

After half a century of success, the Asian tigers must reinvent themselves

They must move from growth-obsessed developmental states, to growth-friendly welfare states, say Simon Rabinovitch and Simon Cox

Special report

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The four Asian tigers—Hong Kong, Singapore, South Korea and Taiwan—once fascinated the economic world. From the early 1960s until the 1990s, they regularly achieved double-digit growth. A generation that had toiled as farmers and labourers watched their grandchildren become some of the most educated people on the planet. The tigers started by making cotton shirts, plastic flowers and black wigs. **Before long**, they were producing memory chips, laptops and **equity derivatives** (phái sinh vốn chủ sở hữu). In the process they also **spawned** a **boisterous** (ầm ĩ, sôi nổi) academic debate about the source of their success. Some attributed it to the **anvil** of government direction; others to the **furnace** of competitive markets.

Then the world turned away. The Asian financial crisis destroyed their mystique. China became the new development star, even if, to a certain extent, it followed their lead. The tigers themselves seemed to lose their **stride**. This year America is on track to grow more quickly than all four of them.

They all have seemingly **intractable** (khó chữa) problems: stagnant wages in Taiwan, the dominance of big business in South Korea, an underclass of cheap imported workers in Singapore and, most explosive, a government in Hong Kong that will not, or cannot, listen to its people.

But it is a mistake to write off the tigers. A closer look at their economic record shows that, contrary to the gloom that sometimes **pervades** (lan tràn khắp) them, they have much to boast about. The trajectory of their gdp per person, calculated at purchasing-power parity, has remained impressive (see chart). They blew past the supposed **middle-income trap** long ago. And South Korea will soon become the fourth tiger to overtake Japan, its former imperial ruler and economic mentor.

They have also gained ground on America. Singapore passed it in the 1990s; Hong Kong drew level in 2013; and the other two have narrowed the gap. Indeed, in the past five years (2013-18), the gdp per person of Singapore and Hong Kong has grown faster than every country above them in the income rankings. With a couple of exceptions, the same is true of Taiwan and South Korea.

In their economic maturity, the tigers **merit** (đáng được) renewed attention. They face many of the same issues that bedevil the West: how to mitigate inequality; how to gin up productivity; how to cope with ageing; and how to strike a balance between America and China. They do not have all the answers, but they do have novel, albeit sometimes foolish, approaches that are in themselves instructive.

Little dragons

This special report will examine the changing nature of the tigers' economies and make four big claims. The first is that many of the tigers' problems result from economic success, not failure. They have defended their global export share for years, despite steady increases in labour and land costs.

Now, though, they will struggle to expand their exports faster than global demand itself. They have also reached the technological **frontier** in many industries. That makes further improvement harder: they are no longer catching up with global best practices but trying to reinvent them.

Lee Kuan Yew, Singapore's founding father, once claimed that harmony and stability are chief among "Asian values". The tigers still cherish these things (who doesn't?), but many of their citizens see fairness as a precondition for both. That observation leads to this report's second big claim: when a sophisticated citizenry aspires to democracy, frustrating that aspiration can be imprudent as well as unjust. Some argue that the blustery politics of Taiwan and South Korea—complete with high-profile corruption cases, parliamentary fisticuffs and fiercely partisan media—have hindered their growth. But a proper examination of the tigers' record does not support that argument. Instead, what has become clear in Hong Kong is that a lack of democracy is a grave liability, sowing dissatisfaction and mistrust.

Third, the tigers' thin welfare states have also become a hindrance. Their leaders have traditionally worried that redistribution and social spending would sap their populations' motivation to work. But social insecurity instead risks sapping their populations' willingness to embrace technological change. As the tigers' populations get older, their governments also face more pressure to spend on pensions and health care. And they need to alleviate the economic burdens that dissuade young people from having children. The tigers' growth-obsessed "developmental states" must, in short, become growth-friendly welfare states.

Finally, the tigers are important as economic **bellwethers** for the rest of the world. They are unusually exposed to deep global cycles: in technology, finance and geopolitics. The manufacturing tigers have dominated narrow slices of the technological supply chain, focusing on techniques and chips that are vital for high-speed 5g telecoms networks and "big-data" processing. Hong Kong and Singapore, meanwhile, have positioned themselves as financial bridges between China and the world, making them highly sensitive both to China's success and its stumbles. And all four of the tigers depend on the maintenance of geopolitical calm as America, the incumbent superpower, adjusts to a new rival.

These cycles can be difficult to manage—even in an upswing. Booms in finance and technology can concentrate wealth in a few hands, such as South Korea's chaebol chipmakers or Hong Kong's property tycoons. On the downside, the threats are even greater. Twice in the past quarter-century the tigers have been rocked by financial crises. The long boom in demand for semiconductors in smartphones and computers has recently turned, hurting South Korea and Taiwan. But it is the geopolitical challenge that most worries them now: a "new cold war" between China and America would shake the foundations of the tigers' prosperity and security.

Methodologically, this special report begs an obvious question. Does it make sense to lump the tigers together? Two are cities; the others decent-sized countries (Taiwan's population exceeds 20m; South Korea's 50m). Two are sovereign members of the United Nations; one is a territory of China; the other exists in a diplomatic netherworld. Taiwan and South Korea are fierce democracies; Hong Kong and Singapore trust their electorates less. Two still rely on manufacturing; two are now high-end service providers.

Yet for all these differences, there is much they have in common. They are among **the world's most open trading economies**, with all the volatility that implies. They have nonetheless maintained high rates of employment and **thrift (tính tiết kiệm)**, even as their living standards have improved. They are, to varying degrees, caught between China and America. And all four are faced with complex social problems that stem from their remarkable growth over the past half-century. The four tigers

have achieved prosperity without **complacency (tính tự mãn)**, wealth without repose. Their efforts to remain in front are not guaranteed to be successful. But they are guaranteed to be fascinating. ■

Asian tigers

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