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## Taiwan Miracle - Taiwan's Rapid Economic and Industrial Growth Period and Post miracle Changes

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### ABSTRACT

*Taiwan's economic progress can be ascertained from a major political transformation and rapid industrialization. The period of economic development had transformed the country completely and Taiwan became too known as one of the 'Four Asian Tigers' during this period. The country's so called economic progress gradually fell down to earth gradually as the year's passed by due to various reasons.*

**Keyword:** Political Transformation, Industrialization, Economic Progress.

### OBJECTIVES OF THE STUDY

- Highlighting the major policies and incentives of government which contributed to the rapid economic transformation.
- To get a greater understating on the issues and events contributing the 'Taiwan Miracle'.
- To understand the factors which led to the growth in Taiwan
- To understand the political factors in the economy which led to falling in the growth of the Taiwan economy.

### THE PERIOD OF ECONOMIC MIRACLE

The economic progress of Taiwan can be ascertained from a major political transformation from an Authoritarian Government to a Multiparty Democracy where Taiwan's citizens enjoyed full freedoms and civil rights.

On June 27, 1950, the United States intervened in China's civil war to stop the regimes from attacking one another which helped its country to turn its economy around.

The nation's sudden economic change was equalled to its greatest political transformation, from a single party rule (The Kuomintang) to a democracy where political parties participated in fair politics. The Citizens of Taiwan and their elected leaders enjoyed their full freedoms and civil rights.

Myers in his article explains that the great political and economic breakthrough process comes in three phases:

- Between 1950 to 1965 when the country received American military and economic aid of the U.S. \$1.5 billion, this gave the country a solid foundation for modernization. Economic reforms helped the country to reduce its unemployment Rates and inflation rates.  
Rapid industrialization helped the country to increase its production of goods and thereby increasing its exports.
- Between 1966 to 1986, the country witnessed the second break through when the economic development quickened and continued to rise. The country literacy level rose and the new industries emerged

- The last phase of Taiwan miracle was during the year 1987 when the country saw a social change. The cities grew rapidly and the country experienced pressure from the U.S to appreciate its currency and thereby reducing the economic growth of Taiwan.

(Myers,

2000)

Taiwan economic miracle was a lot dependent on the local machinery industry. The new cultures and markets during 1970's had laid the foundation for the international success. Machinery industry had contributed a lot which was responsible for boosting Taiwan's economy. Some of the major items which were manufacture were machine tools, wood working, and plastic. Taiwan was consistently rated among the top five export countries in the world.

The world had started realizing the value of Taiwanese goods as most of the Taiwanese manufacturers used best European and American vital components in their machinery which produced the world class products at affordable rates. (Anonymous, 2004)

Taiwan achieved its economic miracle by modernizing its agriculture, industry, and education. Taiwan also focused on making its relationship stronger with the U.S. Taiwan sent its brightest and young brains to California to learn science and technology. These young minds returned back to Taiwan and have successfully pushed cell phones and computers into the homes of Taiwan. Taiwan's economic growth was at an average of 8 per cent a year. (Crean, 2002)

Taiwan's focused on its export promotion in the year 1958. Taiwan introduced 19- point programme in the year 1960. The programme was aimed at encouraging saving and investment, to reduce the expenditures and to promote exports. The programme also aimed at liberalizing and restoring market mechanisms. Taiwan established permanent economic institutions like a central bank which regulated the capital market. Taiwan also provided preferential treatment to private business to promote their businesses.

Taiwan also introduced tax incentives on exports which were designed to reduce the tax burdens. Tax incentives were made available to both for domestic as well as foreign investors. Taiwan's GNP jumped 235 per cent during the year 1960-67. Taiwan's total foreign investment soared to the US \$34.2 million in 1960-63, up from the US \$10.9 million in 1952-59.

Taiwan also has many other measures for promoting its exports like liberalization of foreign exchange and by establishing Export Processing Zones. (Tsai, 1999)

## **ROLE OF OTHER COUNTRIES IN THE GROWTH**

Japanese economy 'primed' the economy for a period of over 50 years. Apart from this, United States provided a large military support between 1951 to 1964. The combined role of the USA and Japan played a prime role; Japanese invited to finish large infrastructural projects and USA provided the financial aid. China successfully transferring the Kuomintang had a strong positive effect on the growth of Taiwan since 1949.

## **REASONS/FACTORS FOR A GROWTH IN TAIWAN**

### **Confucian Foundation**

Culture plays an important role in the any of the economic development. The economic and the business development is mostly influenced by the economic power houses such as China, Japan, and Hong Kong. This leads to similar work culture and works ethics which is very influential.

### **Hard Work**

Since Taiwan is a Confucian dominant country. This religion promotes hard work. This common culture emphasis on hard work has had a significant positive impact on the economy of Taiwan. The country recorded an average increase of output of about a 6%, which was much more than the United States between 1979-2009.

### **Capital Accumulation**

During the 1960s the personal savings and the government savings increased. This saved up capital was then used to buy assets and crating capital value had tremendous growth rate over the past years. During the high growth rate, most of the business was supported by the domestic saving which had a saving rate of about 28.4%. Apart from developing the physical capital, Taiwan government had realized the high value of human as capital because of which high investments for the development of human resource. This led to doubling the population in the colleges from 10.4 to 23 percent.

### **Export Oriented Growth**

Export promotion of light industry had a major part in the economy of Taiwan and thereafter. The economy had gradually and incrementally liberalized through a series of light industry. The economy was gradually and incrementally liberalized through a series of tax policy changes combined with high interest rates on bank deposits and low-cost export loans. (Ball, 2011)

## **DEVELOPMENTAL STAGES**

The growth rate in Taiwan dramatically changed during the 19<sup>th</sup>-20<sup>th</sup> century. In the traditional economy, textile, agriculture were the driving industries. As the industrial revolution hit Taiwan, the growth rate boosted and the growth rate graph moved at a higher elevation. The industrial revolution was highly influenced by Iron and steel, automobile and High Tech productions. Finally, the post-industrial society which was mostly service based. The inclination declined as compared to the industrial society, still country had a recorded a high growth rate. The graph of the growth gave S shaped curve. During the industrialized revolution, the country had a manufacturing advantage because of low cost labour.

(C, 2012)

## **IMPACT OF POLITICAL CHANGES**

The political changes in the government led to the fall of Taiwan economy. This took place in 2 waves. The first wave democratization of the country in the early 1990s and late 80s. The second wave was when power was shifted from KMT-Kuomintang to DPP- Democratic Progressive Party in the year 2000. With democratization, the growth rate of the country went down from an average of 18.2% in the 1980s to about 6.5% in 1990s. Not only this, during the years 2000-2006, the unemployment increased from 4% to 2%.The legislative elections of 1992 and the presidential election of 1996 declared the evolution of the state as the electoral democracy. The political conflict between the two parties led to a lot of economical loses. The DPP promoted nativism and also discontentment for the KMT which used to have connections with the underworld. There was a common scenario of fistfights in the legislation and clashes on the street. (Wu, 2007)

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