

## Growth Facts

- Western countries led world economic growth since Industrial Revolution
- Population growth is a contributing factor towards economic growth
- Increase in education and SOL
- Decrease in poverty

## East Asian growth facts

- Since 1960, NIEs grew dramatically → **changed patterns of world trade** and reduced millions people living in absolute poverty
- AFC (1997-98) exposed **structural weaknesses** of countries
- China's continued strong growth changed global pattern of trade and investment

## Trade Agreements

- ASEAN (Association of South East Asian Nations)
  - 10 Members discussing economic and social issues
  - 46% of world population
  - 25% of world GDP
  - Peace, security, stability, disputes, terrorism, human rights, environmental issues
- Bilateral FTAs
  - ANZCERTA – trading bloc between AU and NZ in 1995
  - ChAFTA – AU and China signed by Tony Abbott
- Multilateral FTAs
  - Trans Pacific Partnership (TPP)
    - Largest multilateral FTA because it includes Japan and USA
    - China is not a part of it, because if they do, they have to follow the existing rules set → disadvantage

## Leaders for Modern Growth

- **Japan: Shigeru Yoshida (1946-1954)**
  - Led the economic restructure after WWII
  - Before him, Japan was just dominant military power
  - Built the foundation for Japanese MNCs
- **Korea: Park Chung-Hee (1961-1979)**
  - Got the power by coup (seizure of power)
  - Led the miracle growth and industrialisation
  - Applied military theories to economics → to maximise efficiency in military
  - Not democratic
  - Got assassinated
- **China: Deng Xiaping (1978-1992)**
  - Got power after Chairman Mao
  - Architect of modern Chinese economy

- “It doesn’t matter whether a cat is white or black, as long as it catches mice.” – don’t worry if they’re revolutionary or not, as long as they can be efficient and capable to do the job under the socialist economy
- **Singapore: Lee Kuan Yew (1959-1990)**
  - Small economy
  - Meritocracy led economic model (i.e. an elite group of people whose progress is based on ability and talent rather than on class privilege or wealth)
    - Smartest people worked for the government and were responsible for government policies, unlike other countries where the smartest people work for private firms
  - Government owned enterprises
  - Maximised foreign capital
- **Malaysia: Mahathir bin Mohamad (1981-2003)**
  - Manufacturing led economy
  - “Look east” policies
  - Dictator who tried to mimic Korea and Japan

### Structural Hypotheses

- Flying Geese (FG) Hypothesis
  - Developed before Japan was a major economic power
  - Proposed by Japanese (Akamatsu 1962) as a model of **dynamic comparative advantage** – change of comparative advantage due to technology
  - Aimed to explain the economic development of industrialisation in latecomer economies (US → Japan → New Industrialised Economies (NIEs))
  - Pro-trade oriented foreign direct investment (FDI) mechanism
  - E.g. outsourcing to benefit nations
- Rostow’s (1960) 5 stages of economic growth
  - 5 Stages:
    1. Traditional society
    2. Pre-conditions for take-off
    3. Take-off
    4. Drive to maturity
    5. Age of high mass production
  - Problems:
    - Based on European economies
    - Not all countries start with the same endowment and follow the same process
- Dependency theory
  - Periphery view of world growth
- Import substitution
  - Based on infant industry argument – new industries need to be protected until its independent but can’t close the doors as well
- Big push theory
  - Based on Stalins Soviet style command economy
  - Successful for the first 10-20 years, then stopped growing