
Strategic Economic Development in Taiwan and Singapore: Lessons for Nigeria

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Abstract

This paper sought to examine economic development strategies that led to the success story of Taiwan and Singapore, two of the eight Southeast Asian Tigers that have recorded exceptional and miraculous economic development. The goal is to ascertain the lessons which Nigeria from this success story to improve her economy. The paper argues that Taiwan and Singapore, just like the other Southeast Asian economies changed from a traditional agriculture-based society into an industrialized modern country with high global income, inequality in wealth distribution and commendable Gross Domestic Product roughly within a century. The paper also argues that both Taiwan and Singapore encountered a number of difficulties on their way up, including political threat from China, economic recession and financial crises which hit Asia from 1997 to 1999. Despite this, the success story of these nations has presented interesting lessons for developing nations like Nigeria that continues to grapple with the challenge of economic development. It is therefore, the position of this paper that, if Nigeria does not learn from the experiences of Taiwan and Singapore, it would probably continue to exist under adverse economic conditions, even as a highly dependent economy. This is why the paper recommended that the government of Nigeria should build strong economic regulatory institutions, provided market-friendly environment that support both domestic and international trade; diversify the economy, create stable macroeconomic conditions, create room for inputs from technocratic elite for economic recovery; encourage export-led industrialization and develop the political will to drive economic growth and development.

Keywords: *Strategy, Economy, Development, Taiwan, Singapore*

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Background to the Study

The phenomena economic performance of Taiwan and Singapore has attracted great attention from both policymakers and academic analysts. How has Taiwan and Singapore able to achieve their high levels of macroeconomic growth and development while many other developing countries of Africa have languished in the world's economic backwaters? The developmental indices have been pointed out as one of the most compelling explanations for the economic success of Taiwan and Singapore.

The success story of these countries is because of government's control over a variety of things presumed critical to economic success: they can extract capital; generate and implement national economic plans; manipulate private access to scarce resources; coordinate the efforts of individual businesses; target specific industrial projects; resist political pressures from popular forces such as consumers and organized labour; insulate their domestic economies from extensive foreign capital penetration; and, most, especially, carry through a sustained project of ever-improving productivity, technological sophistication, and increased world market shares (Woo-Cumings, 1999).

In the early 1960s, Taiwan and Singapore were considered to be a part of the developing economies. Since the 1997 Asian Financial Crisis, Taiwan and Singapore and other Asian Tigers still stand as rare examples of states which have successfully “developed” in a manner no one could have predicted 50 years ago and at a considerably faster rate than any of the present efforts in African states, for example (Harvey & Lee, 2002). The success of these countries presents a number of lessons which Nigeria as a developing would learn from, having been grasping with policies, programmes and strategies aimed towards achieving economic development, though without significant success since independence in 1960.

Flowing from the above background, this paper attempts to examine the economic development policies and strategies that have catapulted Taiwan and Singapore from a rudimentary agriculture-based society to a modern, industrialized, and high-income global income within a century. This study concentrates on Taiwan and Singapore because these nations share some economic characteristics that set them apart from most other developing economies, especially those in Africa. These nations also significantly outperformed the industrial economies. They enjoy a highly equal income distribution with declining inequality. They have improved infrastructure and sound educational systems that significantly improved their economy.

It has therefore, become pertinent for the developing economies of Africa, especially Nigeria to learn lessons from the exceptional growth and development of, not only Taiwan and Singapore, but the Southeast Asian Tigers. This would help Nigeria in designing and redesigning economic policies in a manner that would galvanize the much-needed economic development for the citizens.

Economic Development

Development is a concept with multi-dimensional meanings (Orluwene, 2008). Many scholars view development from different perspectives based on their state of existence, such as political, economic, social, cultural, technological, religious, gender and educational perspectives. Henry (cited in Nwaorgu 2006) affirmed that, the word development delineates a vast arena but does not specify what play as being enacted. This is due to the imprecision of the concept and the difficulty of its measurement as a socio-economic phenomenon. However, Heninecke (cited in Nwaorgu, 2006, p.75) holds that, despite the complex nature of development, social scientists have been able to identify, describe, conceptualize and analyse development.

Contributing on the concept of development, Nnadozie (2004), sees development as the ability and capacity of man to adequately interact with his physical environment and other individuals to constantly improve himself and humanity. This idea is captured very well by Nnoli (cited in Nnadozie, 2004) when he argued that, development is a phenomenon associated with changes in man's humanity and creative energies, not in things. It is the unending improvement in the capacity of the individual and society to control and manipulate the forces of nature as well as themselves and other individuals and societies for their own benefit and that of humanity as large. It is a process of actualizing man's inherent capacity to live a better and more rewarding life. It implies increasing skill and capacity to do things, greater freedom, and responsibility and material well-being.

Economic development therefore, refers to the sustained, concerted actions of policymakers and communities that promote the standard of living and economic health of a specific area. It referred to quantitative and qualitative changes in the economy. Such actions can involve multiple areas including development of human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, literacy, and other initiatives (O'Sullivan & Sheffrin, 2003).

For this study therefore, it is apt to define economic development as the process of changing from a lower state of economic welfare to an improved condition which guarantees a high standard of the wellbeing of the citizens of the society in which development occurs. This also includes improved living conditions, infrastructure, education, healthcare, Gross Domestic Product, employment opportunities, quality of life and absence of poverty. The experiences of Taiwan and Singapore are very good examples of economic development.

Overview of Taiwan and Singapore Economic Strategies

The story of economic development in Taiwan and Singapore is one that attracts global attention, and often described as a "miracle." Taiwan and Singapore, just like the other Southeast Asian Tigers have evolved a number sound economic policies, programmes and strategies that catapulted them to enviable levels of growth and development. These nations provided stable macroeconomic environment and a reliable legal framework to

promote domestic and international competition. The government provided market-friendly strategies that ensure adequate investments in people, provide a competitive climate for private enterprises, keep the economy open to international trade, and maintain a stable macro economy (World Bank, 1991b).

The Southeast Asian countries (Taiwan and Singapore) also provided strong institutional framework that ensured economic growth. Institutions were highly qualitative and authoritarian in nature, and were described as “developmental states” in which powerful technocratic bureaucracies, shielded from political pressure, devise and implement well-honed interventions. Even as these regimes were authoritarian, they were willing to grant a voice and genuine authority to technocratic elite and key leaders of the private sector. This fostered government-private sector cooperation. In Singapore, deliberation councils were established comprising representatives from private industry, the government, academia, consumer groups, labour and in some cases the press. The inputs from all these groups were useful in formulating policies that occasioned growth and development in the economy.

To legitimize these authoritarian regimes, the governments in Taiwan and Singapore established the principle of shared growth, which promised benefits to all categories of people as the economy expands. Based on this assurance, Taiwan carried out a comprehensive land reform programme, while Singapore undertook massive public housing programmes, and assisted workers' cooperatives that encouraged small and medium size enterprises to grow. Generally, shared growth resulted in broad support for the regimes, even as these regimes avoided standard interest group pressures to provide special privileges. The wealth-sharing mechanisms were designed to incorporate the wider population into the growth process.

Moreover, Taiwan and Singapore developed fundamental and interventionist policies in achieving rapid accumulation of human and physical resources. The government started off by providing universal primary education, and later by increasing the availability of secondary education. These nations also used a variety of more interventionist mechanism to increase savings. Singapore compelled high private savings rates through mandatory provident fund contributions, while Taiwan imposed stringent controls and high interest rates on loans for consumer items, and levied stiff taxes on so-called luxury consumption.

From an initial period of shortage of domestic savings compensated for by grants and publicly guaranteed foreign loans and foreign direct investment (FDI), most of the East Asian economies managed to increase their profit-related savings ratios to sustain investment ratios of 30 per cent and more for almost three decades (Akyuz & Gore 1996). The “tigers” have been able to improve income distribution and simultaneously maintain impressively high rates of capital accumulation and economic growth. This suggests that it is not the rate, but the pattern, of capital accumulation, which worsens or improves income distribution (Hamilton 1983, Stiglitz 1996, World Bank 1993).

Taiwan and Singapore also pursued Direct Foreign Investment (DFI) by welcoming technology transfers in form of licenses, capital goods imports, and foreign training unlike other economies within the same region that adopted policies that hindered the acquisition of foreign knowledge, attempted to build their indigenous technology thereby forgoing the advanced technology that is inherent in imported equipment. For Singapore, it was necessary to supplement the local lack of technical and managerial knowledge by attracting international firms, albeit in a limited fashion, using their capital and resources to kick-start the light industry that would provide the backbone of Singapore's economy for the next few decades. Consequently, in the 1970s, there was a dramatic change in the structure of Singapore's economy, with manufacturing and heavy industry becoming increasingly more of a priority throughout the 1970s and 80s. This was largely in response to the challenge that China's burgeoning light industry under Deng posed to Singapore's output, and was pushed forward by the central government through a combination of reinvestment of wages in industry, infrastructure, housing and communications through the Central Provident Fund and an increase in minimum wage, forcing employers to seek more efficient modes of production.

Thus, Yew (2000) contends that, the process started with the holistic process of getting the fundamentals of development in place and gate crashing in the global economic environment to find a space for his country in both regional and international circles. For him, Singapore was able to develop because of its efforts to get a space in the international environment as the administration made friends with countries like Indonesia that were enemies to it, strengthening ties with Thailand, Philippines, Brunei, Vietnam, Myanmar and Cambodia. Ties were equally built with Australia, New Zealand, and America etc.

Taiwan and Singapore also promoted export through fundamental interventions. They also passed through the phase of import substitution. While not facing the challenges of rebuilding after a war, Singapore stood alone as a modern city-state with too little land to effectively feed its citizens. Food and water had to be provided for by imports, necessitating a quick push towards export-oriented light industries to balance trade.

Taiwan and Singapore also diversified their economies, moving away from a traditional agriculture-based society to a modern industrial society with manufacturing industries. It should be recalled that Taiwan and Singapore emerged from the period the primary sector (mainly agriculture and fishery) to massive investment in heavy industry, particularly steel, electronics and petrochemical industry. While other state firms were privatised during the development process to encourage foreign investment and expertise, these industries were always seen as essential and so remained firmly nationalised.

While Yongping (2004) points out those small- to mid-sized firms had an important role to play during this phase of development, the state never lost its firm grip over the direction of the economy. A key measure here was control of foreign exchange, limiting the access of private firms to imported materials and serving both to keep up domestic demand for processed raw materials (which was done in state firms and unsold to selected firms) and to reduce capital risk.

One would have focused on any or all the eight Southeast Asian Tigers as a mirror for Nigeria because the Southeast Asian countries have distinguished themselves in a remarkable manner in terms of sound, workable and strong economic strategies that have amazingly transformed their economies from the humble beginning as agriculture-based societies to modern industrial societies. By settling for Taiwan and Singapore, this is believed to provide insights at a micro level, which would subsequently help in broadly understanding at a macro level, the success story of the Southeast Asian countries, and lastly, the lessons which other developing economies in other regions, especially those in Africa, including Nigeria would derive in improving their economies.

Nigeria's Development Strategies

Many developing economies too have designed policies and programme to develop their economies and record substantial growth. Nigeria, for instance, on attaining independence in 1960, adopted Liberal/Open Door Policy as the first economic strategy. Government policy at that time was in favour of attracting foreign investors for industrialisation. This act is generally related to many developing countries. This approach sought to forge national policies in a manner designed to exploit the highly sensitive national economy characterising the contemporary third world (Ogbuagu, 1995).

The policy makers argued loudly that for industrial development to be a reality, the country would need massive and unrestricted inflow of foreign capital, technically skilled and managerial manpower and technology from the developed nations. To achieve this intension, the country's policy makers provided many of the fiscal and monetary measures that were introduced in the late 1950s to encourage economic growth. They included (i) Import Duties Relief Act of 1957; (ii) Income Tax Relief Act of 1958; (iii) The Customs "Draw Back" Regulation Act of 1958; (iv) The Company's Income Tax Act of 1961; (v) the Exchange Control Act of 1962, and (vi) The Tax Exemption to Loanable foreign capital (Usoro, 1974).

Regrettably, however, despite all the aforementioned fiscal incentives which were liberal, administrative bottlenecks and infrastructural constraints made it difficult for local and foreign investors to take advantage of the stated incentives and many foreign and local investors were more inclined to the more profitable commercial activities than the manufacturing activities that could meet the country's diversification needs. Above all, criticisms were made that the incentives were excessive and in effect Nigeria did not make much progress from the initial strategy for economic growth and development (Ogbuagu, 1995).

In 1962, the strategy of Import Substitution was adopted, the strategy hoped to replace imported products with goods produced/ manufactured locally in order to reduce the country's dependence on imports especially on consumer goods as to increase the level of national income (NI), lower the level of high unemployment rate and secure a general improvement of the quality of life of its citizenry. In all, this strategy accounts for a

significant improvement in the industrial sector. For example, in the early years of its implementation, the country was virtually self-sufficient in the production of certain consumer goods like drinks and other beverages, cotton, soap, textile, tobacco, plastic goods, livestock, feeds, stationery and footwear, among others.

Despite the above policy efforts, Nigeria continues to have unfavourable economic conditions, with the millions of the population wallowing in debasing poverty. The health conditions of the people continue to deteriorate; even millions of them suffer due to illiteracy, cataclysm, trade imbalances and macroeconomic conditions. This is why the success story of Taiwan and Singapore provides a veritable platform and an opportunity for Nigeria to derive lesson to improve her economy in the interest of the citizens.

Lessons for Nigeria

There are a number of lessons that Nigeria would learn from the Taiwan and Singapore experiences. One of these issues is the quality of leadership. If the policies and decisions of the leadership are geared towards improving the living conditions of the people in both short and long term, such leadership is sure to enjoy the support of the people. As the cases of Taiwan and Singapore have shown, the political leadership must be willing to create legitimacy through wealth-distribution or what is called shared growth. This means that State could derive its legitimacy from economic success, rather than democratic elections or ideological correctness, by effectively pursuing the long-term and aggressive development progression. This shared growth strategy would achieve broad support for the regimes, which would then wilfully initiate policies and programmes to better the lot of the people depending largely on their needs. This would help to incorporate the wider population into the growth process of the economy.

The reality in Nigeria is that, legitimacy is sought, not through economic prosperity, but by coercive and autocratic means. The leadership in Nigeria is concerned primarily about the benefits that its position can provide for itself than to the country at large. They might be stable government not bound to inflexible ideologies, but without the motivation of legitimisation they are happy to focus their attention on patronage rather than enacting development policies.

It is therefore, pertinent for the leadership to appreciate the urgency to pursue sustained economic development that would make the government stable (non-democratic) flexible (not bound to ideology) and motivated to actively pursue sustainable development progression. Alternate sources of legitimisation, such as military strength, need to be stripped by some means from leaders who show no signs of interest in the long-term economic interests of their nation in order to refocus their attentions, while short-term revenue streams that would eventually dwindle need to be limited. Extractive industries for instance should have their exports limited to fight the “resource curse” and force consideration of alternate industries.

More so, overzealous democratisation poses its own danger, quite apart from any criticism of market liberalisation in developing nations. Democracy at best provides a degree of instability in leadership. It is hard to make effective Five Year Plans when the government could be radically different as little as four years into the future, let alone long-term plans for development of key strategic industries as in Taiwan. At its worst, democracy provides yet another legitimisation for leaderships primarily concerned with its own benefit and not sufficiently motivated to aggressively push through development plans. Democracy is certainly a good thing and should be a goal of nation building, but it is not the only good thing, and it may even provide an obstacle to development.

Ultimately the pattern of economic development achieved by Taiwan and Singapore is replicable elsewhere in Nigeria and the world large, if the key issue of legitimisation and the role of the leadership in development are addressed. However it may require some rethinking of the priorities of nation building exercises, and other goals like the establishment of democracy may need to be pushed back in order to maintain the stable, flexible, and economically-motivated leadership that seems to be required for effective state-led development

They are many disparities in their development strategies. Taiwan grew largely on the basis of domestically generated finance for investment (not foreign direct investment (FDI)). While Singapore relied heavily on investment by transnational corporations; Conglomerates and large firms dominated. Taiwan grew through small and medium-sized firms. Taiwan used government-directed industrialisation strategy of production and exports for the World market. Singapore was the most open and least interventionist.

However, the common denominator is their ultra export promotion bias, which forced their firms to learn to either compete in third world markets with the world's most efficient firms, or go under. The strategy looked simple: governments decided on priority sectors and went ahead to support companies to engage in those areas. The selection of which firms to support followed a rigorous process entailing the submission of sound Business Plans for evaluation and approval; agreement with government on targets in productivity, turnover, exports, profitability, etc; and effective follow-up by efficient bureaucrats from the Ministries of Finance, Industry or Trade.

Their instruments of choice for export promotion were subsidised credit (low interest loans), tax incentives, selective import tariff protection for home market sales, subsidised import inputs (low tariffs on imports of inputs and technology for preferred sectors/activities), etc. These measures were generally implemented uniformly across sectors, applying to all potential exporters, in order not to discriminate among export activities.

Taiwan and Singapore accomplishments highlight the benefits of pursuing an outward-oriented trade strategy, while maintaining significant trade barriers to imports during their periods of rapid growth (except the city states) which were lowered in a gradual

manner as the economies picked strengths. Government intervention took diverse forms in all sectors of the economy. There was establishment of duty-free Export Processing Zones with subsidised infrastructure supplies and factory space; encouraged mergers to achieve economies of scale and to create barriers to entry to avoid excessive competition; provision of research facilities in government institutes; repression of real wages through restrictions on trade union activity; and reduced prices for utilities for targeted sectors.

The other distinct feature is that the Taiwan and Singapore were late starters. The ultimate basis of their spectacular performance appeared to be their active desire to identify and incorporate best practices and modern technology. Singapore did so by attracting transnational corporations with modern technology and market access. Taiwan pursued an active policy of intelligent imitation, learning by taking things apart and reverse engineering.

Taiwan and Singapore also invested in human capital by promoting education at all levels (first through free universal primary education) and thereby creating a skilled workforce. Investments in education and training yielded future returns in the form of more productive workers.

The state in Nigeria also needs to provide a market-friendly environment that would support businesses and attract foreign investments. This could only be possible through the provision of enabling laws that would support and enhance the ease of doing business. Such an environment must not also be replete with elements of insurrection, which usually arise from the inability of the leadership to provide for the yearnings and aspirations of the people.

The above concern is closely allied to the need for the government in Nigeria to provide an effective regulatory and/or institutional framework that control both domestic and external trade. Such institutions must be capable of providing market-friendly strategies that ensure adequate investments in people, provide a competitive climate for private enterprises, keep the economy open to international trade, and maintain a stable macro economy. To this extent, it is necessary that, while the government takes some interventionist measures to controlling the economy, it must also allow the institutions the free to act professionally and discretionary towards achieving economic growth and development. For instance, in the cases of Taiwan and Singapore, despite the authoritarian nature of the regimes, they were willing to grant a voice and genuine authority to technocratic elite and key leaders of the private sector and other sectors, including representatives from private industry, the government, academia, consumer groups, labour and in some cases the press. The inputs from all these groups were useful in formulating policies that occasioned growth and development in the economy.

In the lieu of the foregoing, institutions in Nigeria such as the Nigeria Chambers of Commerce and Trade, National Economic Reconstruction Funds, Industrial Training Fund, Industrial Development Centres, Ministry of Industry, Trade, Commerce and

Cooperatives, Nigerian Chambers of Commerce and Industry, Central Bank of Nigeria, Economic Financial Crime Commission, and other agencies and establishments must enjoy the freedom to deliver on their mandates without fetters or undue interference from the government.

Conclusion

The success story of Taiwan and Singapore has provided an interesting path to development, which must be mirrored by other developing economies, especially those in Africa, including Nigeria. Through interventionist policies, the governments in these two Southeast Asian economies have provided market-friendly environment that support both domestic and international trade. This helped in creating stable macroeconomic activities and addressing trade imbalances. To sustain high economic growth, free market economic policies are essential. However, for today's less developed economies like Nigeria, the policy lesson is that some of the measures of industrial policy used successfully in the Newly Industrialised Countries (like export subsidies, tariffs and incentives to support new producers) still have a role to play at a relatively early stage of industrialisation and can be used effectively to encourage a diversification of exports and the expansion of new manufactures.

To achieve economic development, institutions must also be made strong, and allowed the leverage to discharge their mandates without let and hindrance. This is necessary to allow the technocratic elite the opportunity to bring their skills to bear in the process of driving economic growth and development. It is therefore; critically important for Nigeria to mirror the experiences of Taiwan and Singapore as two of the eight Southeast Asian Tigers, which chiefly by dint of public policies and political will, have recorded remarkable economic growth and development, boasting of high GDP, inequality, industrialization, sound education, infrastructure and improved their economy.

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