

SUMMARY

This paper starts from the analysis of the comparative advantages of Asian developing economies such as labor, natural resources, capital, technologies and markets, with an aim to reassess the industrialization strategies having been implemented since the 1950s to the present time, including the import-substitution, export-orientation and heavy-industries-based strategies. Of these, the third obviously failed to succeed, while the other two resulted in miracle economic growth with too much inward-looking or vulnerable exposure to foreign capital, technologies and markets, hence less consideration for internal factors. This has led to great economic, social and environmental imbalances. One of the most serious and undeniable consequences of these biases is the current financial crisis. As a result, Asian developing economies have now turned to a new development trend or, may it be said, a new development strategy, that is, sustainable industrialization which is characterized by more balanced and flexible economic and social development with greater international and regional integration and better ecological environment.

INTRODUCTION

This paper is the result of the Research Project entitled *Industrialization and Modernization by Enhancing Comparative Advantages: Experiences of Asian Developing Economies* and the development of some ideas suggested on various occasions by the author since the beginning of the 1990s.

The leading idea of this research is the perception that comparative advantage can be used with high efficiency in the industrialization and modernization of a developing economy. The analysis of the major sources of comparative advantage such as labor, natural resources, capital, technologies, and market exploited by Asian developing economies in their industrialization and the review of those industrialization strategies adopted by Asian developing economies such as import-substitution, export-orientation, and heavy-industry-based industrialization suggests this.

I. IMPORT-SUBSTITUTION AND EXPORT-ORIENTATION: RAPID BUT BIASED; HEAVY-INDUSTRY-BASED: TOO HEAVY TO MOVE.

1. Market.

It was not by chance that the narrow view point of *self-reliance* which played the role as the background of the import-substitution strategy either went bankrupt or needed reorientation and redefinition as we have seen in the case of India and a number of other developing economies. Even such a country as China, which considered itself to be a great socialist nation with a vast labor reservoir, rich natural resources and huge domestic market, with every possible means at hand for building up the country and developing the economy from within and which regarded the principle of independence and self reliance as fundamental for economic construction, finally had to admit that

owing to prolonged seclusion from the outside world, many opportunities were missed. The technological gap between China and foreign countries has widened in the absence of competition from the international market, and domestic products have become less and less competitive. Some industrial products could not be qualitatively or quantitatively improved owing to the limitations of the domestic market. ⁽¹⁾

A state of over one billion people had, finally, to admit to the limitation of the domestic market. This runs directly counter to the view of China, India and many other developing economies in the 1950s, when they always emphasized the importance of domestic factors. The new situation has posed to the economists in developing economies the question of re-examining a whole series of problems concerning possibilities and limitations of their own states in the process of economic development and in the new international division of labor.

In the sixteenth and seventeenth centuries, international trade developed vigorously due to two main factors: the growth of the capitalist economy itself and the discovery of new lands. In the eighteenth and nineteenth centuries, classical economists demonstrated that a highly efficient division of labor could be realized not only among individuals in a single country, but also between countries and nations. It is unfortunate that in the 1950s most of the economists and policy makers in developing economies, from fear of exploitation by imperialism, and motivated by a high sense of independence with a strong will to build the economy by themselves, ignored the lessons of history and underestimated the opportunities that could be brought about by the international division of labor. In some economies, the size of the population was taken as a principal criterion for determining the capacity of the market. According to this approach, the more populated a country is, the larger the market it has. But when it came to developing modern industry, with large-scale production, the limitations of domestic markets were gradually uncovered.

Step by step it was realized that the determining factor of the capacity of a market was the purchasing power and not solely the population size, even though the latter may play an important role. In India for instance, after over four decades of development, it is only now realized that from a population of around 900 million people with an average annual per capita income of nearly 400 US dollars, only about 10 per cent are able to buy durable family consumer goods such as radios, television sets, air conditioners and refrigerators. Most of the rest of the population can afford to buy only basic necessities or minimum necessities such as food and clothing. People living below the poverty line and they account for about half of the population in India have not enough money to buy even those items of basic needs. In such conditions, how can we say that the world market should not be relied upon by developing economies to develop their domestic industry?

2 . Capital.