

What could Macedonia Learn from a Tiger? The Asian Tigers and the Phenomenon of Uninterrupted Economic Growth

By Sam Vaknin, Ph.D.

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The first reaction of economies in transition is a sharp decline in their production, mainly in industrial production. In the countries which attained independence with the demise of the British Empire (where the sun never set) - industrial production fell by 20% on average. Even this was because these countries continued to maintain economic ties with the "mother" (the United Kingdom). They also continued to trade among themselves, with the rest of the British Empire, through the Commonwealth mechanism.

This was not the case when the second biggest empire of modern times collapsed, the Soviet empire. When the USSR and the Eastern Bloc disintegrated - the COMECON trading bloc was dismantled, never to be replaced by another. All the constituents of the former Eastern Bloc preferred to trade with the west rather than with one another. The Empire left in its wake mountains of trade debts, total lack of liquidity and money losing barter operations carried out in unrealistic prices.

Thus, industrial production plunged in the newly established countries (CIS and the countries which were part of Former Yugoslavia) as well as in other former members of the Eastern Bloc by 40-60% over a period of 5 years. A slow recovery is discernible only in the last two years and industrial production is picking up at an annual rate of 2% (Estonia) to 8% (the Czech Republic) - depending on the country.

This disastrous drop in the most important parameter of economic health was largely attributable to a few, cumulative factors:

The sudden evaporation of all the traditional export markets - simultaneously. Macedonia has lost 80% of its export markets with the bloody and siege-laden disintegration of the Former (federation of) Yugoslavia. Similar vicissitudes were experienced by other countries in transition.

A huge, unsustainable internal debt between the companies themselves (each acting in the dual role of supplier and of client) - and between the enterprises and the state. This burden was only very mildly ameliorated by bartering. Mostly, it led to severe cases of insolvency or lack of liquidity and to a reversion to pre-monetary economic systems.

This lack of liquidity also prevented the investment in capital assets (plant modernization, personnel training, data processing and decision making tools) necessary to sustain efficiency gains, increase productivity and maintain competitiveness.

Gross inefficiency of the industrial plants which was due to massive hidden unemployment, low maintenance standards and the aforementioned lack of capital.

Outmoded and outdated management techniques. The old guard of managers in industry were ill adapted to the rapid changes wrought about them by capitalism and wise industries. They continued "to fight the last (and lost) wars", to bemoan their fate and not to provide a sense of direction, a vision of the future and the management decisions which are derivatives of the above.

Faulty legislation, dysfunctioning law enforcement systems, crony capitalism and privateering (the sale of state assets to political allies or to family members of influential political and economic figures) - all led to fuzzy ownership structures and to a virtual abandonment of the protection of property rights. In the absence of clear ownership and under the threat ever—imminent loss of property, the profit motivation has degenerated into speculative binges and bouts and decision making was transformed into power contests.

These industries produced and manufactured goods in accordance with some central planning, an theoretical model of the marketplace, or rule-of-thumb thinking. The result was mountains of shoddy merchandise, of low quality and very little demand. Antiquated design and lack of responsiveness to market needs and consumers' wishes only exacerbated the situation.

This absence of market research, market analysis and, more generally, market awareness led to the almost complete absence of marketing, sales promotion, or advertising (in the modern sense). Paradoxically, the communist era industries demonstrate a deeper belief in "the invisible hand of the market" than do their capitalist brethren. They entrust the function of the dissemination of information and its influence upon the decisions made by consumers - entirely to the market. If the product is either needed or good enough, it will sell itself, was the thinking. Marketing and advertising were thought of as illegitimate cajoling, pushing consumers to make decisions that they would not have made otherwise.

Industry operated under all these crushing constraints in an environment of heavy to impossible regulation, trade protectionism (which denied them the benefits of competition), corrupt bureaucracy, rolls of red tape, heavy political involvement and a total distortion of economic considerations by "social" ones. This was further compounded by a decaying banking system (where the distinction between lender and borrower was rendered superfluous by the concept of "social capital" which belongs to everyone equally). It could not supply the industrial sector with capital replenishment and the total absence of capital markets did not help.

Last - but far from being least - was the non existence of a "Protestant" or "Asian values" work ethic. Low salaries, feigned "equality" and absent profit motivation - all led

to a disincentived work environment. The norm in many of these countries is still: "come to work, open and close the door and get paid", as the saying goes. This is the benign case. Stealing from the workplace has become an acceptable way of complementing income and moonlighting was done at the expense of the official "primary" workplace.

But it seems that the worst is over and that the scene is fast changing.

However sloppy or criminal the process of privatization, still hundreds of thousands of new capitalists were brewed and introduced, willy nilly, to the profit motive. The spectre of capital gains, made most of them (except the most hardened) discover marketing, advertising, design, export, trade financing, public offerings, strategic partnerships, concessions and business plans.

Industries are much more focussed and market oriented. The new religion of capitalism, replete with entrepreneurship, free choice, personal profit and the invisible hand of the market has been successfully phased in.

Both the domestic markets and international trade are recovering nicely. Consumption is growing and with it exports. The political level is withdrawing from the scene through more or less successful privatization or transformation schemes and appropriate legislation to minimize the role of the state in the economy.

Some countries have opted to "skip" some of the industrial portion of the classic, evolutionary economic cycle - and go directly to investing in information and knowledge industries. They educate their workforce and retrain it accordingly. They invite multinationals - using a cocktail of tax incentives and direct grants and subsidies - to open back office operations (accounting, administration) and telemarketing operations in their countries. This calls for lower investment than in classic (or sunset) industries and has a high value added to the economy.

But the single largest driving force behind economic recovery is foreign capital. Foreign Direct Investment (FDI) is pouring in and with it: new markets, technology transfers through joint ventures, new, attractive product mixes, new management, new ideas and new ownership - clear and decisive.

So, industrial production is picking up and will continue to grow briskly in all countries in transition that have the peaceful conditions necessary for long term development. If Macedonia will follow the examples of the Baltic countries, of Poland, the Czech Republic, Hungary, Slovenia, even Russia, Ireland, Egypt, Chile, Indonesia, Israel and the Philippines - it will double its industrial production within 10 years and redouble it again in 15 years.

Israel, Ireland and ... France and Japan (!) are examples of poor, agricultural countries, which made the transition to thriving industrial countries successfully.

But was their secret? How come Hong Kong and Singapore are richer than Britain by some measures? Together with South Korea and Taiwan they have been growing at an average rate of 7.5% annually for the last 30 years. China, Indonesia, Malaysia, Thailand, The Philippines have joined the "Asian Tigers" club.

They all share some common features:

Massive injections of labour (by massive immigration from rural areas to the cities, urbanization). Massive injections of capital and technology. The above injections were financed by an exceedingly high level of savings and investments (savings amount to 35% of GDP, on average).

Wise government direction provided through a clear industrial policy. This, though, is a double edged sword: a less wise policy would have backfired with the same strength.

A capitalist, profit seeking mentality.

An annual increase of 2-3% in productivity which is the result of copying technology and other forms of technology transfers from the rich West.

Strong work, family and society ethics within a cohesive, conformist and supportive social environment (the "Asian Values" are the Eastern equivalent of the "Protestant Work Ethic").

Low taxation and small government budgets (less than 20% of GDP compared to twice as much in the West - and 3 times as much in France today).

Flexible and mobile labour and c (in certain countries) capital markets. When mobility or flexibility are restricted (Japan) it is the result of social treaty rather than of legislation, regulation, or other statist intervention.

A firm, long lasting commitment to education and to skill acquisition, even in hard circumstances. The number of educated people is low but growing rapidly, as a result.

Openness to trade, knowledge and to technology.

Imports are composed mostly of investment goods and capital assets. The culture of conspicuous, addictive (or even normal) consumption is less developed there.

Still, these countries started from a very low income base. It is common economic knowledge that low income countries always grow fast because they can increase their productivity simply by purchasing technology and management in the rich country. Purchasing technology is always much cheaper than developing it - while maintaining roughly the same economic benefits.

Thus, Hong Kong grew by 9% in the 60s. This growth coefficient was reduced to 7.5% in the 80s and to 5% in the 90s. But China, Malaysia, Thailand and Indonesia are likely to grow annually by 7-9% during the next decade.

Not that these countries are exempt from problems. The process of maturation creates many of them. There is the dependence on export markets and volatile exchange rates (which determine the terms of trade). When the West reduced its consumption of microchips and the Dollar appreciated by 50% against the Japanese Yen - all the tigers suffered a decline in economic growth rates, current account deficits of 5-8% of their

GDP, strikes (South Korea) and Stock Market crashes (Thailand, to name but one of many). In Singapore and in Hong Kong, the industrial production plummeted by 5% last year (1996).

Years of easy money and cheap credits directed by the state at selected industries starved small businesses, created overinvestment and overcapacity in certain, state-supported, industries and destabilized the banking and the financial systems. It helped forge infrastructure bottlenecks and led to a shortage in skilled or educated manpower. In Thailand only 38% of those 14 years old attend school and in China, the situation is not much better.

Finally, the financial markets proved to be too regulated, the government proved to be too bureaucratic, corruption proved to be too rampant (Indonesia, Japan, almost everybody else). There were too many old conglomerate-type mega - companies which prevented competition (e., the Chaebol in South Korea or the Zaibatsu in Japan).

So, the emerging economies are looking to Hong Kong, Singapore and Taiwan to supply the ideal: truly flexible labour markets, no state involvement, lots of nimble, small businesses, deregulated markets, transigent industrial policies. These countries - and the rest of the Asian Tigers - are expected to beat the West at its own game: money. They have many more years of economic growth ahead:

Each Korean worker has only 40% of the capital goods, available to his Western comrade, at his disposal. Putting more technology at his fingertips will increase his productivity.

An industrial worker in the west has a minimum of 10 years of education. In Indonesia and Thailand he has 4 years and even in South Korea he has merely 9 years. On average, an industrial worker in one of the Asian Tigers countries carries 7 years of education in his satchel - hardly the stuff that generals are made of. Research demonstrated that the more educated the worker - the higher his productivity.

Finally, increasing wages and looming current account deficits - will force the tigers to move to higher value added (non labour intensive) industries (the services, information and knowledge industries).

Then, it will be the turn of countries like Macedonia to take their place in some labour intensive areas and to rise to tigerdom.

Sam Vaknin is the author of "Malignant Self Love - Narcissism Revisited" and "After the Rain - How the West Lost the East". He is a columnist in "Central Europe Review", United Press International (UPI) and ebookweb.org and the editor of mental health and Central East Europe categories in The Open Directory, Suite101 and searcheurope.com. Until recently, he served as the Economic Advisor to the Government of Macedonia.

His web site: <http://samvak.tripod.com>

The Chinese Year of the Tiger

By Tony Luck

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The Chinese Year Of The Tiger..

If you were born under the Chinese sign of the Tiger, it doesn't pay to argue with you! Tigers are usually larger than life, warm-hearted extroverts. They can't help being noticed and are often very good-looking. However, they can be quick tempered, laughing and joking one moment and angry the next, turning on anyone who annoys them.

Tigers are fearless and will pursue a perceived wrong no matter what. They have a restless spirit and hate to be confined. Tigers need to be free to roam.

Those born under this sign are idealistic but can be rebellious. Strong and tough, they will endure considerable physical hardship. Tigers are individuals who care little for material goods.

There are twelve Chinese year signs in the Chinese Zodiac. Unlike in our western astrology, in Chinese astrology each sign lasts for a year. Legend has it that as Buddha was about to depart the earth he summoned all the animals to say goodbye. Only twelve turned up so, to show his appreciation of their loyalty, he vowed that from then on each year would bear the name of one of the animals.

Chinese astrology is based on the Lunar Calendar. This means the Chinese New Year does not fall on the same day each year and can vary by as much as 3 weeks. So for babies born in late January/early February it is necessary to consult the charts to determine the correct sign.

Chinese Years:

February 9, 2005 - January 28, 2006: Rooster

January 22, 2004 - February 8, 2005: Monkey

February 1, 2003 - January 21, 2004: Goat

February 12, 2002 - January 31, 2003: Horse

January 24, 2001 - February 11, 2002: Snake

February 5, 2000 - January 23, 2001: Dragon

February 6, 1999 - February 4, 2000: Rabbit

January 28, 1998 - February 5, 1999: Tiger
February 8, 1997 - January 27, 1998: Ox
February 19, 1996 - February 7, 1997: Rat
January 31, 1995 - February 18, 1996: Pig
February 10, 1994 - January 30, 1995: Dog
January 23, 1993 - February 9, 1994: Rooster
February 4, 1992 - January 22, 1993: Monkey
February 15, 1991 - February 3, 1992: Goat
January 27, 1990 - February 14, 1991: Horse
February 6, 1989 - January 26, 1990: Snake
February 17, 1988 - February 5, 1989: Dragon
January 29, 1987 - February 16, 1988: Rabbit
February 9, 1986 - January 28, 1987: Tiger
February 20, 1985 - February 8, 1986: Ox
February 2, 1984 - February 19, 1985: Rat
February 13, 1983 - February 1, 1984: Pig
February 25, 1982 - February 12, 1983: Dog
February 5, 1981 - January 24, 1982: Rooster
February 16, 1980 - February 4, 1981: Monkey
January 28, 1979 - February 15, 1980: Goat
February 7, 1978 - January 27, 1979: Horse
February 18, 1977 - February 6, 1978: Snake
January 31, 1976 - February 17, 1977: Dragon
February 11, 1975 - January 30, 1976: Rabbit
January 23, 1974 - February 10, 1975: Tiger

February 3, 1973 - January 22, 1974: Ox

February 15, 1972 - February 2, 1973: Rat

January 27, 1971 - February 14, 1972: Pig

February 6, 1970 - January 26, 1971: Dog

February 17, 1969 - February 5, 1970: Rooster

January 30, 1968 - February 16, 1969: Monkey

February 9, 1967 - January 29, 1968: Goat

January 21, 1966 - February 8, 1967: Horse

February 2, 1965 - January 20, 1966: Snake

Tony Luck runs a site with advice for moms-to-be and new moms. Included is the fascinating [chinese pregnancy calendar](#) which is supposed to tell you whether the baby you are expecting will be a boy or girl, and a [conception chart](#) to tell you when baby is expected.

Related eBooks:

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