

KOREA: A MODEL FOR DEVELOPMENT

GRADE LEVEL: High School

SUBJECT: Economics

TIME REQUIRED: Two class periods

OBJECTIVES:

1. Compare the education, savings, investment rates, export rates and import rates of the NICs.
2. Apply economic reasoning to deduce how the leading indicators can explain the economic growth of the NICs.

MATERIALS REQUIRED:

- Handout #1: A Common Experience (attached)
- Handout #2: Comparing the NICs (attached)

BACKGROUND:

From 1960-1993, the rapid economic growth of four economies—Hong Kong, South Korea, Singapore and Taiwan—has been dramatically successful in terms of both economic growth and social development. They are called newly industrializing countries (NICs) and are used as models for developing countries. The mentioned NICs are known as the Four Tigers of East Asia or The Gang of Four. NICs may refer to other countries such as Malaysia, Indonesia, and Thailand. However, the NICs in this lesson exclusively refer to Hong Kong, South Korea, Singapore and Taiwan.

The growing economies of Asia's NICs have pulled the United States and Canada into the Pacific Rim and can be expected to continue to do so in the years ahead. The East Asian Gang of Four successfully emulate Japan's economic growth led by foreign trade and by extensive use of technologies and managerial skills. Because these four countries lack exportable natural resources, they have had to rely on their disciplined and educated human resources.

The key to the success of these countries has been the adoption and accomplishment of domestic policies that promote efficient use of resources and encourage private sector initiative. The success of these economies can be attributed to their Confucian heritage and other so-called characteristics of Asian ethics that encourage hard work, loyalty and diligence. Four Tigers of East Asia give priority to economic growth over social welfare spending. Considerable resources are allocated to education, primarily to promote future growth. Increased demand for labor and emphases on human resources development helped to spread the benefits of growth.

PROCEDURE:

1. Explain that the purpose of the lesson is to analyze the economic growth of Asia's newly industrializing countries (NICs): Hong Kong, South Korea, Singapore, and Taiwan. *Note: If students are unfamiliar with the criteria used to define a developing country and the function/value of investment, savings, import and export ratios to GDP, a lesson or review*

will be necessary.

2. Review the location of the NICs on a world map. Discuss what students know about these countries. For example, ask: What products have you purchased which were made in the NICs? What do you know about education levels in these countries? What are the size and population of these countries? How rich are these countries in natural resources? (See Data Sheet for review)
3. Distribute Handout #1: A Common Experience, and discuss the similarities among the NICs.
4. Pose the following mystery to the class: The NICs are small, densely populated countries, with virtually no natural resources. Why have the NICs been so successful in their economic growth? Why are they used as models of development? Ask students to speculate on possible answers. (Savings are encouraged in the NICs and that their savings rates are high. A high savings rate provides financial capital for investment for technology and workers. An efficient educational system produces skilled workers. Government policies are favorable to economic growth). If students do not come up with all possible explanations, continue to Handout #2 and then return to the discussion.
5. Distribute Handout #2: Comparing the NICs. In groups, have students graph the data. Ask the following questions:
 - 1) What inferences can be made about the investment and savings patterns of the NICs?
 - 2) What inferences can be made about the education level in the NICs?
 - 3) What are the major export and import percentages among NICs?
 - 4) What has happened to the economic growth among NICs?
 - 5) What makes the NICs a model for developing countries?
6. Review the key points of the lesson. Asian NICs have experienced economic growth led by foreign trade and use of foreign technology and managerial skills. NICs lack natural resources but have relied on their human resources and government policies to support economic growth.

EVALUATION:

Have students write a summary paper explaining why Asian NICs serve as a model for developing countries. Have them speculate on what The United States might learn from their experience.

ENRICHMENT:

- Have students research and analyze the economic statistics of highly industrialized countries, e.g. United States, Japan, Germany and update the statistics for the NICs. Compare and contrast the statistics of leading indicators of economic development with the NICs.
- Have students research the major products produced in the NICs. Make a data retrieval chart showing the major products and trading partners of all the NICs.

HANDOUT #1: A COMMON EXPERIENCE

The Asian newly industrializing countries (NICs) share the following characteristics:

1. The importance of trade
2. A high value on education
3. Developed market economies
4. Lack of natural resources and dependence on imports for raw materials and fuel
5. The government's active role in economic development

HANDOUT #2: COMPARING THE NICs

Savings Rates: (in percentage of GDP)

Year	Hong Kong	S. Korea	Singapore	Taiwan
1960	6.0%	1.0%	-3.0%	13.0%
1970	25.0%	15.0%	21.0%	26.0%
1980	31.0%	23.0%	38.0%	33.0%
1985	27.0%	31.0%	42.0%	31.0%
1993	31.2%	36.2%	47.8%	26.8%

Investment Rates: (in percentage of GDP)

Year	Hong Kong	S. Korea	Singapore	Taiwan
1960	18.0%	11.0%	11.0%	20.0%
1970	21.0%	25.0%	39.0%	26.0%
1980	36.0%	31.0%	45.0%	34.0%
1985	21.0%	30.0%	43.0%	18.0%
1993	27.5%	34.3%	43.8%	25.2%

Export Ratio: (in percentage of GDP)

Year	Hong Kong	S. Korea	Singapore	Taiwan
1960	79.7%	3.2%	n/a	n/a
1970	101.1%	14.3%	77.1%	29.7%
1978	98.9%	31.1%	122.8%	52.4%
1985	105.8%	36.4%	124.8%	55.1%
1993	123.4%	31.0%	116.1%	39.1 %

Import Ratio: (in percentage of GDP)

Year	Hong Kong	S. Korea	Singapore	Taiwan
1960	97.2%	11.3%	n/a	n/a
1970	95.7%	24.1 %	122.7%	29.7%
1978	102.2%	35.1%	1 54.9%	45.9%
1985	99.4%	35.9%	147.2%	44.1%
1993	126.5%	31.6%	132.0%	35.6%

Real GDP Per Capita (in 1985 international prices)

Year	Hong Kong	S. Korea	Singapore	Taiwan
1960	n/a	907	n/a	1382
1970	4456	1688	3155	2387
1980	8801	3123	6958	4827
1985	10653	4267	8153	5786
1993	14410	6673	10965	8510

Education (percentage of students going on to high school)

Year	Hong Kong	S. Korea	Singapore	Taiwan
1960	20%	27%	32%	30%
1970	36%	42%	46%	54%
1980	64%	76%	58%	80%
1985	72%	90%	62%	90%
Most Recent	75% (1987)	90% (1992)	70% (1989)	95% (1993)

Population/Area

Country	Population (millions)	Area (1,000 sq km)
Hong Kong	20%	30%
S. Korea	36%	54%
Singapore	64%	80%
Taiwan	75% (1987)	95% (1993)

Source: World Bank, *World Development Report*, 1986, Asian Development Bank, *Key Indicators of Developing Member Countries*, 1994 and *Penn World Table*, Summers and Heston June, 1993.