumulated

created potential capital for furthering the capitalist accumulation process.

The economies of the periphery are unlike that of the centre in that it is not autocentric (selfsustaining or internally generated). In the periphery, the production of consumer goods have no corresponding relationship with the production of capital goods (i.e., no objective relationship between Marx's departments I and II). The periphery, though still a capitalist social formation, nevertheless has other modes of production. However, the capitalist mode of production dominates, determining the reproductive laws of the system, obeying the internationalized capitalist mode of accumulation and carrying as well as transmitting political and social ideologies of the dominant class. The periphery's economies are disarticulated, with little internal exchanges and a high propensity to produce for export. Disarticulation prevents any one of the sectors of the economy from having a mobilizing effect on the rest of the economy.

The periphery is underdeveloped. According to Amin this situation is characterized by three structural features: "(1) unevenness of productivity as between sectors, (2) disarticulation of the economic system and (3) domination from the outside ..." (Amin 1974: 15). Dependence on outside domination results from external trade which entails unequal exchange and the export of primary products and the import of manufactured goods. The periphery also experiences commercial dependence on foreign investments which direct the flow of profits back to the financing centres.

2.3.2. AMIN ON THE UNEQUAL EXCHANGE

One of the major theoretical constituents of Amin's dependency theory is the notion of unequal exchange in the international nature of accumulation. Together with Emmanuel (1972) Amin has moved beyond merely stating the case that the centre exploits the periphery through trade, to attempts to demonstrate how the system actually operates to benefit one society while impoverishing the other.

Amin (1972, 1974, 1976) espouses the dependentist view that development of the advanced countries was at the expense of the periphery. The beginning of the relationship (development and underdevelopment) should be found in the international exchange of goods. The internal structure of each social formation is responsible for the function of that society — the functions being to arrange the modes of production and to establish trading and exchange activities with other societies. This necessarily involves an understanding of the class struggle within the social formation. Thus, the modes of production, especially the dominant one will ensure what is produced and how it is produced. The merchant class conducts the exchange with other societies.

How is this exchange unequal? According to Amin (1976: 138-149), there is international mobility of goods and capital. Assuming that wages are identical, exchange can only take place because productivities of the different partners are different. Productivities are different either because: (1) there are different "natural" potentialities (e.g., climate, soil, etc.), and (2) there are different "organic compositions, reflecting unevenness in the development of capitalism" (e.g., unequal wages) (Emmanuel 1972: 150). In this scenario, exchange of goods

is unequal because it involves the exchange of goods with unequal cost of production. For example, as a result of unequal productivity and unequal wages, it may cost country A \$10 to produce a product that costs country B \$20 to produce. When these items are exchanged, value is transferred from country B to A.

In another instance, unequal exchange and thus international transfer of value from the periphery occurs because of the low wages in the periphery. Amin (pp. 142-144) insists that most exports from the periphery are no longer purely agricultural goods requiring low capital intensive equipment. Rather, modern sectors using industrial capital imported from the advanced countries are producing for export in the periphery. In this case, one can assume that the organic composition of capital is comparable in both areas, production techniques and productivity of the export sector of the periphery are comparable to the advanced countries. Yet, wages differ substantially in this sector in the two groups of countries. When the products are exchanged at the international market, value is transferred away from the periphery to the centre. Amin argues that since commodities are international in nature, the same quantity of labour used in the different parts of the world system gives rise to a single world value. Therefore, since the periphery is receiving lower values for its labour, it generates more surplus value. In other words, if the labour power in country A receives higher wages than the labour power in country B, and they both create the same value per day for items in the world market, then the labour in country B is generating more surplus value. This surplus value is exported and the country does not have access to it. Even for agricultural goods, Amin insists

the same process of loss of surplus value occurs. For after all, how does one compare tea, sugar, coffee, cocoa, produced in the periphery with manufactured goods.

Amin estimates that periphery exports of \$9 billion is actually worth \$23 billion, therefore transferring value of up to \$14 billion to the centre, which is much more than all the "aid" that comes back to the periphery from the centre (p. 144).

There are other instances of loss of value by the periphery. For instance, when the rate of profit falls at the centre, as a result of increases in wages for labour or depressed markets, capital imports labour from the periphery at a lower wage, in order to depress the labour market at the centre. Sometimes, this import can be substantial. Amin (1976: 362) calls this a form of the hidden transfer of value from the periphery to the centre "since the periphery has borne the cost of training this labour force."

2.3.3. AMIN ON THE POSSIBILITY OF GROWTH

In Amin's scheme, the fate of the Third World countries continues to be determined by the world capitalist system. In the past, present and future, this system operates to impoverish the periphery; "So long as an underdeveloped country continues to be integrated in the world market, it remains helpless ... the possibility of local accumulation are nil" (Amin 1974: 13). This conclusion is too rigid and even ambiguous. The development of the NICs is a good case of a periphery integrated in the world market and one whose successful accumulation

process has been aided by the same world system. What does Amin have to say about the NICs?

On the one hand, Amin dismisses any analysis of the NICs as superficial. Amin's disagreement on the NICs can first of all be located at the point of definition of what is periphery and NIC. Since Amin construes the periphery to be singular, undifferentiated, there is no method for classifying those countries in the periphery that are making progress. He considers any classification of the periphery into groups including the NICs superficial (Amin 1976: 167). As Smith (1983: 78) has rightly noted, regarding the periphery (and the centre) as undifferentiated blocs is as unhelpful as it is misleading.

Significant differences among less developed countries can take political or economic forms; examples (include) differences between oil-exporting economies, newly industrializing countries, countries with a significant industrial sector based upon the domestic market, exporters of non-oil primary commodities, etc. It cannot be seriously sustained that all these groups of economies face a single, monolithic structure of imperialism, and that none of them have any freedom of manoeuvre in relation to imperialism."

The NICs cannot simply be dismissed as having only the appearance of development while having "no real conjunctural phenomena of their own, even transmitted from outside, because they are without any internal dynamism of their own" (Amin, 1976: 279). The economic growth of the NICs is the envy of the rest of the periphery, and some countries in the centre!

The difficulty Amin has in coming to grips with the NICs stems from his "impossibility" orientation. For like Frank, Amin advocates a unity between development in the centre with underdevelopment in the periphery, a situation

which leads him to conclude that

the contemporary imperialist system is also a system of centralization of the surplus on the world scale ... characterized by the acceleration of accumulation and by the development of production forces in the centre of the system, while in the periphery these latter are held back and deformed (Amin, 1980: 252).

Consequently, "complete autonomous capitalism is impossible in the periphery. The socialist break is objectively necessary there" (Amin, 1980: 131). The rigidity of Amin's position is underscored by his insistence that the "door to the establishment of new capitalist centre (in the periphery) is henceforth closed while the era of the stages of the socialist revolution is opened" (Amin, 1980: 114). These statements made in the 1980s are not true reflections of contemporary evidence of declining growth rates in the centre and massive increases in the NICs.

Amin and dependency theory do not offer a realistic prescription for the periphery. Their position lacks a well formulated strategy for economic transformation in the periphery. If they understand the world system so well, they should be able to locate areas of weakness that the periphery can exploit to the latter's advantage. In recent history this is what some of the NICs have done best, without necessarily going public with it. Meanwhile, the call for a socialist revolution is also flippant because it does not take into account the internal class and economic resource bases of periphery countries. For instance, in Tanzania, the political will has been argued to have existed, while the economic exigencies have militated against a socialist break. In other words, it is not enough to encourage periphery countries to make a complete break from the

world capitalist system. A complete break itself is not possible but the appearance of autonomy usually invites the wrath of the mighty powers. Strategies of survival by delinked countries in a highly polarized ideological international context in which capitalism dominates must be an integral part of that recommendation.

There may be few success stories like Cuba and China of socialist development strategies but there are other attempts that have failed precisely because they could not withstand the direct interference of some powerful industrial countries. And of these "successes" it is arguable to what extent they are actually "delinked" or less incorporated in the world economy. For example, is Cuba more autarkik than Taiwan? It seems the difference between them is only in the relations of production. In Taiwan, the state, individuals (local and international) appropriate surplus value from labour. In Cuba, it is less so. The state is more involved in the appropriation of surplus value, on behalf of the masses. Therefore the emphasis should be on the relations of production. What does dependency theory recommend for countries like Nicaragua? Can it hold-off the United States' destabilizing efforts for long? What about China? How do we account for the reforms and what appears now to be an apparent and deliberate invitation to be reincorporated into the world capitalist systems?

The other aspect of the NICs which Amin has emphasized is the internal social and political climates of the very successful NICs. He views any argument which uses these examples of successful industrialization in the Third World as lacking a holistic analysis. According to him only historical materialism is capable of

providing a holistic analysis; while other methods are economistic and quantitative (1980: 241). This position or evaluation by Amin is in keeping with the definition of development in the dependency school. So it is not surprising that Amin acknowledges the enormous progress in industrial output made by the South Asian NICs, for example. But he counteracts by pointing out the limits imposed by their subordinate position in the world system. The result according to him, is that these countries' balance of payments have remained vulnerable, their agricultural sectors neglected and they lose the benefits of their exports because of the transfer of profits to the centres. The more successful NICs are "even more dependent than they were twenty years ago" (Amin, 1976: 213).

Amin does not see any positive development in the NICs. The new international division of labour, in which "runaway industries" with origins in Japan, Britain, Germany and the United States, are installed in the NICs, he argues, underlies the truncated nature of dependent development. Consequently, in the NICs, this type of industrialization "engenders a semiaristocracy of labor lacks any technical advancement of the labour force, leads to a degeneration of the national culture and forbids any formation of a bourgeoisie of national entrepreneurs" (Amin, 1976: 212-214). Some of these criticisms are relevant to the NICs in the 1980s while many have been rendered outdated. As I have shown elsewhere in the analysis of the character of the NICs, some of the initial criticisms have been altered.

The problem with Amin's and dependency-theorists' view of the NICs is that they tend to overgeneralize. Furthermore, the permanence of the status of

periphery society in dependency analysis, naturally leads to lack of flexibility in formulating theories of periphery development. It can be expected that a national bourgeoisie of entrepreneurs will emerge in a country that has witnessed three decades of constant growth like South Korea and Taiwan. These countries have also improved their technology, both in the areas of research and development. Whatever is or was the level of inequality in the NIC, it is reasonable to expect that change towards better distribution and allocations of rewards and services to regions and citizens of the countries is possible. The literature on the NICs precisely confirms this.

Meanwhile, Amin also notes that the spatial location of industries in the periphery is concentrated in very particular countries. But his concern is that

the very fact that they (the industries) are concentrated in a few underdeveloped countries rules out the possibility of this being a development that could be extended to all the countries of the Third World (Amin, 1976: 213).

Once again, Amin is proposing the impossibility thesis. This proposition is not helpful in understanding Third World development. Rather, if dependency theory had taken time to understand and make explicit the structural determinants of economic growth in the NICs, then a conclusion like Amin's could be justified. We need to specify the conditions that led to the concentration of this growth in a few periphery countries. Then we have to look at the non-NICs and see if they lack these conditions and how else they can develop strategies for the attainment of favourable economic transformation. Dependency theory has not been able to provide the useful framework for Third World transformations. And as long as it clings to the positions that growth is not possible in the periphery in

the modern world capitalist system it cannot.

2.4. WALLERSTEIN

The World System theory of Wallerstein is similar to dependency theory. The two are concurrently used interchangeably to depict the neo-Marxist structuralist approach to development studies. Wallerstein's World System is arguably different to the extent that it is the North American popularized version of dependency theory, prompting some North American world system theorists themselves to point out the irony involved;

to understand dependency theory and to know its literature is to hold a firm grasp of its latterday little Yankee brother. Of course cultural imperialism being what it is, the world system theorists from the North are now being used by Southern dependency theorists to legitimize their ideas. No more ironic illustration could exist, of core domination and use of peripheral resources. The periphery can now reimport the product it originally exported, and leave behind a surplus of cultural prestige and strength in the core (Chirot and Hall, 1982: 90).

However, it seems to me that world system theory is more vigorous in its emphasis on an all encompassing world view. According to Wallerstein,

a world system is a social system, one that has boundaries, structures, member groups, rules of legitimization and coherence. Its life is made up of conflicting forces which hold it together by tensions and tear it apart as each group seeks eternally to remove it to its advantage ... one can define its structures as being at different times strong or weak in terms of the internal logic of its function (Wallerstein, 1974: 374).

This social system is the capitalist world economy. Wallerstein puts the beginning of the modern capitalist system in the sixteenth century. Subsequently, all social, political and economic events have their origin in this system and should thus be

explained through the framework for analysis provided by the system.

Nations states and other geographical regions of the world are themselves features of the unit — the World System. To study these features, Wallerstein suggests that we look at the relationship between the World System Unit and the particular smaller unit of it, as these features do not mean much in themselves. Studying nations and areas of the world does not seem to have much value for Wallerstein's purpose other than that such an endeavour contributes to the attainment of the whole — the modern world system.

Many social scientists are heading the call for a world view in the social sciences. Researchers in some of the major universities in the United States of America, including Stanford, have applied the world system unit of analysis in the study of modern social structures (see Bergesen, 1980; Chase-Dunn, 1975; Meyer and Hannan, 1979). From his station at the State University of New York, Binghamton, Wallerstein heads the Ferdinand Braudel Centre for the Study of Economics, Historical Systems and Civilization, which with its own journal, *The Review*, continues to turn out global studies on the modern world system.

2.4.1. THE MODERN WORLD SYSTEM

Wallerstein, in what amounts to a brave intellectual undertaking, has demonstrated the historical construct of the modern world system since the sixteenth century. His world economy is based on a geographically differentiated division of labour characterized by three zones — core, semi-periphery, and periphery, instead of the two used by traditional dependency theorists. The

underlying theme is the same though, that is, that development in the West and underdevelopment in the periphery are the result of the capitalist system.

CORE: In the first volume of the Modern World System series (Wallerstein, 1974: Chapters 1-5), Wallerstein chronicles the origin of Western European Capitalist system. In his view, the major difference between pre-sixteenth century capitalist endeavours and mercantile activities from the sixteenth century is found in the difference between world empires and world economy. The world empires are the social structures of pre-sixteenth century Europe. The world empires disintegrated because they were politically united. The surplus they accumulated from their trading and political activities in their occupied territories, were not sufficient to maintain the non-productive upper classes, and the administration of the hinterlands, which were parts of the single political system. The economic benefits from the exploitation of the hinterlands was less than the cost of the bureaucracy.

The world economy on the other hand exists when many political units are linked together economically. The modern economy is market oriented. The capitalists or merchants in Europe were mobile and free to appropriate surplus without political pressure from their rulers. In fact, when merchants were constrained by a political unit (e.g., excessive taxation) they moved their stations to different locations. Unlike world empires which obtained tributaries and redistributed surpluses, the world economy enabled political units to gain economic strength because they did not squander their surplus to maintain order in the system as a whole. The result is that such units that did not maintain elaborate

administrations used their resources to develop strong state apparatus which were used to further defend its mercantile interests everywhere.

The regions that helped its merchants to prosper in the market became strong, industrial, and dominant in the ensuing world economy. They became the core nations. The lead they gained enabled them to exploit a division of labour and their market potentials, which further strengthened their position. Thus, they developed strong flourishing manufacturing, technologically progressive agriculture, skilled and well-paid labour and high investments.

PERIPHERY: If Western Europe became economically and politically bouyant why was Eastern Europe backward? For Wallerstein, the regions with slight disadvantages became even more disadvantaged through their inclusion in the emerging and expanding world economy. The weaker areas which bacame the markets for the core, he calls periphery. He says that the

world economies then are divided into core states and peripheral areas. I do not say peripheral states because one characteristic of a peripheral area is that the indigenous state is weak, ranging from non-existent (that is a colonial situation) to one with a low degree of autonomy (that is a neo-colonial situation) (Wallerstein, 1974: 349).

The reasons for persistent backwardness in the periphery are exogeneous in Wallerstein's account, and the different rates of progress of countries in the periphery are attributed to differences in the interaction of each periphery area with the world system. This is similar to Frank's hypothesis i.e., areas with strong links with the core were the most backward.

In his discussion of the relationship between the core and the periphery, Wallerstein (1974: 301-344) suggests that there were few important differences in the social organizations of Western and Eastern Europe before the sixteenth century. The two areas, however, developed in opposing directions. They became united in an unequal economic arrangement in which Eastern Europe became a colonial economy to the West. Russia, which was not drawn into the capitalist exchange as early as Poland, developed a strong state and relatively autonomous economy. It entered the world economy as a semi-periphery, eventually moving into the league of the core nations. Meanwhile Poland, initially more advanced than Russia, was more accessible to Western markets. It became peripheralized. It became a major cereal producer for the West. In short, Poland became an area with economic and political stagnation because of its early inclusion in the world economy.

The periphery is crucial to the development of the core. This, Wallerstein is able to assert through an elaborate re-reading and reconstruction of the vast historical materials provided by notable researchers and specialized schools and centres. Wallerstein describes the periphery as areas drawn into the new European division of labour— a geographical division whereby the periphery produced cash crops while the core used the cash crops as raw materials to manufacture goods which were resold to the periphery. It was a division of labour in which the core developed skilled labour and the periphery used "coerced cash crop labourers" (Wallerstein, 1974: 91). This relationship impoverished the periphery.

Why the periphery areas were weak in the first place, and why they (Eastern

Europe for example) did not develop those social structures that helped the West to impose an economic order on them, are among the basic questions that Wallerstein has not adequately answered.

A major attack on Wallerstein is that his theory is not a convincing explanation for the evolution and expansion of capitalism. In his now famous critique of Frank and Wallerstein, Brenner (1977) accused them of reversing the cause of dependence in the periphery. He insisted that Poland was not backward because it was a peripheral or dependent nation. The reverse was the case. Poland was dependent because it was already backward. Brenner's critique of Wallerstein is a central part of the so-called mode of production debate, which I will address in a general critique of dependency theory. For our purpose here, the critics of Wallerstein state that internal technological advances led to agrarian transformations, which made rapid economic development possible in England. They also point to historical evidence that showed both ecological and demographic imbalances in the European countries of Wallerstein's analysis. For example, Poland is known to have been sparsely populated with poor soils and backward agricultural technology (Anderson, 1974; Brenner, 1977).

If the above challenges the theoretical adequacy of the World Systems analysis, there were many others who reacted strongly against Wallerstein's methods. Among the well-known is Skocpol's argument that Wallerstein is teleological in his methodological choice.

Repeatedly he (Wallerstein) argues that things at a certain time and place had to be a certain way in order to bring about later states of development that accord (or seem to accord) with what his system

model of the world capitalist economy requires or predicts. And when the historical evidence appears consistent with his construct, he uses the evidence without much explanation. If the evidence diverges, he either ignores it or explains it away as an "accident" (Skocpol, 1977: 1088-1089).

SEMI-PERIPHERY: The creation of a middle zone of periphery areas is considered to be one of the most original of Wallerstein's theoretical concepts. The semi-periphery is also specifically relevant to this study which deals with the nature of the transformation of the NICs in the Modern World System. The semi-periphery areas

are in between the core and the periphery on a series of dimensions such as the complexity of economic activities, strength of machinery, cultural integrity, etc. Some of those areas had been core areas of earlier versions of a given world economy. Some had been peripheral areas that were later promoted, so to speak, as a result of the changing geopolitics of an expanding world economy (Wallerstein, 1974: 349).

These countries compete for core status.

The semi-periphery is not static, according to Wallerstein. Some core area in previous world economies declined to semi-peripheral status in the modern world economy. For example, Spain and Northern Italy (Venice) were the first semi-peripheries. Spain declined in the sixteenth century for several reasons: (a) strong state machinery, (b) over expenditure on the bureaucracy, and (c) demographic factors (e.g., emmigration to America, military deaths, famine, and plagues in 1559-1600). As she declined, she dragged Northern Italy with her (Wallerstein, 1974: 196). Other peripheral areas have moved to the status of semi-periphery (Brazil, South Africa in the late twentieth century).

The semi-periphery is important to the world systems model. It is likened to the present day middle class. It acts as a buffer between the core and the periphery. Wallerstein (1974: 69) argues that the capitalist world systems needs a semi-peripheral sector for both political and politico-economic reasons. He gives the impression that the semi-periphery was created deliberately and mechanically by the world system, to form a middle sector which helps the system to survive or avert conflict. This middle sector sees itself as better than the periphery, thus preventing cohesion. It does not usually sympathize with the concerns of the periphery. This situation can be described as "class fragmentation." It is not only plausible but contemporary events do show the buffer role of middle countries like the NICs.

A description of the semi-periphery is, however, not useful without a conceptual understanding of the dynamics of movement within the world system. For example, what are the criteria for movement from periphery to semi-periphery and then to core status? This question has largely remained unanswered by dependency theorists. Wallerstein does make an effort in this direction. Besides providing insights on how the present sectors of the trimodal world system attained their status, he has actually attempted to analyze the contemporary situation in the Third World in terms of those countries that are able to move, usually from the peripheral status to a semi-peripheral status. His attempt, though a superficial categorization (because it did not detail the processes involved), has relevance to the NICs of the present day.

Wallerstein spelt out his thoughts on possibilities for transformation in the

periphery in an appropriately titled paper: *Dependence in an Interdependent World: The Limited Possibilities of Transformation Within the Capitalist World Economy* (1974b). He concedes the possibility of transformation in the current system but he quickly qualifies that by admitting only limited transformation. He recommends socialism for the Third World, and proposes that the current world system will collapse, to be replaced by a world socialist order (Wallerstein, 1979). It would seem from his views on the semi-peripheral states that a reformist semi-periphery is better than a stagnant periphery.

The possible strategies to economic transformation in the periphery are basically three in Wallerstein's outline (Wallerstein, 1974b: 9-15).

1. The strategy of "seizing" the chance. This occurs during world market contractions, when price levels of exports from the periphery decline at a faster rate than the price level of technological advanced industrial exports from the core. This usually means that peripheral states have problems with their balance of payments, internal high unemployment rates, and a reduction in state income. One solution is the adoption of an import substitution policy. Thus, the peripheral state "seizes the chance" provided by the decline in the world market by aggressive state action. The limit to this type of development is that the peripheral state can become technologically dependent because of massive importation of machinery from the core. In agreeing with Dos Santos (1971: 737), Wallerstein notes that only a few relatively strong peripheral states with a small industrial base already in existence can "seize the chance."
2. Strategy of Promotion by Invitation: This is fostered by foreign owned

multinational corporate investment in certain peripheral countries.

The whole system of direct investment across frontiers grew in part because of the flowering of infant industry protectionism and in part because of some political limitations to growth of enterprises in core countries (such as anti-trust legislation) (Wallerstein, 1974b: 13).

The weak status of periphery states means that they do not pose much threat to the activities of these corporations. One observes that very few countries are being promoted through this model. What are the other criteria that are considered in the selection of peripheral states for multinational investment?

Even Wallenstein agrees that such promotions of peripheral states to semi-peripheral ones is done with: (1) the collaboration of external economic and political capitalists, (2) in moments of expansion of the world market, rather than contraction, (3) available to countries with less prior industrial development and (4) readily sacrificed concessions by the core. Since many countries vie for these positions of multinational investment, what is the selection process. To my mind, capital does not move at random in search of location. Some peripheral states are clearly preferred over others, not just because labour is cheap or because the state is weak, but also because of ideological reasons; they are preferred by the core states which encourage their firms to relocate capital to such areas. Taiwan and South Korea certainly provide clear examples of such client states whose patrons have been active in directing the relationship of these Third World states and the international world economy. This is the issue that I shall pursue

in a subsequent chapter.

3. The third strategy proposed by Wallerstein is that of self-reliance. According to Wallerstein, Tanzania's Ujama or socialism is the current example in the Third World; it has not only survived but it is a showcase that self-reliance is an alternative road of transformation. Tanzania of the late 1980s must be different from the Tanzania Wallerstein wrote about in 1974. Tanzania today has almost capitulated to the demands and constraints imposed by the international economic market on peripheral primary producers, that hope to pursue a self-reliance program of development. As a primary producer, it has witnessed progressive deterioration in the value of its exports because it has no control over primary commodity pricing. Secondly, it has not attracted enough sympathy with its position because of its strategy of self-reliance. Self-reliance is meaningless when the international context dictates the amount of revenue a country can earn on its products. The price of primary products fluctuates far more than the price of manufactured goods--making national planning difficult. As a result of Tanzania's situation not many or any African country wants to emulate it. Arguably some countries applaud the effort but are unwilling to tolerate the slow pace of transformation and more importantly and more severe, the international condemnation and discouragement which Tanzania has had to bear over the decades. Most countries, I think, will rather go by the ways of "seize the chance" and "promotion by invitation", even if that means a new type of dependency.

The strength of Wallerstein's work is in establishing the notion of a unified

global system, a system of unequal exchange, one in which the Third World has to wait its time out. By accident or by design, the Third World is locked into a position of weakness with very limited room for maneuvering.

Wallerstein has often been criticized for neglecting the internal dynamics of nations in analyzing the whole. This is not entirely true. For example, he agrees that depending on the internal class alliance and strength of the state, a peripheral society could seize an opportunity in the world economy to pursue goals that will aid it in its economic goals. Or it may not. The role of the state is not discounted in Wallerstein's perspective. The issue is that dependency theorists give priority to exogeneous forces, while others prefer the endogenous dynamics of nation states, such as the mode of production.

CHAPTER 3. DEPENDENT DEVELOPMENT ARGUMENTS AND THE NICS

Dependency theory and the world system approach have been the dominant paradigm for the past two decades. The school has survived despite some strong reactions against it at its inception. Why? The theory established the interconnectedness of both development and underdevelopment, though some theorists like Frank and Amin, sometimes over-emphasize this point, by insisting that the current systems will forever remain as it is. But "the attractiveness of dependency approach", according to Friedmann and Wayne (1977:400) "stems from the fact that it represents an advance over the earlier models..." These writers and many others have been quick to point out the weaknesses of dependency theory.

3.1. CRITICISMS OF DEPENDENCY THEORY

The major criticisms against dependency theory have come from scholars in the Marxist tradition. The famous mode of production debate is the culmination of exchanges between Marxists and neo-Marxists. Dependency theory and its neo-Marxist proponents are accused of misunderstanding and misinterpreting Marx's writings on capitalist development, by giving precedence to market forces. For many Marxists, the mode of production is the main determining factor in capitalist development. As Veltmeyer (1978: 56) notes, Marx himself set up the lines of argument when he states that "the system of exchange (the structure of distribution) is entirely determined by the structure of production" (A Contribution to the Critique of Political Economy p. 200). Marxists uphold this line of thinking but even those who subscribe to the general dependency approach still disagree that exchange relations are more important than production relations.

Probably the most vocal oppositions have come from Kay (1975), Laclau (1971) and Brenner (1977). In a systematic critique of Frank, Wallerstein, and what he calls neo-Smithian Marxism, Brenner maintains the primacy of class relations and the capitalist mode of production in economic development. In his scheme, the origin of surplus wealth is tied in with the development of the productivity of labour, which is in turn a function of the division of labour in the Smithian sense. Markets, he says, have existed for centuries but the critical element in the development of capitalism is the commodification of labour, which altered class relations substantially. Labour as another market commodity provided an opportunity for capital to extract relative surplus value, whereas in feudal systems, landlords were only interested in extracting absolute surplus value (increasing the amount of time spent in production). The new relations also necessitated progressive innovations in production which led to increased relative surplus of goods, which were exchanged in the markets. The profits from the market exchange were reinvested to increase productivity. In short, there was production innovation (capitalist mode of production) before the market relations. Therefore capitalist development in Europe owed its origin to this production technique. The backward areas remained poorer because they failed to adopt the capitalist mode of production, not because they engaged in market relations with Europe.

Laclau and Kay made the same points. In his critique of Frank, Laclau disagrees with Frank's classification of Latin America as capitalist and as having had a long standing market economy. Rather, he suggests that there were and still are substantial elements of feudalism in the region. The region is backward

because it was not fully incorporated into the capitalist mode of production, not the reverse. And Kay (1975: x) puts it bluntly "capital created underdevelopment not because it exploited the underdeveloped world but because it did not exploit it enough". This view is rather extreme and very controversial because Kay's analysis based on the labour theory of value does not explain why areas that were "exploited enough" did not fare better than those that were not. Capital exploited India more than Japan. Yet the two have grown differently. In comparing the relative incorporation of Japan and China, Moulder (1977), supports the view that Japan was able to create an autocentric (self-starting and self-sustaining) development because of its isolation from the world economy before the Meiji restoration. Critics do not agree on whether incorporation impels or impedes the economy of the periphery.

From other critiques, similar questions have been posed to dependency theorists. For example, Friedmann and Wayne (1977: 408-409) maintain that an analysis of the relations of production is essential to an understanding of the ability of capitalism to draw foreign people and regions into the capitalist mode of production role. And Veltmeyer (1978: 56) says that there are conceptual ambiguities in dependency theory because market relations are not specific to capitalism and for implying that "a people can free itself from the rule of capital, and thus regain control over their lives, by a mere improvement in the conditions of exchange or terms of trade".

It does not seem that some of the criticisms in the mode of production debate necessarily negate the usefulness of dependency theory. While some writers in the

school can be accused of ignoring class relations, others have done well to show the importance of class relations in determining the effects of external forces. Amin and Wallerstein have certainly done so.

The mode of production approach can be useful in analyzing internal development efforts because of its focus on the internal development or non-development of capitalist classes. Even then, the analysis should be located within the wider context of world capitalist system and its contradictions. But the approach is not an adequate one for explaining contemporary capitalism on a world scale. For example, Kay and Laclau do not explain why exploitation occurs internally and internationally in the inter-related world system in which different ruling classes practise different modes of production. They cannot explain international systems of unequal exchange by focusing on internal class forces. To incorporate some of their points of argument with dependency concepts, it can be suggested that a theory of development should recognize the formation and features of class forces in specific modes of production within a framework of international interdependence of unequal exchanges. The issue of which takes precedence, class relations or market relations has however remained unresolved.

3.2. WARREN AND THIRD WORLD INDUSTRIALIZATION

Warren's work serves as a major turning point in the debate over imperialism and Third World industrialization and development. Dependency theory attained a position of eminence based on a vigorous demonstration of the contradictions of imperialism and capitalist expansion; its major thesis is that the development of the advanced capitalist nations is inextricably linked with and dependent on the

exploitation of countries in the Third World. This is grudgingly admitted to be a fact by many critics of the theory. Marxist critics disagreed about the specific methods, for example, whether it occurs through unequal exchange or a disarticulation of periphery production relations or through the use or non-use of the capitalist mode of production. Warren represents the extreme position as against dependency thinking by suggesting that imperialism and colonialism are agents of Third World development.

Warren (1973, 1980) advances the orthodox Marxist position that imperialism is the forerunner of capitalist development in the periphery, a position that can be interpreted as meaning (a) the advanced industrial countries were former colonies themselves (b) areas that were colonized experience growth faster than those that were not colonized and (c) in the absence of global capitalism there could never have been other initiatives capable of generating the kind of transformations brought on by capitalism.

Warren makes the following arguments.

1. The economies of the dependent countries including the NICs are achieving successful capitalist industrialization. The proportion of manufacturing in their GNP grew faster than that of the West between 1960 and 1968, at 7 percent and 6 percent respectively, Warren (1973: 5). "Contrary to current Marxist views, empirical evidence suggests that the prospects for successful capitalist development in many underdeveloped countries are quite favourable", (1980: 9).

The turning point for Third World industrialization is the post-war period. The factors that have encouraged the post-war industrial boom in the Third World are (a) formal independence in the former colonies which (b) put pressure on local leaders to create higher standards of living, and (c) to act collectively to take advantage of East - West rivalry.

2. The imperialist powers have adopted favourable policies to aid Third World industrialization. "The overall net effect of the policy of imperialist countries and the general economic relations of those countries with the underdeveloped countries actually favours the industrialization and general economic development of the latter" (1980: 10).
3. "Insofar as there are obstacles to development, they originate not in current relationships between imperialism and the Third World, but in the internal contradictions of the Third World itself" (1980: 10).
4. "Direct colonialism, far from having retarded or distorted indigenous capitalist development that might otherwise have occurred, acted as a powerful engine of progressive social change.... (1980: 9).

There are many problems with Warren's thesis, and as it can be expected, he was the centre of major attacks even from within the Left for many years. The first point that has to be conceded for him is that there is industrialization in the Third World. The numerous statistics he used are common knowledge now; and the growth of the NICs has not abated. Industrialization, though, is not widespread in the Third World as he claims. It is limited to specific geographical regions. His data is very selective and his failure to indicate the major differences which exist between the NICs for instance and the bulk of countries in Africa, is very misleading.

Secondly, Warren equates industrialization with development. His picture of the Third World conceals all the parameters which set it apart from the West. Emmanuel (1974: 63-65), using more familiar indicators, e.g., the quality of life of citizens, shows that contrary to Warren, the gap between advanced industrial countries and the Third World is growing. Interpreting the same data on manufacturing output, Emmanuel questions if we can realistically equate Argentina with United States of America because both had 28 percent, or say that Hong Kong with 38 percent is 50 percent more developed than the USA.

In another instance, McMichael, Petras and Rhodes (1974: 85-86) note that Warren's analyses is not based on any theory of imperialism and its relationship to capitalism, especially capital accumulation on a World scale, a structure which "determines the social relations of production and uneven sectoral configurations within each Third World country". Third World industrialization they say, can be divided into (a) assembly plant operations, (b) low-level industrial technology, (c) import-substitution industries and (d) capital-intensive industries with varying impact on the size of the domestic labour force.

On the question of colonialism and imperialism and the after effects on the Third World, Warren is too optimistic. His difficulty may be due to the fact that his work is not based on a re-examination of the theory of imperialism and capital accumulation. There are no contradictions in international capitalism accordingly. Yet, one wonders why Third World countries had to fight for independence if all was well with them. And to say that the factors impeding growth in the region, have nothing to do with international system is very

simplistic. Warren's characterization of Third World industrialization is a misleading general optimism likened to dependency theory's general pessimism. "Worse, it distracts attention from some of the most deplorable aspects of the contemporary situation, and hence from the exploration of the underlying causes" (Booth, 1985: 766).

Third World industrialization is taking place in a few countries concentrated in East and South East Asia and some parts of Latin America. The character of this industrialization needs to be analyzed continuously. Some countries have import substitution industries which may or may not lead to permanent export manufacturing activities, while some have moved into heavy technology manufacturing. There is no permanence in any of these features. Warren's optimism and overgeneralization is matched by Lipietz (1982) and Frobels, Heinrichs and Kreye's denigration of Third World industrialization. The latter group condemns Third World industrialization for being a dependent industrialization, meaning among other things that it lacks local control. Their view is that

export-oriented industrialization (the type taking place in the NICs), manifestly perpetuates the historical process of dependent development ... It restricts industrial development to non-complex, horizontally integrated partial operations which results in an extraordinarily unbalanced manufacturing structure. (It) produces structurally uneven development - uneven sectoral, and uneven social development. (It) does not lead to the establishment of a production base which could, in time, provide for the needs of the mass of the population. Frobels, Heinrichs and Kreye (1978: 26).

These criticisms are valid only at a certain point in time. South Korea and Taiwan have intensified production of high technology manufacturing accompanied

by technology transfer and increase in research and development activities. This logically involves an upgrading of manpower training and skill development. Third World industrialization is agreeably different. Its character must be understood to be different from that of the advanced industrial countries but it is also arguable if that state is permanent or, if it will alter in the direction of the first developers, the advanced core countries. In this regard, I subscribe to the position of Cardoso (1979: 175) who has refused to place theoretical limits on capitalist development in the Third World. According to him, "we do not try to place theoretical limits on the probable course of future events. These will depend, not on academic predictions, but on collective action guided by political wills ..

3.3. ARE THE NICS DEVELOPING OR EXPERIENCING NEW DEPENDENCY?

The NICs have generated ambiguous reactions from analysts. The result has been two diametrically opposing views. On the one hand, there are those who vigorously portray the NICs as equivalents of the industrial centres. Of course Warren (1974) comes to mind. Again on the other hand, the whole school of dependency theory conveys the impression that the NICs are the worst places for human existence in the Third World. One way of looking at this debate is to understand the different parameters of development used by both groups. Warren focused on industrial growth and dependency theorists tend to look at the stratification system within these countries as well as their subordinated national integrity.

The orthodox parameters which Warren uses, such as nominal or per capita

GNP growth rates or structural transformation in production and exports in the direction of manufacturing can be assumed to be validated by endless statistical sources. Table 4 reveals the strength of the impressive growths in manufacturing in the NICs. The share of manufacturing in the Gross Domestic Product (GDP) in all the NICs increased steadily between 1955 and 1977. While the same can be said for the share of manufactured exports in the total exports of a NIC, major differences do exist between those low exporters like Brazil (28.1%), India (45.0%), Singapore (43.0%) and Mexico (37.8%) and the high exporters, Hong Kong, South Korea, and Taiwan with 93.1%, 82.7% and 82.9%, respectively. It also seems that some of the NICs consume most of their manufacturing output (see the last vertical column representing the share of manufactured exports in manufacturing output).

By other basic indicators as in Table 1, the NICs seem to be doing very well. Beside the annual growth rate increases, every indicator supports claims that significant increases have been registered in the literacy rates, life expectancy and the decline in infant mortality rate compared to other non-NICs Third World countries. Again if Morris's non-economic index is used, we can still recognize major shifts in the standard of life or the Physical Quality of Life Index (PQLI) in the NICs. While most non-NICs countries in Africa, Asia and Latin America register low scores of 15 and upward, most NICs are above 70.

Research studies on individual countries have tended to support one of the two views on the type of development that is taking place in the NICs. Some studies that set out to test the assumptions of dependency theory have concluded

Table 4: Economic Indicators for Selected NICs: 1955, 1960, and 1977

Indicator	Period	Brazil	Hong Kong	India	South Korea	Mexico	Singapore	Taiwan
Population (million)	1977	107.1	4.4	608.1	35.3	59.9	2.3	16.0
GDP per Capita ¹ (US\$)	1977	1390	2590	150	810	1110	2890	1180
Share of Manufacturing in GDP (%)	1955	22	29	--	10	24	--	17
	1960	26	32	14	12	23	12	22
	1977	28	36	16	25	28	25	37
Share of Manufacturing Employment in Total Labour Force (%)	1955	14	50	10	7	19	18	10
	1960	15	52	11	9	20	23	11
	1977	20	57	11	33	25	32	27
Share of Manufacturing Exports in Total Exports (%)	1955	1.7	75.4	49.3	5.9	9.4	11.3	18.7
	1960	2.0	91.4	43.5	13.8	11.7	19.7	27.7
	1977	28.1	93.1	45.0	82.7	37.8 ²	43.0	82.9
Share of Manufacturing Exports in Manufacturing Output (%)	1970	5.2	70.0	8.9	39.8	5.3	43.3	49.1
	1975	13.7	77.7	9.5	35.7	15.5	65.0	47.4

¹at current prices

²1974

Source: Stecher, 1981, p. 34

that the experience of the NICs do not agree with the predictions of the theory. In one of these studies Luedde-Neurath (1980) suggests that South Korea is avoiding many of the pitfalls dependency theory associates with dependent development. He contends that

1. the employed populations in that country increased from 7.7 million in 1963 to 13.5 million in 1978. Unemployment decreased from 8 percent to 3 percent (official government figures) within the same period. And as can be seen on Table 4, the share of manufacturing employment in total labour force increased from 9 percent in 1960 to 33 percent in 1977.
2. There is substantial increase in real incomes. Index for real farm household incomes increased by 208 percent between 1962 and 1978, the index for salary and wage earnings rose by 122 percent in the same period and real wages in the manufacturing sector rose 168 percent between 1968 and 1978; through "absolute wages remain extremely low by international standards" (Luedde-Neurath 1980: 50).
3. Income distribution is one area in which a substantial deterioration has occurred in South Korea, particularly during the 1970s. Luedde-Neurath (1980) apologetically explains this away by comparing a deterioration in income distribution in South Korea — a NIC — with other low developing countries which by the very standard of their status do not enjoy comparable growth in industrial and manufacturing activities. He also concedes that

dependency analysts are correct, however, when they argue that if criteria such as absolute wage levels, inflation, working day lengths, unemployment or medical benefits, housing, pollution, safety precautions at work or labour laws are considered, the experience at its least impressive ... the social costs of the

Korean model are not disputed here, nor in our view can they be justified. Unfortunately, however, very few low developing countries can stand scrutiny according to these rather fundamental criteria (Luedde-Neurath 1980: 50).

This writer's approach to the analysis of the internal transformation of the NICs is symptomatic of those who try to discredit dependency theory at all cost. On the one hand, he claims dependency theory is not relevant to South Korea's development, and on the other hand, he goes on to confirm the fundamental criticisms dependency theorists hold against dependent development. It seems rather odd that he or any one should praise the industrial transformation in the NICs and then suggest that if no significant internal transformations have occurred for the citizens of these countries, that is all right because low income countries are like that anyway. The NICs, we agree, belong to a class of their own and so, internal analysis should be done with a view to explain the commensurate developments in each sector of a NIC.

In another instance where the tenets of dependency theory are tested against recent developments in Taiwan, Barrett and Whyte (1982) conclude that Taiwan deviates significantly from a dependent developing model of dependency theory. In particular, they single out some areas of core-periphery exploitation arguments of dependency theory. Their conclusions are that

1. foreign investment did not exploit Taiwan, instead it led to capital reinvestment and a high rate of profitability for the country,
2. dependency on foreign interests and foreign economic control strengthened the Taiwanese state, rather than weakening it, due to American aid which made it possible for Taiwan to "maintain a bloated governmental

bureaucracy,"

3. due to a combination of factors (the colonial legacy, initial political uncertainty, a strong state, and diversified labor-intensive development) Taiwan was able to exploit opportunities for world trade, instead of being exploited by them (p. 106),
4. despite heavy reliance on foreign economic interests, Taiwan was able to develop a dual economic pattern in which domestic interests received proportional attentions compared to external economic interests,
5. dependence on economic aid and credit did not retard the economic growth of Taiwan
6. because Taiwan adopted a labor intensive export-oriented industrialization, it did not need modern technology, and so can not be termed a technology-dependent country.

On the question of inequality, the authors are able to demonstrate that income inequality has not increased in Taiwan. They suggest that income distribution has actually tended to decrease because of various mechanisms of Taiwan's development which are derived from the above points, and more importantly, deviate from a typical dependent country. Some of the specific factors which Barrett and Whyte elaborate on are:

1. Taiwan carried out a land reform in 1949-53, with the result of a more equitable distribution of land and consequently of agricultural income on the land for people. Its labour-intensive industrialization also "meant that returns to labour increased more rapidly than did returns to capital" (1982: 1081) and since it was the poor and non-capital-owning sector of the population

that found work in the labour-intensive industries, a system of "equalization" sort of occurred.

2. Another reason income redistribution occurred in Taiwan is that there was no indigenous elites to oppose attempts by the government to implement a redistributive economic program. The two proceeding factors also produced a third; unlike dependency thinking labour was not placed in a weak position relative to employers.
3. Fourth, rural markets and household sideline activities fared well despite the presence of imported and manufactured goods.
4. And lastly, they argue that the development of a middle-class, mid-level managerial and bureaucratic occupations have emerged in Taiwan.

Barrett and Whyte's analysis of Taiwan is the most comprehensive country-study that has attempted to test the hypothesis of dependency theory so far. The study draws heavily on the authoritative works on Taiwan; therefore, conforms with the conclusions of such important authors like Ho (1978), Galenson (1979) and Kuo *et al.* (1979, 1981). Barrett and Whyte did overlook the major areas in which Taiwan has been less successful. For example, from Galenson (1979) we learn about the still unsatisfactory condition of working time, exploitation of the young and women, housing and general standard of living in Taiwan. But as he sums the situation up:

the working men and women in Taiwan do not yet earn an income sufficient to buy what would be regarded in the United States as a minimum decency standard of living. Housing conditions are still poor both in quantity and quality. Hours of work are long and safety conditions leave a great deal to be desired. There is little protection from the risk of unemployment or the vicissitudes of old age, ... but in comparison with other developing countries, particularly those of

Asia, workers in Taiwan have made great progress (Galenson, 1979: 446-447).

Back to Barrett and Whyte, the significant contributions of their analysis is the reiteration of what many have been seen as a major fault in dependency literature — overgeneralization and a refusal to differentiate between peripheral regions. It would have been interesting and useful to find a similar study on Taiwan by a dependency theorist. That would have led to a better assessment of the situation but as it is, there is no single country study of the NICs by the dependency school. From the available sources, it is clear that though Taiwan is no Canada when it comes to structural changes affecting its citizens, it must also be appreciated that it does not stagnate in poverty. Many improvements are occurring to make life better for the average Taiwanese. As regards Taiwan, dependency theory needs to recognize it as one of the few countries that is probably capable of attaining development beyond a rise in GNP per capita. Taiwan is still dependent and vulnerable to major shifts in the world economy. However, it seems safe to conclude that it can not degenerate to the post war position. On the positive side, another two decades of the current trend may actually make it less dependent and more of a competitor for a position in the lower echelon of the Core group.

In criticizing dependency theory, Luedde-Neurath (1980: 51) comments:

it appears that the benefits to Korea from the strategy of export orientation have been understated by dependency analysis while the problems have been exaggerated. That is not to deny, however, that according to many important criteria, the experience is open to severe criticism, especially in relations to its social costs.

At this point it is appropriate to consider some of the "exaggerated problems" and the social cost of dependent development in South Korea and other NICs.

In contrast to mainstream economist accounts of the successes of Korea (e.g., Adelman, 1978; Kutznets, 1977; Wade and Kim, 1978) there are some people whose concerns are to highlight the social costs of the development process in Korea. For example, McCormack (1977) notes the depressing nature of the domestic economy of South Korea as a result of its increasing dependence of GNP on trade, which rose from 2.9 percent in 1960; 43.3 percent in 1971 to 72 percent in 1974. This trend is abnormal according to him, because in comparison, even Japan's figure is a fraction of that of Korea (below 20 percent). Also of note is Korea's staggering foreign debt, which stood at about \$12 billion in 1976. There are many problems created by large foreign debt, including huge amounts of money paid by the debtor country to service the loans; usually as a percentage of exports of goods and services. Though Korea's debt service as a percentage of its total exports is lower than some other NICs (e.g., Mexico and Brazil). Potential danger exists should its exports become constrained or uncompetitive (may be as a result of protectionism in the West).

In quest of foreign capital, Korea had to export its labour, first to Vietnam, then to the Middle East, West Germany, Canada and Japan. Sometimes these are young men and women. Another dimension of the exploitation is the active promotion of prostitution by the state. The state

reaps a substantial part of its foreign earnings from these practices — as much as \$120 million a year from prostitution alone (McCormack 1977: 62-63). As noted by McCormack, the state also conspires with foreign adoption agencies trafficking in babies, which results in the export of Korean babies to the West at the rate of 5000 per year. That reduces the state budget for child welfare (ibid).

A more common social cost of Korean industrialization consists of the inequalities in the distribution of wealth. These are much more pronounced in Korea than in Taiwan. Child labour is rampant in Korea:

in 1970, one half of the 27000 person labour force in the Seoul garment industry was below 15 years of age and working up to 16 hours a day for a daily wage of 30 cents. Many suffer from eye infections, tuberculosis, or pneumonia (McCormack, 1977: 63).

Women also constitute a major component of the low wage work force, especially in the Free Trade Zones, where they form as much as 70 to 90 percent of the work force. The deplorable conditions of the "factory girls" in the Free Trade Zones in Korea, Malaysia, Mexico, Indonesia and others reflects the shameless exploitation of women brought about by the new international division of labour and traditional patriarchal institutions. These women are recruited young, 14 to 15 years of age, and retired at 21 to 24 years of age, when their eyesight and general physical health must have deteriorated. They earn less than half the wages of male workers (55 cents in Hong Kong, 52 cents in South Korea, 32 cents in the Phillipines and 17 cents in Indonesia, in hourly wages, in 1976 according to

Ehrenreich and Fuentes (1981: 54).

South Korea is hardly the only NIC that has capitalized on its female labour force, nor is it the worst exploiter of women's subordinate situation. According to researchers, the export-led industrialization of the NICs depends to a large degree on about two million Third World female industrial workers or what Ehrenreich and Fuentes (1981: 53) call the "world's new industrial proletariat." These young female workers can be found in the many textile, electronic and leather factories scattered over parts of Taiwan, Mexico, South Korea, Singapore, Malaysia and Indonesia, to name a few. In a case study of a Mexican production site, Fernandez-Kelly (1983) corroborates other findings which show the extensive exploitation of the "factory girls." Their wages are low, their living conditions around the factories are sub-standard by any standard (many U.S. multinational corporations in Malaysia and Phillipines build squatter huts near the factories and the women are crowded together with as many as eight in a room. They even rotate the beds in accordance with their shift rotations).

For the Magnila women in Fernandez-Kelly's study, as is the case with Thai, Malaysian, Indian and Indonesian women, the factory work is considered a prestigious job. In many cases the women are the sole source of cash income for the whole household, which in the Mexican case means the extended family. The assembly work in the factories offers these women some form of independence and an avenue to imitate Western modernized standards of living. With this in mind it is not difficult to understand why

the women flock to factory work, disregarding the inequalities inherent in their employment.

In a similar study of the semiconductor industry in Asia, Siegel (1980) suggests that the multinational companies prefer female labour of the type in this discussion because the companies are not obliged to pay maternity benefits and retirement benefits that they would otherwise have to pay if the women were older and if the hiring practices were less flexible. The companies do not even worry about the long-term health impact of the work environment, yet many women suffer from vision impairment, dizziness, stress and other toxic-induced illness (Siegel, 1980: 14). In all these violations, the governments in NICs actively encourage the practices of the companies. They start out by promoting the women as culturally suited to the needs of the companies, "the manual dexterity of the Oriental female is famous the world over" (Says a Malaysian brochure).

Young male workers are too restless and impatient to do monotonous work with no career value. If displeased, they sabotage the machines and even threaten the foreman. But girls? At most, they cry a little (a Taiwanese personnel manager as quoted in Ehrenreich and Fuentes, 1981: 55).

And Siegel (1980: 14) says

managers sometimes explain that Asian women have small fingers and are thus better suited for the (assembly) work, but the most important reasons are cultural, not physical. Young Asian women are trained to be hardworking, patient and obedient.

Similarly, migrant labour, which some NICs depend on, suffer many

indignities under the export-led programs of the NICs. Singapore, a major importer of contract labour from Malaysia, and to a lesser degree from Indonesia, the Philippines and Thailand, forbids the right to settle, change job without permission and to marry except when certain conditions are met (Sivanandan, 1980: 31). Singapore bears no social responsibility for its migrant workers. The right to unionize or to strike are highly limited in the NICs.

A familiar criticism of the NICs is that many of them have repressive authoritarian regimes that have gone to lengths to suppress popular mass feelings and aspirations in order to achieve their impressive industrial transformation. To a varying degree repression is necessary to maintain a docile proletariat but as in the case of South Korea, one of the most repressive regimes in the NICs, the possibility of mass uprising stemming from mass discontent must be viewed as a reminder that GNP alone is an insufficient measure of Third World development.

In view of analysis of the internal transformation of NICs, I am reminded of Robinson's (1976) report which attempts to locate the dependent nature of a country against potentials for economic and social developments. He assumes, in a manner akin to Wallerstein, that states are political units in a single production system, which is the capitalist world economy. His study of historical data supports the hypothesis that the greater the strength of a state in the world system, the more equal the income distribution. Historical data from Great Britain and the United States,

according to him, show that changes in income distribution are related to changes in a country's relative position in the world economy, and evidence from Latin America and Asia show income inequality increases even in the face of rapid economic growth in these regions.

Furthermore, he states that "the greater the degree of direct foreign control over production within a state, the greater the degree of income inequality within the state" (p. 653) and

the more a state is dependent on external markets for its production activities, the greater the degree of income inequality. Such dependence subjects economic factors to political attempts by other states to restrict supplies and protect their own markets... (p. 654).

These observations are relevant to the NICs, insofar as their economic growth has not been matched by social-political transformations, nor has their secondary status in the world hierarchy changed. Yet it should also be noted that the NICs stand the better chance of attaining fuller development in the periphery.

Dependency theorists hypothesize what the situation would have been if the NICs were not dependent or subordinated to the capitalist world economy (Beckford, 1971; Chase-Dunn, 1975 and Evan and Timberlake, 1980). For instance, in cross-national studies, Chase-Dunn (1975) and Chase-Dunn and Bornschier (1978) draw conclusions regarding the nature of foreign capital, that is that it is a form of foreign control and a flow of resources out of the periphery since nations cannot appropriate their own surplus capital for

investment. Debt dependence, they say, retards economic development. So one is left with the conclusion that in a hypothetical situation devoid of the contemporary dominance of the core in the world economy, these NICs would have done better. There is thus a tacit acknowledgement of the progress being made despite the constraints imposed by the world system.

One problem with dependency analysis of the NICs is that the studies are too generalized to allow one to identify concrete situations that are different. The problems of foreign control or debt are not the same in all the NICs because each country's dependence on these avenues of capital formation is different. The Asian NICs have been known to have greatly limited foreign investment in their countries, and have generally escaped the worst effects of the transfer of surplus from their territories. Similarly, there are varying degrees of internal reforms in each NIC. And as Koo (1982) suggests, even when it appears as if the conditions of the masses in South Korea have not improved much, that itself must be qualified by an understanding of the internal class structure in the country. According to him, it is only "the newly emerging proletariat (that) suffers severe material and social deprivation ... while capitalists and managerial and other white-collar workers enjoy disproportionately the fruits of dependent development" (Koo, 1982: 72). There is clearly a need to isolate each country for study in order to understand the dynamics, both internal and external, which remedy or emphasize the exploitative nature of global capitalism which dependency theorists have explained so well.

The conclusion one can derive from the analysis of internal reforms in the NICs and particularly, Taiwan and South Korea is that these countries have not met dependency theory's criteria for "development". If we use the definition of "development" given in page 21, it is apparent that Taiwan and South Korea are still far from being developed. But since development is an ongoing process, these countries stand a good chance of eventually being developed. Dependency theory's criticisms are valid only to the extent that the countries have not attained the standards of the currently advanced countries. Given the history of development as it occurred in the now advanced countries, the NICs need more time to match industrial and economic growth with internal transformation. Therefore, the criticisms are premature.

CHAPTER 4. INDUSTRIAL TRANSFORMATION IN TAIWAN AND SOUTH KOREA

The NICs are so called because of certain characteristics of growth which were discussed in Chapter 3. We also established that the growth is recent. Some of the conclusions drawn from the statistical data on the historical growth patterns in the Third World include the following.

1. The NICs were no better than other colonies at the turn of the century. From Table 2, we notice that some of them were actually more backward than today's most backward areas in the Third World. The question posed by this reality is: What has happened to turn events around. How did the NICs achieve their current status? Conversely, what did Ghana, for example, do wrong to have declined in relative terms?
2. Another observation made from available data (see Tables 2 and 3) is that some NICs are growing faster and more consistently than others. Specifically, the South Asian NICs, Taiwan, Hong Kong, South Korea and Singapore have experienced a smoother vertical growth than other Asian and Latin American NICs. Again, we need to investigate why this difference occurs between the groups.
3. The third observation partly answers the above questions as well as poses others. From the tables presented, and from other historical accounts, one observes that tangible growth began to occur in the South Asian NICs, especially Taiwan and South Korea after very specific historical events. These are the post Second World War decade and the decades following the Chinese revolution and the Korean war. How is this possible and what in these wars created factors that made Taiwan and South Korea grow faster

than the other NICs? I will attempt to answer this question.

I am going to argue that Taiwan and South Korea made better progress in their economic development because (a) the decades after the wars (Second World War, Chinese Revolution and the Korean War) witnessed an international atmosphere that was strongly polarized ideologically, and made these countries client states to the USA, (b) the client-patron relationship led to massive aid and other concessions from the patron to the client states, (c) there arose in the countries very strong authoritarian governments that were committed to the economic development of their environments and were also able to take advantage of their circumstances to initiate and carry through sound economic policies. From these, it will be deduced that economic growth is slower in other parts of the Third World because of the absence of the above factors. Where factors *a* and *b* are present and factor *c* is absent, I suggest that economic development will occur but at a slower pace than when factor *c* is present. The converse is also the case.

Many authors have variously enumerated the factors they consider important in the industrialization of the NICs. The problem with some of these studies is that they focus on one factor, for example, the role of the state or the development of branch plant operations, as if either of these was sufficient. Some times the South Asian NICs are treated as a group, giving the impression that the region is homogeneous. I will concentrate on Taiwan and South Korea because the two are very similar to the extent that the effects of the wars brought them into the fore front of industrial development in that region and in the Third World. Moreover they were both former colonies of Japan. I believe that Singapore and

Hong Kong are sufficiently similar given their physical characteristics as city-states and their colonial heritage in the British tradition, that they can be grouped together.

Although the three factors above are interconnected I shall start by examining the international context for the development of Taiwan and South Korea.

4.1. THE INTERNATIONAL FACTOR

The 1950s onwards have witnessed an escalation in East-West rivalry. The end of the Second World War ushered in two super-powers: USA and the Soviet Union (USSR), powers that are fundamentally different in their philosophies on both economic and political structures. Each with its allies represent the West and East respectively. The drama of international politics has been the attempts by each to expand its scope of influence and to, in blunt terms, eradicate the other's ideology from the surface of the earth. The war between capitalism and socialism (or communism) goes on unabated.

The Third World is a major scene where the ideological wars are being fought by these super powers. The region is not given a chance to chart its own ideological course; it has to be either of the two, capitalism or socialism. Of course, allying with one superpower has usually resulted in the displeasure of the other. Third World countries that have found it necessary to ally with a super power have enjoyed certain special privileges and rights from the superpower which are otherwise inaccessible to a Third World country. In an effort to show-case their client states as the right symbols in the Third World, the

patrons (super powers) have had to bend over their backs to make things right for their clients. Such was the case between USSR and North Korea on the one hand, and USA, Taiwan and Korea on the other. Foster-Carter (1986) notes that this type of patron-client relationship is very dominant in the case of the two Koreas, where the Soviet Union and North Korea, and the USA and South Korea have gone to great lengths to demonstrate to the world that one ideology is superior to the other.

American influence in Taiwan intensified following the Chinese Revolution in 1949 which installed a communist regime in mainland China. Those who were anti-communist fled to the small island of Taiwan. The USA moved into Taiwan to assist the Kuomintang forces under Kai Shek. Thus the battle lines were drawn between communism in China and capitalist initiative in the island of Taiwan. The USA help will be discussed in full later but suffice to say that its mission was important; it was one with a goal to promote development of the capitalist sort, or, as Hamilton (1983: 43) puts it, "to create a stronger basis for Taiwan's military defence and to advance this Chinese territory as a show case of capitalist development". Jacoby argues that the immediate objectives of the U.S. for the Republic of China (Taiwan) "were a strong defence establishment and a rapidly developing economy. Behind these lay the political aim of demonstrating the superiority of free economic institutions as instruments of social progress" (1966: 137).

The Nationalist government or the Kuomintang (Guomindang), under the leadership of Chiang Kai Shek (Jiang Jie-Shi), was a perfect and willing ally of

the U.S. The Kuomintang was obsessed with the eventual take-over of mainland China. Its immediate aim was to build a strong military base. As we shall see later, economic development was the by-product of this aim, though not entirely a contradictory one.

American intervention in South Korea started after the defeat of Japan in the Second World War. Japan lost its colonies, Korea being one of them. This ancient nation was partitioned in 1945 into North and South. Both countries have since grown in opposite directions. The U.S. forces which arrived in South Korea immediately after Japanese surrender set up a U.S. Army Military Government (AMG). In collaboration with the strong anti-communist groups headed by Syngman Rhee, the AMG frustrated efforts to unite the two Koreas. Separate elections were held under a US-UN proposal. When the North invaded the South in 1950, it only intensified U.S. intervention in South Korea. "The influence of the AMG and then the U.S. State Department after formal independence was pervasive and irresistible in South Korea, as it was in Taiwan after the Nationalist retreat. These two areas formed the frontier of U.S. empire in Asia. In the military, US hegemony extended to all important decisions; advisors were scattered throughout, and a large number of officers were sent to U.S. military schools for training. Military aid was massive and so was economic aid. In both countries, aid constituted the largest portions of national budgets for several years" (Hamilton, 1983: 42-43).

The ideological warfare was the main impetus for US action in both Taiwan and South Korea. From Payer's (1975: 153) account, the US military wanted to

consolidate the anti-communist elements in South Korea:

to make the country a 'showcase' of Western-style electoral democracy. (But) as the attractive pull of rapid economic development in the North became embarrassing for the South's patron, the US aspired to make it a showcase for Western-style economic development as well. It (also) desired a reconciliation of South Korea with Japan, the harsh colonial rule of which (from 1905 to 1945) had left a legacy of hatred and suspicion in the peninsula, but which now formed the keystone of pacific strategy for the US.

These types of interventions have become the universal actions of the superpowers in their areas of influence. It may be that the intensity of intervention varies from one area to another, according to certain conditions, one of which is the relative importance of a region to a super power. In other words, there are client states that have not received the same amount of intervention as did Taiwan and South Korea.

Before looking at some specific forms of intervention, it is important to emphasize that these actions in themselves are not sufficient to generate the economic transformation that have occurred in Taiwan and South Korea. The two were fortunate to have internal dynamisms through the state structure that could take advantage of the situation. And I shall argue that even the internal dynamics are to a large extent the product of the ideological polarization of the area and the intervention of the patron.

The international context in which Taiwan and South Korea improved their industrial economies was generally positive. Fajnzylber (1981) maintains that the post war period was generally favourable to accelerated growth in productivity.

The period was marked by intensified international trade and heightened competition among the developed countries. Another feature was the high cost of labour in the industrialized centres. All these contributed to growth in other centres of production in the Third World. The advanced industrial countries went in search of alternative markets and cheap labour. Especially in the area of labour, many argue that Asian NICs provided cheap and disciplined labour.

If these were world-wide trends in the post war period, we still need further analysis to show why not many countries in the Third World could take advantage of them. These conditions applied generally to all countries but evidence shows that they found particular expressions in Taiwan and South Korea because of their geo-political position in Asia. As clients of the U.S., they enjoyed better trade concessions than other countries, and foreign earnings that were vital at the initial stage of export industrialization was available to them. For example, "from the early 1950s, after the Korean War until the mid-1960s, the trade deficit, including invisible items, was generally covered through foreign aid and donations" (Park, 1980: 3). There are many accounts which detail export violations by Taiwan and South Korea, which the U.S. ignored.†

To summarize, the ideological polarization of Asia after the Chinese Revolution and the Korean War set the stage for the client-patron relationship between Taiwan and South Korea on the one hand and the USA on the other. These client states were so vital to the patron that the patron was committed to assisting them in transforming their environments. Taiwan and South Korea

†see Fajnzylber, 1981: 124-126.

received massive aid from the patron during the post war period. The aid played an important function in that it provided a sound basis in the critical phase of the gestation of their industrial program. The point here is that the special status of Taiwan and South Korea afforded them the opportunity to maximize international trends in the world economy. This is one of the factors which was missing in other NICs and the Third World, hence their slower pace of industrialization.

4.1.1. THE U. S. MODES OF INTERVENTION IN TAIWAN AND SOUTH KOREA

What exactly did the U.S. do to impel growth in Taiwan and South Korea? How effective and important to the economic development were these actions? These are some of the questions to be answered in this section.

The U.S. gave massive aid in the form of money, military, personnel, trade concessions and advertisement (positive propaganda in the media) to her major client states in South Asia. The impressive improvement in the industrialization process of these countries is a reflection of this aid.

In a major study of the effectiveness of aid programs in Taiwan, Jacoby, an authority on American aid to Taiwan and its result, concludes that it had "generally beneficent influence upon the formation of Chinese (Taiwanese) economic policies". This was possible because "there was agreement between the governments of the two countries on fundamental aims. A broad set of mutual interests in military strength and economic progress were recognized ... The

complementary interests of the two countries formed a firm foundation ..." (Jacoby, 1966: 132). This is a true assessment when we remember that both groups were driven by the same commitment to defeat communist China. Thus the mutuality of interest becomes very important. The same can be said of South Korea, at least at the initial stage with the US-Rhee alliance. Though the working class reaction in South Korea was tumultuous compared to Taiwan, at no time were interests of the ruling class too divergent from those of the U.S.

U.S. aid is easily quantifiable in monetary terms. For the period 1951 - 1965, Taiwan was the beneficiary of US\$1,444 million, which is equivalent to ten dollars per inhabitant per year. "Aid obligations averaged about 34 percent over the entire period. Viewed in relation to Taiwan's international trades, U.S. aid covered an average of 91 percent of the country's net import surplus of goods and services" (Jacoby, 1966: 39). According to Little (1979: 457-458), the main program of U.S. aid to Taiwan began in 1951. New commitments were stopped at the end of 1964 but aid in the pipeline continued to be disbursed through 1967. The U.S. economic aid totalled US\$ 1.5 billion during the period. Most of this was in the form of grants or soft loans. Taiwan received aid far above the average received by other developing countries.

Military assistance, which amounted to about US\$ 2.5 billion of equipment grants in the same period helped Taiwan to maintain its large army. According to Ho (1977), Taiwan's military force of 600,000 men or more was very expensive for the government. He estimates that in the 1950s and 1960s, the military establishment absorbed about 12 percent of GNP and about 65 percent of

government current expenditures.

American personnel were physically involved in the programming and execution of economic policies in Taiwan. For example, Americans were active members of the Joint Commission on Rural Reconstruction which "advised and monitored the radical programme on land reform in the 1949-53 period. From the outset AID (U.S. Agency for International Development) representatives and Chinese officials conferred in detail on the whole gamut of resource allocation decisions" (Hamilton, 1983: 43). There are more detailed accounts of the activities of American officials in major areas of economic planning in Taiwan in Jacoby (1966).

Aid created the conditions necessary for accumulation in Taiwan. It provided the infrastructure that stimulated transformations in agriculture and industry. Between 1951 and 1962, the country's total current deficit was about US\$ 1.3 billion. This was covered up to about US\$ 1.1 billion by U.S. aid and about US\$ 0.2 billion by private capital inflow (Little, 1979: 458). This was very important because it meant that Taiwan could control inflation at the initial stage of industrialization in the 1950s.

Moreover, if it had not been for United States aid, the trade deficit of Taiwan would have been a factor capable of seriously limiting the country's economic development up to the early 1960s ... aid overcame this bottleneck by increasing the foreign exchange resources and providing support for the importation of indispensable inputs which served as a complement to the domestic labour force and other components of investment ..." (Fajnzylber, 1981:124).

Trade deficit and lack of foreign earnings have serious repercussions on the economy of many Third World countries.

Taiwan is one of the few countries in the Third World that was not heavily indebted to the international banks to finance its industry. It did not have to rely on foreign credit. As a result, its debt service and export ratio is very low, between 5 - 10 percent (Amsden, 1985: 93). This is in contrast with the high ratio of other countries in the periphery. One of the major reasons for this low debt situation was the availability of aid which afforded the government an alternative system of funding.

The maintenance of a large military establishment was the prime concern of the Kuomintang (KMT) but it is doubtful if the resources for that purpose would have been available without external aid of the magnitude that the U.S. offered Taiwan. If the KMT had to build up such an establishment, in training and equipment, it is possible that other economic sectors could have been squeezed to give priority to defence. In other words, economic development would have been slower. And if the KMT could not afford their aim of a strong military sector, their credibility and hegemony could have come under question and one can speculate that such a crisis could have reduced the strength of the state. A weaker state, we have maintained and will elaborate on presently, could have had an adverse effect on the economic development of Taiwan. The economy of many countries in the Third World are affected by too large budgets for the military.

Other specific sectors of the Taiwanese economy were allocated large amounts of capital. For example, US\$ 1.1 billion, a third of the total allocation to specific sectors, went to infrastructure between 1951 and 1965. Education, public

administration, communication, health and sanitation and public housing development are among the major areas in which aid played an important role. Aid financed 74 percent of all domestic investment in infrastructure. About 59 percent of agricultural investment came from U.S. aid. Agricultural productivity was high enough that, not only did Taiwan not have to import food items, but was also able to release the surplus revenue from that sector into industrial enterprises. Even though aid to industrial sector per se was only 13 percent, the country's private industrial investment was greatly dependent on the well developed infrastructures and expanded agricultural surplus which were sponsored through aid.

In all, the overall effect of aid can be summarized from Jacoby's No-Aid Growth Model.

Aid more than doubled the annual rate of growth of Taiwan's GNP, quadrupled the annual growth of per capita GNP, and cut thirty years from the time needed to attain 1964 living standards. Without aid it was calculated that the GNP would have grown only 3.5 percent a year until 1983. The GNP in 1964 would have been only about 58 percent of the actual amount. The actual GNP of 1964 would not have been attained until 1980. Actual per capita GNP of 1964 would not have been produced until 1995 (Jacoby, 1966: 152).

South Korea received even more aid than Taiwan from the U.S. The influence of U.S. in South Korea in the postwar period was pervasive, shaping

the structure of the independent government, the postwar education system, the country's internal and external economic relationships; and increasingly thereafter, through its training and education programs, it shaped the attitudes and abilities of key groups, especially in the education sector, bureaucracy, military and business community. Ideologically, moreover, the United States was not only reinforced in its earlier role as the source of liberal-reform doctrine, but after 1945

it became the fulcrum of South Korea's anti-communist ideology and model on which South Korea's political and economic development was presumably patterned in its struggle with the North (Cole and Lyman, 1971: 59).

In the decades of 1950 and 1960 one half of Korea's revenue came from the U.S. By 1970, it had received approximately US\$ 4.5 billion in grant aid from the U.S., most of it in the form of commodities, and direct financial contribution to the country's budget as Supporting or Stabilizing Assistance (SA) Grant. Aid ended in 1970 and was replaced by loan aid. The country also got US\$ 3.0 billion in military assistance from the U.S. and another US\$ 2.0 billion from the UN forces stationed in Korea. Through loans and investments the Korean economy was boosted by US\$ 3.0 billion by 1970. Altogether, grants, loans and military assistance from the U.S. totalled an unprecedented US\$ 12.5 billion (Breidenstein, 1974: 239-240).

Despite the incredible amount of revenue inflow into Korean economy, the actual growth rate was sluggish between 1953 and 1965, at 4.8 percent compared with Taiwan's 7.0 percent. The two countries were not demographically the same. Korea's revenue was spread over a much larger population (see Table 4). But there are other reasons that can possibly account for the slower growth rate in South Korea. These include (1) the effects of the wars and partition on South Korea. Though both countries were victims of the Second World War, South Korea was more devastated by many accounts. The partition and subsequent invasion by North Korea also did many physical and economic damage to South Korea. (2) As we shall see presently, the internal class development and political reactions in South Korea was tumultuous compared to Taiwan. Political

instability plagued Korea for a long time. (3) Japanese colonial rule in the two countries led to different sectoral emphasis in the economy. For example, Japan developed industries more in South Korea and neglected agriculture, partly because the climate is less favourable to agriculture. When the partition occurred, the North escaped with the industries, since they were concentrated there. On the other hand, it was agriculture that was given more emphasis in colonial Taiwan. Post colonial Taiwan continued agricultural reform which became one of its main engine of growth. Agricultural impetus was much less in South Korea industrialization. (4) According to Cole and Lyman (1971: 82), Koreans were for a long time ambivalent towards economic development. Conflicts arose over whether separate programs of development should be encouraged for North and South Korea and over the extent that their development policies should rely on American aid (and Japanese reconciliatory policies). "Korean sensitivity on these points was great enough to affect Korea's investment decisions, as well as the aims of American aid program" (Cole and Lyman, 1971:82).

South Korea was taking off from a lower level of income than Taiwan when its growth effectively started around 1963 (in terms of 1973 dollars, Little 1979: 455, puts Korea's per capita income in 1963 at US\$214, whereas that of Taiwan ten years earlier was US\$222). The country's industrial output in 1955, after many years of reconstruction only reached the post war level. However, it made remarkable progress thereafter. Between 1965 and 1975, the ratio of total export to GNP more than trippled from 8.5 percent to 30.2 percent, and the share of manufacturing was more than doubled. Manufacturing constituted 42 percent of total export in 1965 and 74 percent in 1975 (Westphal, 1978: 348).

External aid was not needed only for reconstruction programs in South Korea, it actually set in motion the immediate conditions for the take-off of an export-oriented process of industrialization. As in Taiwan, aid enabled South Korea to increase its foreign earnings, Westphal argues that:

Korea's relationship with the United States obviously increased its foreign exchange earnings through expenditures stemming from the stationing on U.N forces in Korea and, during the war in Vietnam, from off-shore procurement by the United States (ibid p. 361).

Though aid declined substantially thereafter, the relief it provided until late 1960 removed the crippling effect of lack of foreign revenue that usually plagues peripheral societies. That billions of dollars worth of goods (consumer and equipment) came into many sectors meant that the country did not have to squeeze its meagre internal revenue to procure foreign goods. As I stated earlier, foreign aid and donations generally covered Korea's trade deficit for more than a decade. That is a huge relief for a country that had little to export between 1950 and 1960. It made it possible for the country to "maintain large deficits on current accounts and balance of payments which arose from high industrial import demands" (Vos, 1982: 96). Trade deficit is one of the reasons the country's foreign debt has been skyrocketing in this past decade. For example, it borrowed US\$ 4 billion from foreign sources to meet trade deficit registered in 1974/75, in addition to the US\$ 6 billion it was owing by 1975. In 1976 alone, the debt increased by another US\$ 3.2 billion (Ichiyo, 1977: 20). If this had occurred during the reconstruction period, the ability to save and invest in industry would have been severely limited.

As in Taiwan, U.S. aid was distributed to build the infrastructure needed for a

sustainable industrial development. According to Cole and Lyman (1971: 193), U.S.

project aid was distributed quite broadly across productive sectors, with the largest share in transportation (26 percent), the next in manufacturing (16 percent), and the remainder divided about evenly among electric power, agriculture and social services - education, health and sanitation, construction and mining.

Aid is not synonymous with economic growth. It has been pointed out that the period of aid - 1950 and early 1960s coincided with the period of slow growth in these countries. True. Accelerated growth was possible because the infrastructure for the take-off was already put in place. The correlation between the development of the infrastructure and the availability of capital is the significant factor of this analysis. That relationship must not be ignored.

Modern infrastructure - electricity, water, transportation and communication systems - is probably the most important incentive for offshore investment. When aid to Taiwan and South Korea slowed down in the late 1960s, foreign investors increasingly moved their operations into that region. The availability to them of this essential component (infrastructure) of industrial operations, was one of the major reasons they chose that region. Siegel (1981: 11-12) shows the relationship of infrastructure in Asia and a particular industry, the semi-conductor assembly operations which has proliferated in that region. According to him, the U.S. has promoted export processing by U.S. manufacturers in Asia. This has been done:

- (a) by helping to build infrastructure as we explained in the preceding discussion,
- (2) by using its military, intelligence agencies and some private foundations to help install and maintain autocratic and authoritarian governments that are

sympathetic to U.S. business interests, (3) by funding the construction of export processing zones, the first of which was built in Taiwan in 1966 through fund from the U.S. Fund for Peace program, (4) through public-private organs such as the U.S. Overseas Private Investment Corporation (OPIC) whose programs are "tailor-made for Asian ventures". OPIC insures offshore investments by protecting them against losses from war, civil unrest and currency inconvertibility. It has helped such companies as Digital Equipment Corporation in Taiwan and Motorola in South Korea, (5) finally, the U.S. offers special tariff reductions to multi-national corporations to process their products abroad. Semi-conductor companies located in Asia take advantage of this concession.

So far the analysis of the patron-client relationship that exists between the U.S on the one hand and Taiwan and South Korea on the other has focused on how the client states have benefited from the relationship. This in no way suggests that the benefits of the relationship are in that direction only. I shall not go into which party has had more to gain from the association. It may be that the U.S. also benefited enormously too.

What I have done in the foregoing discussion is to suggest a correlation between the massive aid given to Taiwan and South Korea and their subsequent economic growth. The analysis will be more complete when we look into the other variable in the scenario, that is, the role of the State.

4.2. INTERNAL DYNAMISM: THE STATE FACTOR

One of the phenomena of the postwar period in Taiwan and South Korea is the emergence of strong states. The state in these countries have been pivotal instruments of accelerated economic growth. International conflict created and strengthened foreign intervention in the region. The authoritarian state institutions were partly the result of these events. The state apparatus became pivotal instruments of accelerated economic growth in these countries. Conceivably, the industrial growth in Taiwan and South Korea could not have happened at all or would have been slower were it not for the dynamic role played by the respective state institutions. The states harnessed internal resources and maximized external aid to set in motion their export oriented industrialization.

I have mentioned that strong governments in postwar Taiwan and South Korea were themselves results of the ideological warfare and external influence. In other words the strong states were one result of the anti-communist campaign in Taiwan and South Korea. They were also aid-supported regimes that have in the short time established their own legitimacy. How?

The Kuomintang (KMT) occupied Taiwan in 1949 following the triumph of the revolutionary movement in China. They were poised to defeat communism in mainland China. They were obsessed with one goal: military build up in order to retake the mainland. They had no interest in economic development of Taiwan (Amsden, 1985: 78). They found an ally in the U.S. The latter aided the KMT as much as possible, short of physically invading China, which it considered futile. The KMT engaged in economic policies and programs as a means to

achieve their main objective. What we have then is a group of people who were strangers in Taiwan and had no previous ties to the local political and social cleavages. They were driven by the anti-communist zeal, which impelled them to do whatever it takes to achieve their goal.

Could the KMT have been successful without foreign aid? This is doubtful. What aid did was to give the government legitimacy. For example, it can be argued, as did Amsden (1985: 91), that aid kept the state strong and in power by bringing inflation down from 3400 percent in 1949 to 9 percent in 1953. The arrival of large quantities of consumer goods and producer goods from the donor abroad assuaged the shortage of essential commodities.

Or in South Korea, the relationship between ideology, foreign influence and the state was more overt. From most accounts of the immediate postwar events, it is conceded that Syngman Rhee who formed the first independent government was chosen by the U.S. because of his strong anti-communist declarations. Rhee was kept in office for 12 years until the 1960 student revolt. Ideology was used by Rhee and subsequent governments to stifle opposition. The military regime of 1961 (though held a disdain for negative dependence on American aid) and Park's government of 1963 had to capitulate to American demands by retaining an "aura of anti-communism ... without whose name no Korean government would be tolerated by its U.S. patron" (Payer, 1975: 156). As long as its interests were satisfied the U.S. saw its role as the tool to stabilize sympathetic governments through economic and military assistance. And that is precisely what it did for the governments in Taiwan and South Korea.

To "showcase" Taiwan and South Korea as successful Western-styled economic and political units the U.S. gave them support which in the short and long run have consolidated the not-so-democratic state government institutions and economic bouyancy of the countries (if not of the citizens) which at least pacified the citizens.

The states in Taiwan and South Korea, none the less, were very significant in initiating and directing the economic transformation in the countries. They were not passive objects of the international atmosphere nor that of their patrons. It must be said for them that they did not renounce internal creativity. They capitalized on that, and the potential for change provided by the international climate. The absence of dynamic planning and creative initiatives would have left Taiwan and South Korea in the same situation that many Third World countries find themselves today. Aid and the opportunities associated with it would have amounted to nothing much (as it is the case in places like Zaire and El Salvador) if proper endogenous factors like the state apparatus did not seize the opportunities (Wallerstein, 1974). To appreciate the significance of the state factor let us examine some specific initiatives which have had profound effect on the industrialization process in both Taiwan and South Korea.

Taiwan† was a Japanese colony, in which Japan fashioned an economy that was achieved by means of deliberate planning and government ownership of major resources. The KMT inherited and benefited from Japanese interventionist approach and state monopolies. Agriculture was generally commercialized in the

† The following analysis on Taiwan is based on an excellent piece of work by Amsden, 1985.

colony, producing sugar and rice for export to Japan. Japan encouraged agriculture; it introduced new seed strains, extensive education, cooperative purchase of fertilizers, warehousing and other services to farmers, mainly through agricultural associations. Thus the application of science to farming was well in place in Taiwan before the outbreak of the second World War.

In the 1930s, Japan reshaped its policy towards Taiwan. The emphasis moved from food supply to Japanese markets to one of industrial adjunct to Japan's own war preparation and ambition in the region. There was expansion of industry, especially in the chemical and metallurgical sectors. Construction of transport and harbour facilities for war purposes was carried out by the Japanese. All these, and a fairly high literacy rate (Japanese only encouraged primary education in the colonies) were inherited by the KMT.

The Mainlanders (one and half million people arrived in Taiwan in 1949) filled the vacuum left by the Japanese. Under the colonial rule, there were no Taiwanese in senior government or managerial positions. The KMT established a base in Taiwan and set out to consolidate their power, especially militarily, in order to retake mainland China. But the major reforms they undertook had far reaching economic results.

Perhaps the most successful of the state reform programs was the Land Reform of 1949 - 1953. Agriculture was very important in the Taiwanese economy, accounting for up to 90 percent of its exports. But with the land ownership concentrated in very few hands, the peasantry was impoverished. The KMT

taking their cue from experience of revolts in mainland China did not want the same to happen in Taiwan. Therefore, they embarked on a land redistribution program.

The essential features of the Land Reform program were as follows.

1. Farm rent was limited to a maximum of 37 percent of the total main crop yield.
2. Public land formerly controlled by the Japanese was redistributed on easy terms, with preference given to tenant claimants.
3. Landlords were forced to divest themselves of the holdings above a maximum size under the Land-to-the Tiller program.

No doubt this was a revolutionary move, one which many countries in Latin America and other parts of Asia can not make. Recent efforts to do the same in the Philippines are closely watched by many. Of course, the U.S. was skeptical about the Land Reform program to say the least. It allowed it to go on anyway because the reasons for embarking on it were compatible with its interests in the region. The result at the end must have more than justified that initiative. Politically, it forestalled social unrest and any possible potential revolt on the part of the peasantry. It effectively killed the small class of oppressors and replaced it with a larger class of owner-operators with small holdings. The power of the former elite group was forever neutralized. It was the only class that could have effectively opposed the KMT. Thereafter, the larger new middle level class must have felt an obligation of allegiance to the government.

Economically, the result of the Land Reform was far reaching. It reduced income

inequality drastically. More importantly, it became an engine of growth for the economy. The new class structure of ownership caused an impressive annual growth rate in agricultural output, which provide the capital for the industry. Net capital outflow from agriculture was 10 percent between 1951 and 1960 instead of the 3.8 percent of 1911 to 1940 (Amsden, 1985: 85). The government devised means whereby fertilizers to farmers was bartered for agricultural produce thereby providing the state with effective means of extracting the agricultural surplus from the farmers.

The state intensified the application of science to agriculture. It distributed resources to farmers equally. Fertilizer was monopolized by the state allowing it to reach all farmers. Even though land was scarce, the state organization of agriculture was efficient, leading to the realization of surplus and gave the state foreign exchange through agricultural exports. The farms also absorbed industrial output through the use of chemicals and tools. It provided industrial capital with a labour force. Fewer people were needed on the farms because of scientific methods of farming.

The industrialization policy of the Taiwanese state was also very instrumental in bringing about the accelerated growth. As many have argued, Taiwan did not adopt a laissez-faire economic policy. It was an inward-oriented growth adopted by a highly protectionist state.

Between 1956 and 1961, the state introduced reforms to orient industrialization towards export-led growth. Monetary and fiscal policies were redesigned, exchange

rates devalued and unified, and all along with U.S. help, inflation was brought under control. Export was made substantially profitable. But these liberalization policies never really hampered domestic enterprises. Protection of key import substitutes was ensured. Items such as consumer durables and transportation equipment were protected. The state introduced licensing controls for import and export restrictions. The state also paid subsidy rates for the manufacturing sector. Export goods were subsidized up to about 10 percent.

State ownership of industries proved to be another effective mechanism of control of the industrialization process. In 1952, public corporations accounted for 57 percent of total industrial production and 56.7 percent of manufacturing output. Despite pressure from the U.S. and other lobby groups, the state in the early 1980s still dominated the heavy machinery, petroleum, shipbuilding, steel and aluminium and almost all banks. One result of this according to Amsden (1985: 92) is that the state rather than multinational corporations control key sectors of the economy.

The South Korean state participation in the industrial process has also been acknowledged as having had significant effect in the accelerated growth of the 1960s and 1970s. As a former Japanese colony, the country's economy was oriented towards Japanese needs. The Japanese paid less attention to agriculture in Korea than in Taiwan but engaged in industrial development more in Korea than in Taiwan, though as we noted earlier more than half of the industries were located in the North. And when the partition occurred, the South had even fewer industries as well as a stagnant agriculture. The Japanese did leave few

infrastructures. The Japanese owned and managed the medium and large industrial enterprises. As in Taiwan, primary education was encouraged for the Koreans.

The government of Rhee favoured import-substitution which was widely practised in the Third World in the 1950s, (which still dominates many economies today). There were serious conflicts between the Korean government and its donor. For example, the U.S. supported a land reform program in 1948, but the Interim Assembly dominated by landlords refused to act on it. In 1949, the National Assembly, against Rhee's presidential vote, passed a sweeping land reform bill which was aimed at abolishing tenancy.

The reform set an upper limit of three hectares of land for individuals. It redistributed 40 percent of the total arable land, affecting many farm households. The dominance of the landlord class would seem to have been crushed. By 1974, 70 percent of farm households were fully owner-operated. But the farmers did not fare so well. Land became too fragmented and grain supply from the U.S. as part of the aid package did not encourage fair prices for local production (Hamilton, 1983: 50-51).

Significant increase in agricultural productivity came by very slowly. Major gains were evident by the mid 1960s. The state extended credit, extension and marketing services to farmers. In 1961 and 1962, the government substituted loans from the government organized National Agricultural Cooperatives Federation (NACF) for those by private money-lenders (Cole and Lyman, 1971: 147). The

office of Rural Development supplied fertilizers and pesticides to farmers. These and the application of new technology to farm proved effective in increasing productivity. The state through rents, taxes and state monopoly of grain purchase directed agricultural surplus away from the farm into the industrial sector, transforming capital from agriculture into industrial capital.

The turning point for South Korea's industrialization came when the state adopted an export-oriented industrial policy. Between 1953 and 1963, the emphasis was on import substitution industrialization in light manufacture and non-durable consumer goods. From 1964 on "outward looking" strategy with a focus on labour-intensive manufacturing for export was initiated. According to Vos (1982: 96), the third phase of the process from 1972 onwards has been a focus on capital-intensive manufacturing.

In 1961, exports were exempted from internal indirect taxes. The major reform in 1964 involved a massive devaluation and reunification of exchange rates and the liberalization of controls. A range of export incentives including the following were enacted (Fajnzylber, 1981: 122).

1. Access to subsidized financing for inputs, fixed investments and export activities.
2. Exemption from indirect taxes for intermediate products and foreign sales.
3. Exemption from duties on direct, indirect and capital goods input intended for exports.
4. Reduction of direct taxes on income generated from export activities.
5. Authorization to import goods not normally permitted in so far as they

were connected with export activities.

6. Preferential tariffs for energy and transportation.

According to the same author, financing at subsidized rates and preferential tax system are of the greatest significance in the growth of exports; that apart from promoting exports, these instruments show that the Korean state is not neutral but exists in close articulation with the industrial entrepreneurial sectors. The state keeps a very close watch over the industrial sector, dictating what can be brought in and what cannot. It protects its internal market from foreign goods.

Both Taiwan and South Korea are protectionist states which practice a form of autarky while appearing to be open economies. The states have cleverly charted a course of industrialization that many in the Third World envy. Global politics and market trends have created opportunities which these social organizations have successfully utilized. Some have said that their markets are confined to the U.S. territories and that Japan paved the way for the acceptance of their goods in the U.S. This is likely so. Japan's influence is great as a model for the Asian NICs but I cannot do an detailed analysis of that relationship now.

Can the experience of Taiwan and South Korea be duplicated elsewhere in the Third World?

CHAPTER 5. CONCLUSION

One of the substantive issues arising from the previous discussions, is whether the criticisms of dependency theory of the NICs are valid in view of the events in two NICs--Taiwan and South Korea. This question can be approached from many levels. Theoretically, dependency theory is weak, not so much because its prediction about the possibility of development in the periphery is invalid but also because it has not attempted to fully analyse the events in the NICs. From the discussion on Taiwan and South Korea, one can conclude that dependent development is taking place and so far these countries have managed to escape some of the limitations put on them by their peripheral status.

The trend over the last two decades has been extremely positive for Taiwan and South Korea. Their GNP is stable at above 6.5 percent and their exports are very competitive in the international market. Whether the trend will continue in their favour is left to be seen. There are a couple of developments, internally and internationally, which are of concern to their industrialization. One of these is the growing protectionist outcry in the advanced industrial countries, against the exports of these countries. Will the NICS (Taiwan and South Korea) continue to have access to the markets in the developed economies? Internally, there is a growing political uprising especially in South Korea. Will the country move towards a more flexible and liberal form of government that is capable of maintaining stability, which is necessary for the continuation of the economic buoyancy?

The ability of the NICs to sustain their growth will depend on the extent to

which the countries have charted their industrialization strategies to capture the uncertainties of both national and international events. The outlook seems promising for those that have reached the "take-off" stage.

Dependency theory is still relevant to the analysis of Taiwan and South Korea. It is the framework which explicates the precarious position of peripheral growth, though it has not provided adequate analysis of the events in these countries. What is not useful is the stagnationist approach of some of its advocates (ie. the types in chapter two). The analysis of Taiwan and South Korea shows that the countries are extremely dependent. However, the zero-sum analysis of development and underdevelopment by dependency theory can be argued to have occurred, only this time at the expense of the centre. In other words, growth in these countries has been possible partly at the expense of a centre (the U.S.), which for particular strategic interests, allow the countries the opportunity to embark on an accumulation process. To the extent that the opportunity was granted by an external force, it confirms the fundamental distinction between the periphery and the centre. That the countries were able to seize the opportunity and have advanced their growth this far indicates that dependency does not mean a state of total helplessness. Internal dynamics can either reinforce dependency or provide relief for it.

There is a need for dependency theorists to constantly evaluate their concepts. Particularly, they need to provide better explanations or strategies of economic transformation for peripheral states. The recommendations of Frank, Amin, and Wallerstein are grossly oversimplified. Autarky or self-reliance is possible only

with the intervention of a strong political will and tolerant international market (or patron, so that it has an appearance of incorporation). The examples of Taiwan and South Korea can be construed to mean either (a) incorporation, to the extent that their strategy of export industrialization found markets and because the regimes in the countries are acceptable to the super powers; (b) autarky or self-reliant -- because the economies are state controlled, their internal markets protected from imports for a long time with an emphasis on internal creative ability.

The events in the NICs are of great importance to the rest of the Third World. How can the rest of the region recreate the economic miracle that has occurred in the NICs? I have identified three main factors which have contributed to the industrial transformation of Taiwan and South Korea. Further analysis is needed to understand if these same factors are present in any non-developed country.

One lesson which is abundantly clear from the analysis of Taiwan and South Korea is that economic development is the result of both external and internal events. Theoretically, it is necessary to pay attention to both endogenous and exogenous factors. Recent attention by neo-Marxists † to the role of the state is a step towards this direction. The state in peripheral societies can play a more dynamic role as in Taiwan or South Korea. But usually various factors prevent this from happening. Political instability in many parts of Africa and Latin America is one dimension of the inability of the state to function effectively.

† See Evans, Reuschemeyer and Skocpol, 1985.

African countries are conspicuously missing from any listing of NICs. They are probably not of strategic interest to the superpowers as are Taiwan and South Korea. Even countries like Zaire and Cote de Voir which have the resemblance of Taiwan and South Korea in terms of patron and client relationship, have not been able to muster enough political will and determination to maximize the opportunity for various reasons.

If Taiwan and South Korea and the other NICs continue to demonstrate a sustained growth, it is very likely that other Third World countries will be compelled to emulate them.

BIBLIOGRAPHY

Adelman, Irma, and Robinson Sherman. Income Distribution Policy in Developing Countries. A case Study of Korea. Stanford: Stanford University Press, 1978.

Alavi H. "The State in Post Colonial Societies: Pakistan and Bangeadish.", New Left Review 74 (1972): 59-82.

---- "India and the Colonial Mode of Production." in The Socialist Register, edited by Militand, R., and J. Saville. London: Merlin, 1975.

Amin, Samir. Accumulation on a World Scale: A Critique of the Theory of Underdevelopment. New York: Monthly Review Press, 1974.

---- Unequal Development: An Essay on the Social Formation of Peripheral Capitalism. New York: Monthly Review Press, 1976.

---- Class and Nation: Historically and in the Current Crisis. London: Heinemann, 1980.

Amsden, Alice. "The State and Taiwan's Economic Development" in Bringing the State Back In, edited by Peter Evans, Dietrich Rueschemeyer, and Theda Skopal. New York: Cambridge University Press, 1985.

- Anderson, Perry. *Passages from Antiquity to Feudalism*. London: New Left Books, 1974.
- Banaji J. "For a Theory of Colonial Mode of Production." *Economic and Political Weekly* 7 (1972): 2498-2502.
- Barret, Richard and Martin King Whyte. "Dependency Theory and Taiwan: Analysis of a Deviant Case." *American Journal of Sociology* 87, no 5 (1982): 1064-1089.
- Beckford, George. *Persistent Poverty: Underdevelopment in Plantation Regions of the World*. New York: Oxford University Press, 1971.
- Bergesen A. (ed) *Studies of the Modern World Systems*. New York: Academic Press, 1980.
- Bienefeld, Manfred. "Dependency in the Eighties." *Institute of Development Studies Bulletin* 12, no 1 (1980): 5-10.
- Booth, David. "Marxism and Development Sociology: Interpreting the Impasse." *World Development* 13, no 7 (1985): 761-787.
- Breidenstein, Gerhard. "Capitalism in South Korea" in Frank Baldwin (ed) *Without Parallel: The American-Korean Relationship since 1945*. New York: Pantheon Random House, 1974.

Brenner, Robert. "The Origins of Capitalist Development: A Critique of Neo-Smitting Marxism." *New Left Review*, no 104 (1977): 25-92.

Browett, John. "The Newly Industrializing Countries and Radical Theories of Development." *World Development* 13, no 7 (1985): 789-803.

Cereseto, Shirley. "On the Causes and Solution to the Problem of World Hunger and Starvation: Evidence from China, India and other Places." *Insurgent Sociologist* 7, no 3 (1977): 33-52.

Chase-Dunn Christopher. "The Effects of International Economic Dependence On Development and Inequality: A Cross-National Study." *American Sociological Review* 40, no 6 (1975): 720-738.

Case-Dunn Christopher, and Bolfer Bornschier. "Cross-National Evidence of the Effects of Fringing Investment and Aid on Economic Growths and Inequality: A Survey of Findings and a Reanalysis." *Am. Journal of Sociology (AJS)* 84, no 3 (1978): 657-683.

Chilcote, Ronald H. *Theories of Development and Underdevelopment* Boulder. Westview, 1984.

Chirot, Daniel. "Changing fashions in the study of the social causes of economic and Social Change" in *The State of Sociology*, edited by James F. Short. Beverly Hills: Sage, 1981.

Chirot, Daniel and Thomas, Hall. "World Systems Theory." *Annual Review of Sociology* 8 (1982): 81-106.

Emmanuel Arghiri. *Unequal Exchange: A Study of the Imperialism of Trade*. New York: Monthly Review Press, 1972.

---- "Myths of Development Versus Myths of Underdevelopment." *New Left Review* 85 (1974): 61-82.

Cole, David L., and Princeton N. Lyman. *Korean Development. The Interplay of Politics and Economics*. Cambridge: Harvard University Press, 1971.

Dos Santos, Theotonio. "The Structure of Dependence." *American Economic Review* 60, no 2 (1970): 231-236.

Dos Santos, Theotonio. *Theorie de la crise economique dans les pays sous-developpes* in *Sociologie de l'imperialisme*, edited by Abdel-Malek, A. Paris: Anthropes, 1971.

Ehrenreich, Barbara and Fuentes Annette. "Life on the Global Assemble Line." *MS Magazine* (Jan. 1981): 53-71.

Evans, Peter and Timberlake, Michael. "Dependence, Inequality and the Growth of the Tertiary: A Comparative Analysis of Less Developed Countries." *American Sociological Review* 45 (1980): 531-552.

Evans, Peter. "State, Capital, and the Transformation of Dependence: The Brazilian Computer Case." *World Development* 14, no 7 (1986): 791-808.

Fajnzylber, Fernando. "Some Reflections on South-East Asian Export Industrialization." *CEPAL Review*, no 15 (Dec 1981): 111-132.

Fei John, Ranis Gustav and Kuo Shirley. *Growth with Equity: The Taiwan Case*. London: Oxford University Press, 1979.

Fernandez-Kelly, Maria Patricia. *For We are Sold, I and My People. Women and Industry in Mexico's Frontier*. Albany: State University of New York Press, 1983.

Foster-Carter, Aidan. "Korea and Dependency Theory." *Monthly Review* 37, no 5 (oct 1985): 27-35.

Frank, A. G. "The Development of Underdevelopment." *Monthly Review* 18, no 4 (1966): 17-31.

---- *Capitalism and Underdevelopment in Latin America*. New York: Monthly Review Press, 1967.

---- *Latin America: Underdevelopment or Revolution?* New York: Monthly Review Press, 1976.

---- Crisis: In the Third World. London: Heinemann, 1981.

Friedmann, Harriet and Jack Wayne. "Dependency Theory: A Critique." Canadian Journal of Sociology 2, no 4 (1977): 399-416.

Frobel, F., J. Heinrichs and D. Krey "Export-oriented Industrialization and Underdeveloped Countries." Monthly Review 30, no 6 (1978): 22-27.

----- The New International Divisions of Labour. Cambridge: Cambridge University Press, 1979.

Galenson, Walter. "The Labour Force, Wages and Living Standards." in Economic Growth and Structural Change in Taiwan. The Post War Experience of the Republic of China edited by Walter Galeson. Ithaca: Cornell University Press, 1979.

Hamilton, Clive. "Capitalist Industrialization in East Asia's Four Little Tigers." Journal of Contemporary Asia 13, no 1 (1983): 35-73.

Ho, Samuel. Economic Development of Taiwan 1860-1970. New Haven: Yale University Press, 1978.

Ichio, Muto. "The Free Trade Zone and Mystique of Export-Oriented Industrialization." in AMPO (Special issue).

Illich, Ivan. *Celebration of Awareness*. New York: Doubleday, 1969.

Jacoby, Neil H. *U.S. Aid to Taiwan. A Study of Foreign Aid, Self-Help, and Development* New York: Praeger, 1966.

Kay, Geoffrey. *Development and Underdevelopment: A Marxist Analysis*. London: Macmillans Press, 1975.

Koo, Hagen. "Centre-periphery Relations and Marginalization: Empirical Analysis of the Dependency Model of Inequality in Peripheral Nations" *Development and Change* 12 (1981): 55-76.

Kuhn, Thomas S. *The Structure of Scientific Revolutions*. Chicago: University of Chicago Press, 1962.

Kuo, Shirley; Gustav, Ranis and Fei John. *The Taiwan Success Story: Rapid Growth with Improved Distribution in the Republic of China, 1952-1979*. Boulder, Col. Westview Press, 1981.

Kuznets, Paul W. *Economic Growth and Structure in the Republic of Korea*. New Haven: Yale University Press, 1977.

Laclau, Ernesto. "Feudalism and Capitalism in Latin America." *New Left Review*, 1971.

Limequeco, Peter and Bruce, McFarlane. Non-Marxists Theories of Development
New York: St. Martin's Press, 1983.

Lipietz, Alain. "Marx or Rostow?" New Left Review, no 132 (1982): 48-58.

---- "Towards Global Fordism?" New Left Review, no 132 (1982b): 33-47.

Little, Ian M.D. "An Economic Reconnaissance." in Economic and Structural
Change in Taiwan. The Post War Experience of the Republic of China,
edited by Walter Galenson. Ithaca: Cornell University Press, 1979.

Luedde - Neurath, Richard. "Export Orientation in South Korea: How Useful is
Dependency Thinking to its Analysis." Institute of Development Studies
Bulletin 12, no 1 (1980): 48-55.

Magubane B. "The Evolution of Class Structure in Africa." in The Political
Economy of Contemporary Africa, edited by Gutkind, P., and I. Wallestein.
Beverly Hills: Sage, 1976.

Marx, Karl. Capital I. New York: Vintage, 1976.

McMichael D, J. Petras and R. Rhodes. "Imperialism and the Contradictions of
Development." New Left Review 85 (1974): 83-104.

McClelland, David C. The Achieving Society, New York: Free Press, 1967.

----- "Motivational Patterns in South East Asia with Special Reference to the Chinese Case." *Journal of Social Issues* 29 (June 1963): 17.

McCormack, Gavan. "The South Korean Economy: GNP versus the People." in *Crisis in Korea*, edited by McCormack and J. Gittings. London: Spokesman Books, 1979.

Meyer J.W. and M. T. Hannan. *National Development and the World System: Education, Economic and Political Change, 1950-70*. Chicago: University of Chicago Press, 1979.

Morawetz, David. *Twenty-Five Years of Economic Development. 1950-1975*. Washington D.C. World Bank Publication, 1977.

Morris, David Morris. *Measuring the Conditions of the World's Poor. The Physical Quality of Life Index*. Toronto: Pergamon Press, 1979.

Moulder, Frances. *Japan, China and the Modern World Economy*. Cambridge: Cambridge University Press, 1977.

Mountjoy Alan B. *The Third World: Problems and Perspectives*. London. Macmillan, 1978.

OECD. Paris *The Impact of the Newly Industrializing Countries on Production and Trade in Manufacturers*, 1979.

Palma, Gabriel. "Dependency: A Formal Theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment" *World Development* 6 (1978): 881-924.

--- "Dependency and Development: A Critical Overview" in *Dependency Theory: A Critical Reassessment*, edited by Seers, Dudley. London: Frances Pinter, 1981.

Park, Yung - Chul. *Export Growth and the Balance of Payments in Korea, 1960-1978*. Korea University: Pacific Trade and Development Conference, Seoul, 1980.

Portes, Alejandro. "On the Sociology of National Development: Theories and Issues." *American Journal of Sociology* 82, no 1 (1976): 55-85.

Rostow, W. W. *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge: Cambridge University Press, 1960.

Rubinson, Richard. "The World-Economy and the Distribution of Income within States: A cross-National Study". *American Sociological Review* 41 (1976): 638-659.

Seers, Dudley. "Rich Countries and Poor" in *Development in a Divided World*, edited by Seers, Dudley and J. Leonard. Harmondsworth: Penguin, 1971.

Seers, Dudley (ed) Dependency Theory: A critical Reassessment. London: Frances Pinter, 1981.

Seers, Dudley. "Development Options: The Strengths and Weaknesses of Dependency Theories in Explaining a Government's Room to Manoeuvre" in Dependency Theory: A Critical Reassessment, edited by Seers, Dudley. London: Frances Pinter, 1981.

Siegel, Lenny. Delicate Bonds: The Global Semi Conductor Industry. Pacific Research (Special Issue) XI, no 1 (1980): 1-26.

----- Struggling to Survive. Women Workers in Asia. Hong Kong Christian Conference of Asia - Urban Rural Mission (CCA-URM) 1981. 57, Peking Rd 5/f Kowloon, H.K.

Sivanandan A. "Imperialism In the Silicon Age." Monthly Review 32 no. 3 (July-Aug 1980): 24-42.

Skocpol, Theda. "Wallerstein's World Capitalist System: A Theoretical and Historical Critique." American Journal of Sociology 82, no 5 (1977): 1080-1088.

Smith, Sheila. "Class Analysing Versus World System's Critique of Samin Amin's Typology of Underdevelopment" in *Neo-Marxist Theories of Development*, edited by Linquenco Peter and Bruce McFarlane. New York: St Martin Press, 1983.

Stecher Bernd. "The Role of Economic Policies" in *The Political Economy of New and Old Industrial Countries*, edited by Saunders Christopher. Toronto: Butterworths, 1981.

Valenzuela Samuel and Arturo Valenzuela. "Modernization and Dependency. Alternative Perspectives in the Study of Latin American Underdevelopment." *Comparative Politics* 10, no 4 (July 1978): 535-557.

Vanderdries, Rene. "Income Distribution in Peru after World War II." *Journal of Developing Areas* 8 (1974): 421-436.

Veltmeyer, Henry. "Dependency and Underdevelopment: Some Questions and Problems." *Canadian Journal of Politics and Social Theory* 2, no 2 (1978): 55-71

Vogeler, Ingolf and Anthony R. de Souza (ed.) *Dialectics of Third World Development*. Montclair H.J. Allanheld, Osmun, 1980.

VOS, Rob. "External Dependence, Capital Accumulation, and the Role of The State: South Korea 1960-1977." *Development and Change* 13 (1982): 91-121.

Wade, L.L., and B. S. Kim. *Economic Development of South Korea. The Political Economy of Success*. New York: Draeger Publishers, 1978.

Wallerstein I. *The Modern World System I: Capitalist Agriculture and the Origin of the European World-Economy in the Sixteenth Century*. New York: Academic Press, 1974a

--- "Dependence in an Interdependent World: The Limited Possibilities of Transformation Within the Capitalist World Economy." *African Studies Review* XVII, no 1 (1974b): 1-26.

---- The Rise and Future Demise of the World Comparative Analysis." *Comparative Studies in Society and History* 16 (1974c): 387-415.

---- *The Capitalist World-Economy* New York: Cambridge University Press, 1979.

Warren, W. "Imperialism and Capitalist Industrialization." *New Left Review* 81 (1973): 3-44.

----- *Imperialism: Pioneer of Capitalism*. London: New Left Books, 1980.

Warwick Donald P., and Samuel Osherson. "Comparative Analysis in the Social Sciences." in Comparative Research Methods, edited by Warwick Donald P., and Samuel Osherson. Englewood Cliff: Prentice-Hall, 1973.

Weber, Max. The Protestant Ethic and the Spirit of Capitalism. New York: Charles Scribner, 1958.

Westphal, Larry. "The Republic of Korea's Experience with Export-Led Industrial Development" World Development 6, no 3 (1978): 347-382.

Zenger, J.P. "Taiwan: Behind the Economic Miracle." in Free Trade Zones and Industrialization of Asia AMPO, Japan-Asia Quarterly (Special Issue), 1977.

Zeylstra, William G. Aid or Development: The Relevance of Development Aid to Problems of Developing Countries. Leyden: Sijthoff, 1975.