Introduction: Restructuring for Foreign Investment in Asia Pacific

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Introduction

Since the 1970s, Asia Pacific has been predicted as the region of growth. For two decades, the sustained growth in the “four dragons” (Hong Kong, Singapore, South Korea, and Taiwan) – the Asian Newly Industrializing Economies (ANIEs), firmly transfers the forecast into an accepted fact. Often referred to as the Asian model of development, the ANIEs' developmental policies have been studied and taken together, proclaimed as a positive example of Third World development. International agencies and banks optimistically recommend it to other developing nations as it has proven to be successful. In reality, although there is much similarity in the way in which the ANIEs have developed, the history, context and policy for each economy thus the political economy of development, however, varies quite differently from one economy to another.

There are significant common characteristics which give credence to the claim of the ANIEs model. Generally agreed, there are three interrelated features which are embedded in their policies, and they are crucial to their growth. They adhere to market capitalism, their open economy actively solicit direct foreign investment (DFI), and their production is primarily for export processing. The policy choice is, however, not entirely open, since all, with the exception of South Korea, have relatively small populations. With small domestic markets, they have to rely on export earning for growth. With limited natural resources, the ANIEs' production assets are mainly labor and entrepreneurship, DFI, in the neo-classical sense, brings together the needed technology and additional capital for production. Opening to the international capitalist market is inevitable. The US market is the catalyst for their development. All ANIEs are benefited by the access of American consumers and industries, which make export processing possible, and for which the adoption of the capitalist system is imperative.

This narrative clearly over-simplifies the logic and rationality of the ANIEs model. What we attempt is to bring the Asian growth paths to a level of reasonable generalization and reduce them to a limited but obvious factors
for more detailed empirical investigations. Studies have been concentrated on the Asian international development in the region or nation-specific economy, but little about the location-specific strategies and responses. The main purpose of this issue is to study one of the three common characteristics – the DFI, in selected cases. In particular, this issue delves into the impact of DFI on development and the restructuring process at the sub-national and local level. By the sub-national level, we mean the national policy and regional tactic for attracting DFI under nation-specific conditions. By the local level, we mean the urban response to, specifically, the Export Processing Zone (EPZ), variously called Free Trade Zone (FTZ), Special Economic Zone (SEZ) in China, and other names, which is the most common spatial strategy for DFI.

Evolution of theoretical paradigms

DFI is a form of global capital transfer from the industrialized core to the developing periphery. This international economic penetration has been variously rationalized since the 1960s.

The dependency theorists conclude that the highly unequal pattern of development is due to the influence of external forces in domestic production, consumption and investment. The imbalanced exchange between the industrialized core and the developing periphery is accomplished primarily through international trade and multinational corporations (MNC). This form of international economy leads to the core's exploitation of and control over the periphery, and enforces the latter's underdevelopment and subjugation. The international exchange therefore perpetuates the dependency of the developing economies (Amin, 1976; Cardoso and Faletto, 1979). To move out of this dilemma, the implied prescription has been to strengthen the domestic market and adopt an import-substitution strategy.

In further analysing the MNC system, the operational mode is that the advancement in technology, management and communication, has enabled the further division of the industrial process. The sub-processes, now locationally free, can cross national boundaries. These sub-processes are placed at sites where the labor condition and other production factors are suited for the specific components. With its cost effective production, the decentralized international process facilitates capital accumulation. Thus, the globalization of the industrial process makes the international economic system operable, at the same time, produces a 'new international division of labor' (NIDL). The abundance of unskilled and low cost labor in the periphery is ideal for labor intensive low technology components, whereas the design, management, and high technology components of the production process remain in the core (Cohen, 1981). The labor pool for production under this system has transformed from a local labor base to an international one.