



INTERNATIONAL HISTORY

Theme II: Rise of the Asian Tigers (1970s - 1990s)
(19752)

CHAPTER ANALYSIS



MASTERY

- What are the fundamental questions I must be able to answer?
- Memorization of critical statistics and key events
- Reasons for growth of these economies (1970 – 1990s)



EXAM

- Managing your time well in the examination
- Key agents for success of Tiger economies
- Evaluate the effects of decisions made by key agents and institutions during this time period



WEIGHTAGE

- Constitute to exactly 30% of final paper grade
- 50 mins per essay

TIMELINE OF ASIAN TIGERS: 1970s – 1990s

DIFFERENT TIME PERIODS IN EARLY YEARS

REASONS FOR ECONOMIC GROWTH

KEY AGENTS OF THIS GROWTH





Key Questions for Asian Tigers

1. Assessing the key reasons for economic transformation.
2. Who were the most important players that contributed to the economic development of SK and Taiwan?
3. What were the distinct phases of growth in these countries?



What makes a factor the most important?

- Sustained nature of its impact
- **Direct role in influencing outcomes**
- **Fundamentality in determining the extent of its impact**

Potential Angles of Analysis

- Long-term/Short-term
- **Context/Trigger**
- **Direct/Indirect**



Key Players in Asian Tiger economies

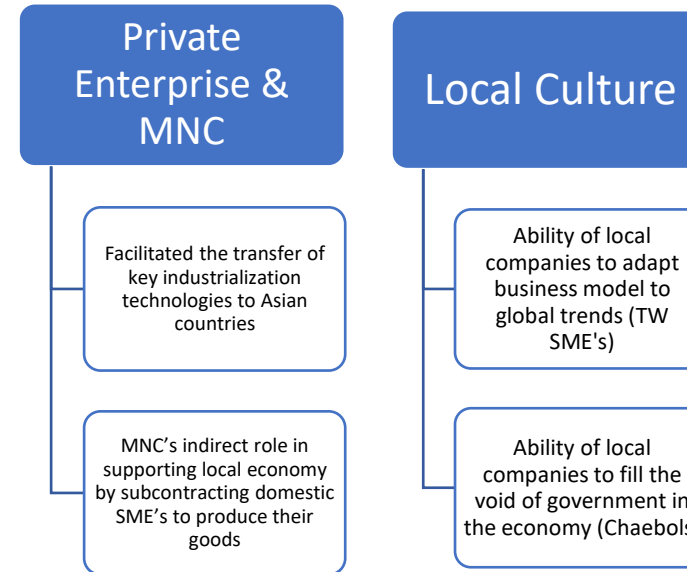
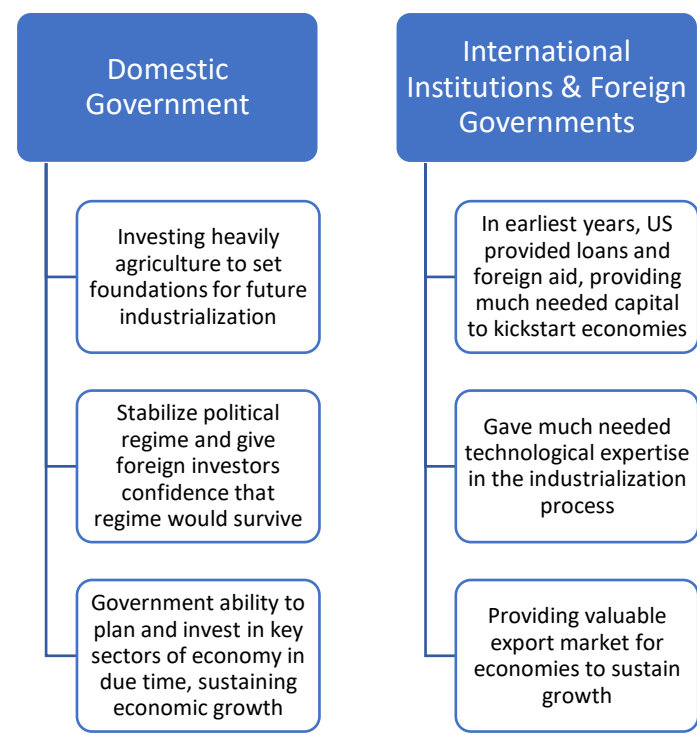
AGENTS

Domestic Governments

International institutions and Foreign Governments

Private enterprises and Multinational Corporations

Local culture





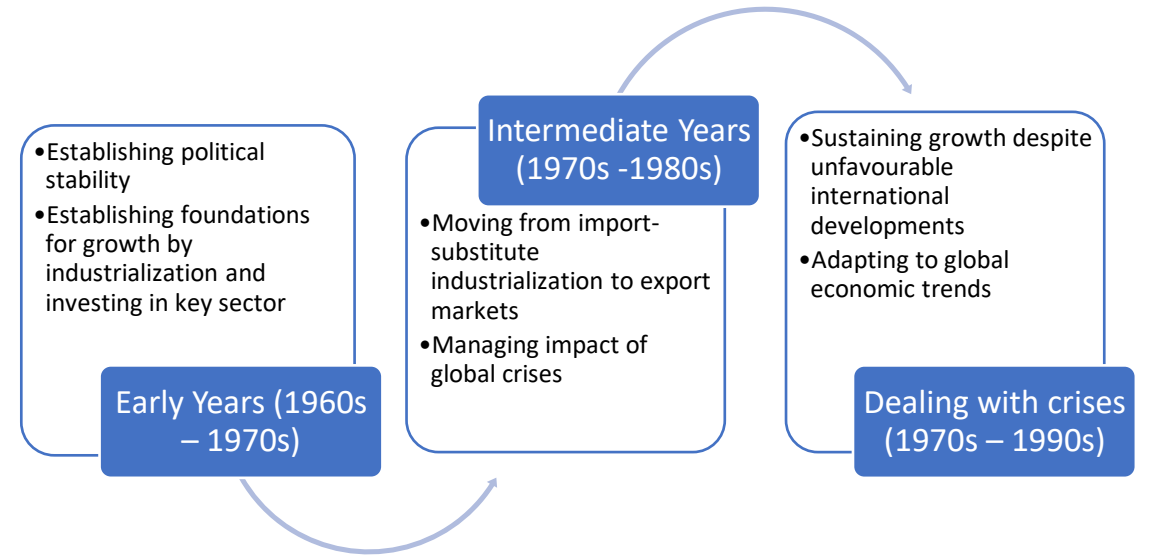
Timeline for Taiwan

TIME PERIODS

Establishing foundations for growth (1950s-1970s)

Moving into export-oriented industrialization (1970s-1980s)

Adapting to global economic trends (1970s-1990s)





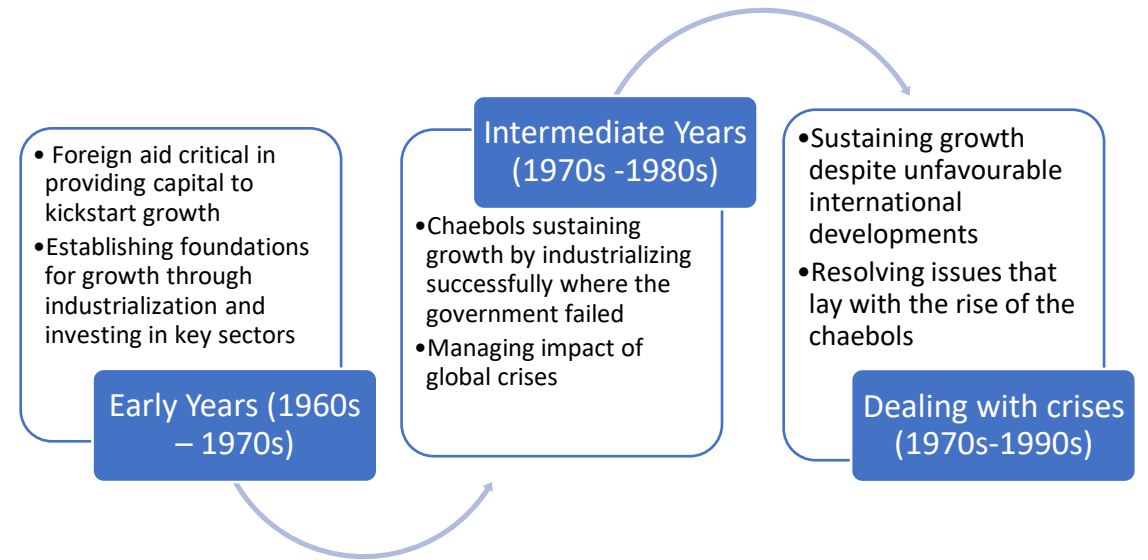
Timeline for South Korea

TIME PERIODS

Establishing foundations for growth (1950s-1970s)

Moving into export-oriented industrialization (1970s-1980s)

Resolving domestic economic problems (1980s-1990s)





Taiwan: Establishing Growth (1950s-1960s)

- Key agents in establishing growth: Government, **Foreign Governments**, **Multinational Corporations**.
- Establishing growth refers to establishing socio-political stability, investment into agriculture for future industrialization, and the kickstarting of the industrialization process.
- Note the nature of roles played by different agents in the establishing of growth – How fundamental are they?

Example: Foreign Governments

US provided critical aid to Taiwan in context of the Cold War which provided the necessary capital to **kickstart the economy** in the earliest years.

US aid totaled 1.5 billion dollars and contributed to 30% of capital formation for economic growth and 68% of investment in public utilities.

Example: Taiwan Government

Established strong socio-political foundations for future industrialization and growth, by investing in key sectors of the economy like agriculture and irrigation.

Government served as a key guiding hand to building strong foundations for the economy.

Example: Multinational Corporations

Multinational corporations **indirectly assisted** in the industrialization process by providing sorely needed technological expertise to Taiwanese industrial manufacturers.

Assisted in the development of the textiles industry in early Taiwan





Taiwan: Explosive Growth (1970s-1980s)

- Key agents in continuing growth: Government & Local Culture, **Foreign Governments**, **Multinational Corporations**.
- This period is marked by the shift towards export-oriented industrialization.
- Note the roles played by different agents in terms of fundamentality, direct influence and long-term impact.



Example: Foreign Governments

While foreign aid dried up, the US was a key export base for Taiwan. **Indirectly supported** their economic growth.

Japan indirectly supported Taiwanese industries as Taiwan was dependent on them for the import of intermediate goods for production lines in its industries.

Example: Multinational Corporations

Indirectly provided the necessary markets for Taiwanese industries to continue production through a subcontractor model in the 1990s.

Evidenced by 80% of motherboards supplied in the global market being produced by Taiwan in the 1980s.

Example: Taiwan Government

Direct hand in guiding the economy by focusing on new industries in the 1970s. Invested in heavy industries through state-owned enterprises that would not have been developed by private enterprise due to high costs.

This was crucial in moving economy to produce higher-value added goods.

Example: Local Culture

Ability of local businesses to adapt and sustain itself by **directly changing** in response to global demands.

SME entrepreneurs developed their own system of flexible specialization to meet export demand of the country. This is critical in EOI, where global market demands could easily shift what goods are in demand.



Taiwan: Dealing with Crises (1970s-1990s)

- Analysis of the role of government in guiding the economy through difficult times – Root cause analysis to show that the government is the most fundamental reason for TW's success
- Crises can be unpacked as the 1973 and 1979 oil crises.
- Note the role played by other key agents of Taiwan's economic success – To what extent were they present or absent in this process?

Example: Oil Crisis

At the root cause, the government was most fundamental in guiding the Taiwanese economy. In a global environment where countries were mainly focused on protecting their own interests, wise government policies by the TW government was able to counteract the worst of the 1973 oil crisis and lead to a steady rebound of 10% GDP growth per annum from 1975 onwards.

This highlights how fundamental the role of the government is in Taiwan's economic success, since it is its policies that directly shape the outcome of the economy.





Korea: Establishing Growth (1950s-1960s)

- Key agents in establishing growth: Government, **Foreign Governments**, **Multinational Corporations**.
- Establishing growth refers to establishing socio-political stability, investment into agriculture for future industrialization, and the kickstarting of the industrialization process.
- Note the nature of roles played by different agents in the establishing of growth – How fundamental are they?



Example: Foreign Governments

US provided critical aid to South Korea in context of the Cold War which provided the necessary capital to **kickstart the economy** in the earliest years.

US aid constituted about 75% of imports from 1953 to 1960. Military aid amounting to more than 1.5 billion USD went to development of infrastructure that was used for industrial production.

Example: South Korean Government

Government played a critical role in **shaping underlying context** of Korea's economic environment which enabled external aid to have such a significant impact.

Effective land and agrarian reform helped lower cost of production through wages and provided important tax revenue to develop strategic industries.

Example: Multinational Corporations

Multinational corporations **indirectly assisted** in the industrialization process by providing sorely needed technological expertise to South Korean industrial manufacturers.

Japanese MNC's were crucial in providing developmental technology and intermediate goods necessary for Korea's shift to export-oriented industrialization in the late 1960s.



South Korea: Explosive Growth (1970s-1980s)

- Key agents in continuing growth: Government & Chaebols, **Foreign Governments**, **Multinational Corporations**.
- This period is marked by the shift towards export-oriented industrialization.
- Note the roles played by different agents in terms of fundamentality, direct influence and long-term impact.



Example: Foreign Governments

While foreign aid dried up, the US was a key export base for South Korea. **Indirectly supported** their economic growth.

Japan indirectly supported South Korean industries as South Korea n was dependent on them for the import of intermediate goods for production lines in its industries.

Example: Multinational Corporations

Indirectly provided the necessary investments and technology to continue growth in South Korea, as well as factor inputs to sustain Korea's export-oriented industrialization.

Evidenced by Sanyo's building of assembly plants in South Korea in the late 1970s.

Example: Korean Government

Played a **sustained role** in developing the economy by **providing the framework** for private enterprises to lead growth in Korea.

Various tax policies implemented to facilitate the rise of chaebols and ensure that they would succeed in heavy industries.

Example: Local Culture

Chaebols played a **direct role** in leading growth in South Korea by filling the gaps where state-owned enterprises failed.

Chaebols were essential in providing the initiative for creating and implementing various plans of the government. They provided the necessary entrepreneurial edge for success.



South Korea: Dealing with Crises (1970s-1990s)

- Analysis of the role of government in guiding the economy through difficult times – Root cause analysis to show that the government is the most fundamental reason for TW's success
- Crises can be unpacked as the 1973, 1979 oil crises and shortcomings of the Chaebols.
- Note the role played by other key agents of South Korea's economic success – To what extent were they present or absent in this process?

Example: Oil Crisis

At the root cause, the government in their role as crisis managers **were most fundamental in ensuring South Korea's success.**

While their traditional external partners clammed up during the oil crises, the Korean government was key in sustaining economic growth. They sent several private construction firms to the Middle East, including Hyundai and Daewoo to take advantage of projects as soon as the South Vietnam construction market was closed. Remittances on GDP growth rates was an increase between 1.3% and 7.1% from 1976 to 1981.

Example: Unhinged Chaebols

The failure of the Korean government in regulating chaebols and their subsequent failure also highlights the **fundamentality of the government's role.**

As Chaebols grew too large, they were less willing to accept state direction. Chaebol borrowing grew increasingly out of hand from the late 80s onwards and by 1990s was out of control. By 1997, South Korea had an estimated 4.2 billion dollars in bad short-term loans and provided the context for the catalyzing the 1997 Asian Financial Crisis.





Sample Essay Question

Assess the reasons for the sustained economic miracle in South Korea.

What does this question require? -> An analysis of the most important agent that led to SK's economic miracle from 1970 to 1990s.

Since question already presupposes the sustained nature of factors, it might be wiser to focus on other angles of analysis.

Potential angles of analysis

1. Direct/Indirect
2. Sustained nature of impact
3. Fundamentality



Sample Introduction

Identifying evaluative handles

This question requires an analysis of various factors that led to the sustained nature of the economic miracle in South Korea. In analysing the sustained nature, we must look at the factors that aided SK in prospering as it transitioned to a more export-oriented economy. In the **transitioning into heavy-export industries in the 1970s**, Chaebols arguably played a more **direct role** in sustaining the growth of the SK economy. Yet, much must be attributed to the SK government for creating a favourable **underlying context** for these Chaebols to play such a huge role. Furthermore, the indirect aid provided by other nations such as US and Japan were critical in contributing indirectly to the successes of the Korean economy. However, ultimately, the SK government proved to be the most **fundamental** and sustained reason for Korea's sustained economic success, amidst poor global economic trading conditions and the **spectacular failure of the chaebols in the 90s**. As such, this essay posits that the SK government was effectively the most instrumental in dictating SK's sustained economic miracle.

Demonstrating awareness of timelines in South Korea's growth

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