STATE POLICIES AND INDUSTRIAL UPGRADING IN EAST ASIA

Mots clés: Nouveaux pays industrialisés ; Filière de production globalisée ; Diffusion des technologies ; Valeur ajoutée industrielle ; Conception des produits ; Stratégies de marques.

Key words: New industrialized countries ; Global commodity chain ; technology transfers ; industrial value added ; product design, brand strategies.

STATES AND MARKETS IN EAST ASIA'S "ECONOMIC MIRACLE"

Japan and the newly industrializing countries (NICs) of East Asia — South Korea, Taiwan, Hong Kong, and Singapore — have been dubbed "miracle economies" because of their unparalleled accomplishments in the latter half of the twentieth century. They registered record economic growth rates not only during the prosperous 1960s, when international trade and investment were expanding rapidly, but they also managed to sustain their dynamism through the 1970s and 1980s in the face of several oil price hikes, a global recession, and rising protectionism in their major export markets. In addition, the exceptionally rapid economic growth of the East Asian economies has been accompanied by high and rising per capita incomes, relatively low levels of inequality in wealth and income distribution, and dramatic improvements in other dimensions of human welfare, such as education, health, and housing.

In 1993, the World Bank published its much heralded study entitled The East Asian Miracle, which argues for the uniqueness of East Asia's record of rapid and sustained economic growth with social equity (1). Prompted by Japan's vocal dissatisfaction with the World Bank's overemphasis on macroeconomic issues in


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Bank structural adjustment policy and by policy disagreements within the Bank itself, the *East Asian Miracle* study, whose $1.2 million price tag was funded mainly by the Japanese government, focuses on eight high-performing Asian economies (HPAEs): Japan, the "four tigers" (or East Asian NICs), and the three newly industrializing economies of Southeast Asia (Malaysia, Thailand, and Indonesia) (2). If one looks at economies between 1965 and 1990 that are characterized by high growth (GDP per capita annual increases above 4.0 percent) and low relative inequality (a ratio of less than 0.1 between the top quintile and the bottom quintile of household income), there are just seven high-growth, low-inequality countries in the world. All of them are in East Asia; only Malaysia, which is high-growth but has an inequality index of about 15, is excluded among the set of HPAEs (3). The track record of the HPAEs is superior to that of any other region of the world since 1960. Between 1960 and 1990, the growth in per capita income in the HPAEs (an average annual increase of 5.5 percent for these three decades) was more than double that of the OECD economies, roughly three times as fast as Latin America and South Asia, and five times faster than Sub-Saharan Africa. High rates of investment, exceeding 20 percent of GDP during 1960-1990, especially private investment, were supported by a rapid increase in domestic savings; indeed, the HPAEs are the only developing economies in which savings exceed investment, making them net exporters of capital (4).

Exports are perhaps the most impressive measure of East Asian dynamism. The HPAEs have been steadily increasing their share of world exports, from 8 percent in 1965 to 13 percent in 1980 and 18 percent in 1990. These percentages are even higher for manufactured exports (21.3 percent of the world total in 1990), which represent well over 90 percent of all exports in Japan, South Korea, Taiwan, and Hong Kong. Excluding Japan, the remaining HPAEs account for three-quarters of the Third World's manufactured exports. In 1992, the People's Republic of China topped the list of Third World exporters with $29 billion in overseas sales, followed by Taiwan ($27 billion), South Korea ($26 billion), and Singapore ($23 billion). In the next tier, with exports of $10 to $40 billion, are Hong Kong, the Southeast Asian HPAEs (Malaysia, Thailand, Indonesia), and Brazil (5). Thus, the HPAEs and China account for eight of the top nine exporters in the Third World.

How can we explain these differences in economic performance between East Asia and other regions of the Third World? The World Bank's *East Asian Miracle* report identifies three alternative views on the role of public policy in the HPAEs. The "neoclassical" view attributes East Asian success to limited government intervention and an export-oriented trade strategy. Unlike nations in Latin America and other Third World regions that followed the protectionist path of import-substituting industrialization (ISI), the East Asian NICs relied on export-oriented industrialization (EOI) since the mid-1960s to stoke global demand for their manufactured exports and to promote local industrial upgrading (6). Neoclassical economists and prominent international financial institutions like the World Bank loudly touted EOI as a successful development paradigm that the rest of the Third World should emulate. The explicit message directed at Latin America and the other countries pursuing ISI was that "the economic performance of the outward-oriented economies has been broadly superior to that of the inward-oriented economies in almost all respects," most notably increased exports, employment, and economic growth (7).

The "revisionist" view is that East Asian governments actively "led the market" in critical ways via industrial policy and other selective policy measures (8). Interventionist states were central to East Asian success because of the presence of pervasive market failures, which governments remedied by altering incentives and deliberately "getting the prices wrong" to boost industries that otherwise would not have thrived (9). A related revisionist theme is that the key features of East Asia's success may lie less in the area of economic policy than in the region's dynamic institutional arrangements. Thus, the East Asian experience has been characterized by: (a) local ownership and control in their leading export and intermediate goods industries (10); (b) substantial backward and forward linkages within the domestic economy involving a wide variety of local business groups and subcontracting networks (11); and (c) a high level of endogenous technological development, although few of these countries (with the exception of Japan) have made true innovative technological breakthroughs (12).

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(12) For a description of a micro-level perspective on technological development that stresses the efficient use of imported technologies rather than innovating new technologies, see Lall, "Does the Bell Toll for Industrial Strategy?"
The “market-friendly” view advocated by the Bank is that economic growth resulted from functional interventions in “fundamentals,” such as stable macroeconomic management, high investments in human capital (especially education), secure financial systems, limited price distortions, and openness to foreign technology and trade. Although selective interventions — such as mild financial repression (keeping interest rates positive, but low), directed credit, the promotion of specific industries, and export-push trade policies — were commonplace among the HPAsEs, these industrial policies were considered by the Bank to be “largely ineffective” in promoting growth and enhancing productivity. Elsewhere in the report, the Bank qualifies this assessment somewhat: “Our judgment is that in a few economies, mainly in Northeast Asia, in some instances, government intervention resulted in higher and more equal growth than otherwise would have occurred. However, the prerequisites for success were so rigorous that policymakers seeking to follow similar paths in other developing economies have often met with failure” (13). The two most important prerequisites for success in Japan and the East Asian NICs, according to the Bank, were: (1) “reciprocal” performance-based allocation systems; and (2) the costs of interventions, both explicit and implicit, did not become excessive. Achieving these outcomes was facilitated by particular aspects of East Asia’s governance structure, such as a high-quality civil service that is able to monitor performance and is insulated from political interference, and the use of “deliberation councils” to establish both competition (e.g., economic contests) and cooperation (e.g., information sharing) among firms.

While the World Bank report makes some concessions to the important role of the state in East Asia, it still is criticized for its doctrinaire adherence to market fundamentalism. Some claim that the relatively favorable “initial conditions” of many of the HPAsEs — nearly universal primary and secondary schooling, an early demographic transition (low fertility and mortality rates), and relatively low levels of inequality in wealth and income distribution since the early 1960s, reflecting in large part the post-World War II land reforms undertaken in Japan, Korea, and Taiwan — were a critical determinant that facilitated, rather than resulted from, macroeconomic stability (14). Equity, in other words, may have been a precondition of economic growth. Other authors assert that the Bank’s critique of government intervention is conceptually unsound because it makes no distinction between policy “instruments” (e.g., directed credit and export subsidies) and policy “goals” (e.g., the promotion of specific industries) (15); it is unfeasible because there are no clear examples to show that economic performance in East Asia would have been better in the absence of specific interventions (16); and it is empirically mistaken in trying to deny the causal connection between import protection, screening of foreign investors, the development of indigenous technological capabilities, and large domestic firm size in Japan and Korea, which goes against the “market-friendly” model (17).

The World Bank report also is charged with misinterpreting the logic involved in growth patterns within the Asian region. Malaysia, Thailand, and Indonesia — the southern tier of the HPAsEs — have enjoyed fast growth and an export boom in the 1980s without much in the way of selective industrial policies. This is viewed by the Bank as further evidence of the beneficial effects of widespread liberalization. If the starting point of one’s analysis shifts from internal determinants of national growth to external linkages, however, then regional “neighborhood” effects become a compelling alternative explanation for Southeast Asia’s growth path. The rapid growth of the southern tier HPAsEs has been driven to an important extent by the industrial restructuring of the northern tier East Asian economies. Robert Wade highlights some implications of thinking about East Asia as an interrelated regional economy: “The fact that Southeast Asian firms moving production offshore went to Southeast Asia rather than to Latin America or South Asia may be due less to the fact that Southeast Asia had better ‘fundamentals’ than other cheap labor sites (as the report would argue) and more to other, regionally specific factors [including] overseas Chinese networks, similarities in business practices, and the advantages of geographical proximity”... (18).

What is missing from the World Bank’s “market-friendly” position is the realization that East Asia’s “macroeconomic basics” — high saving and investment rates, expenditures on education, and exports — are supported by “microinstitutional foundations” that exhibit pervasive state intervention, low organizational innovation, and technological learning at the firm level. As Alice Amsden poignantly observes, “East Asia created competitiveness by subsidizing learning, whereas Bank policy emphasizes methods that effectively cut real wages” (19). Furthermore, the Bank report does a disservice to its readers by not “examining in detail how the East Asian countries integrated protection, export promotion, industrial technology, and education policies” (20).

The remainder of this paper will highlight some of these neglected aspects of the East Asian development model by focusing on how East Asian countries are embedded in new production and trade relationships in global commodity chains, and what kinds of local organizational learning and institutional responses have proven beneficial as these economies have moved through a sequence of increasingly sophisticated and demanding export roles.

COMMODITY CHAINS AND TRIANGLE MANUFACTURING IN EAST ASIA

Global commodity chains (GCCs) are rooted in transnational production systems that link the economic activities of firms to technological, organizational, and institutional influences. GCCs are a manifestation of the globalized economy, where multinational corporations (MNCs) fragment production processes across national borders to maximize profits. These chains involve the coordination of production, distribution, and consumption activities across different countries, often involving multiple stages of production and multiple actors. GCCs are characterized by their complex and modular nature, with each component of the chain performing a specific function.

The importance of GCCs in East Asia lies in the region’s role as a key player in global supply chains. East Asian countries, particularly China, have become major hubs for assembling and exporting goods to the global market. This is due to a combination of factors, including a skilled labor force, low-cost production, and efficient logistical networks.

The East Asian model of production and consumption is shaped by the interplay between local and global forces. On the one hand, the region’s economies are deeply integrated into global markets, with a high degree of specialization in certain industries. On the other hand, there is a strong emphasis on local innovation and learning, which allows firms to adapt rapidly to changes in the global economy.

In summary, the East Asian model of commodity chains and triangle manufacturing represents a dynamic and complex interplay between global and local factors. By examining these relationships, we can gain a deeper understanding of how these economies have grown and evolved over time, and how they will continue to shape the global economy in the future.
titutional networks that are utilized to develop, manufacture, and market specific commodities. In global capitalism, economic activity is not only international in scope, it is also global in organization. While "internationalization" refers simply to the geographical spread of economic activities across national boundaries, "globalization" implies a degree of functional integration between these internationally dispersed activities (21). What is novel about GCCs is not the spread of economic activities across national boundaries per se, but rather the fact that international production and trade are increasingly organized by industrial and commercial firms involved in strategic decision making and economic networks at the global level.

Two distinct types of GCCs have emerged in recent decades, which for the sake of simplicity can be called "producer-driven" and "buyer-driven" commodity chains (22). Both types of GCCs have been prominent in East Asia's development. Producer-driven commodity chains are those in which large, usually transnational, manufacturers play the central roles in coordinating production networks (including their backward and forward linkages). This is characteristic of capital and technology intensive industries such as automobiles, aircraft, computers, semiconductors, and heavy machinery. The automobile industry offers a classic illustration of a producer-driven commodity chain, with multilayered production systems that involve thousands of firms (including parents, subsidiaries, and subcontractors). The average Japanese automaker's production system, for example, comprises 171 first-tier, 4,700 second-tier, and 31,600 third-tier subcontractors (23). Florida and Kenney have found that Japanese automobile manufacturers actually reconstituted many aspects of their home-country supplier networks in North America (24). Doner extends this framework to highlight the complex forces that drive Japanese automakers to create regional production schemes for the supply of auto parts in a half-dozen nations in East and Southeast Asia (25). Henderson also supports the notion that producer-driven commodity chains have established an East Asian division of labor in his study of the internationalization of the US semiconductor industry (26).

Buyer driven commodity chains refer to those industries in which large retailers, brandnamed makers, and trading companies play the pivotal role in set-

(22) For a fuller discussion of this topic, see Gary Gereffi, "The Organization of Buyer-Driven Global Commodity Chains: How US Retailers Shape Overseas Production Networks", in Gary Gereffi and Miguel Kornieniak, eds., Commodity Chains and Global Capitalism (Westport, CT: Praeger, 1994).

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of orders expands in new production sites, such as China, Indonesia, or Sri Lanka, the pressure grows for the large U.S. buyers to eventually bypass their East Asian NIC intermediaries and deal directly with the factories that fill their orders.

Triangle manufacturing is also socially and culturally embedded. Each of the East Asian NICs has a different set of preferred countries where they set up their new factories. Hong Kong and Taiwan have been the main investors in China; South Korea has been especially prominent in Indonesia, Guatemala, the Dominican Republic, and North Korea; and Singapore is a leading force in Southeast Asian sites, such as Malaysia and Indonesia. These production networks are explained in part by social and cultural factors (e.g., ethnic or familial ties, common language), as well as by unique features of a country’s historical legacy (e.g., Hong Kong’s British colonial ties gave it an inside track on investments in Jamaica and Mauritius).

**_EXPORT ROLES AND INDUSTRIAL UPGRADING**

Countries are connected to GCCs through the goods and services they supply in the world economy. These trade linkages can be conceptualized as a set of five major export roles: (1) primary commodity exports; (2) export-processing zones (EPZs) or in-bond assembly; (3) component-supply subcontracting; (4) original equipment manufacturing (OEM); and (5) original brandname manufacturing (OBM). Each type of manufactured exporting (roles 2 through 5) is progressively more difficult to establish because it implies a higher degree of domestic integration and local entrepreneurship. Therefore, industrial development is enhanced as countries move from the second to the fifth options.

These export roles are not mutually exclusive. In fact, most nations are tied to the world economy in multiple ways. The East Asian NICs employed all five export roles from the 1950s to the early 1990s, although they currently are focusing almost exclusively on component-supply subcontracting, OEM, and OBM. Most of the countries in Southeast Asia and Latin America are involved in the first three roles. The bulk of exports in South Asia and sub-Saharan Africa fit the first two roles, with many African nations limited only to primary commodity exports. An overview of the sequence followed by East Asian nations as they have moved from EPZs to OEM to OBM will illustrate the kinds of microinstitutional dynamics that are essential to industrial upgrading in the region.

**Export Processing Assembly**

The export-processing role emphasizes the labor-intensive assembly of simple manufactured goods from imported components, typically in foreign-owned plants. The main advantages of EPZs for the host country are jobs and foreign exchange earnings. From the vantage point of developing nations, however, low wages provide only a transient competitive edge because they can fluctuate rapidly and are relatively easy to duplicate elsewhere. The first EPZs were set up in the 1960s in Asia as well as in Mexico, where they were part of a border industrialization program based on export-oriented maquiladora plants (29). In the East Asian NICs, however, EPZs have been declining since the mid-1970s in response to spiraling labor costs and the systematic efforts of these nations to upgrade their mix of export activities by moving toward skill- and technology-intensive products. As East Asia’s NICs abandoned the export-processing role, it was occupied by neighboring low-wage areas such as China, Southeast Asia, and South Asia.

**Original Equipment Manufacturing (OEM)**

The East Asian NICs have excelled at OEM production, which has been the key to their spectacular export growth during the past several decades. *Original equipment manufacturing refers to the production of finished consumer goods by contract manufacturers, who source the inputs and make the final product that will be sold under the buyer’s brandname. East Asian firms learned how to become full-range “package suppliers” for foreign buyers, which gave OEM producers a unique organizational capability for creating and managing elaborate, horizontal networks of suppliers and buyers. Expertise in OEM production increases over time and it can lead to important forms of local organizational innovation. In addition, the pressures exerted by foreign buyers for new products have made industrial upgrading an intrinsic part of the OEM process. While East Asian governments have been supportive of this process, the key factor is local entrepreneurship.*

The main advantage of the OEM export role is that it enhances the scope for local entrepreneurs not only to learn how to make internationally competitive finished consumer goods, but also to generate substantial backward linkages to the domestic economy. However, East Asian producers confront intense competition from lower-cost exporters in various parts of the Third World. Furthermore, they have discovered that it can be advantageous to establish forward linkages to their developed-country markets, where the biggest profits are made in vertically integrated commodity chains. Thus, a number of the firms in the East Asian NICs that pioneered OEM now are pushing beyond it to OBM by integrating their manufacturing expertise with the design and sale of their own-brand merchandise.

**Original Brandname Manufacturing (OBM)**

The most recent stage in the development of East Asia’s export economy is to move beyond OEM production to the establishment of proprietary brandnames that give exporters a more visible presence in both local and developed-country retail networks. South Korea is the most advanced of the East Asian countries in this regard, with Korean brands of automobiles (Hyundai), computers (Lea- ding Edge), and household appliances (Samsung and Goldstar), among other items.


being sold in North America, Europe, and Japan. Taiwan also sells its own brands of Acer and Mitac computers, Giant bicycles, Pro-Kennex tennis rackets, and Travel Fox shoes in overseas markets.

Hyundai is the most prominent example of a Third World manufacturer that decided to integrate forward to the marketing end of a producer-driven commodity chain. Hyundai entered the North American market for cars in the late 1980s by building an independent marketing network. By contrast, Daewoo and Kia, South Korea’s other two major auto companies, relied on their OEM networks with General Motors (GM) and Ford, respectively, to market and sell GM and Ford models made in Korea. This was a risky strategy by Hyundai because Hyundai only had 183 dealers in the U.S. market in 1987, compared to 3,000 dealers in GM’s Pontiac Division and 5,700 dealers for Ford. But Hyundai’s strategy was also more profitable. Hyundai obtained a 5.7 percent profit margin from production and a 7 percent margin from its marketing subsidiary, Hyundai Motor America. Daewoo earned a 3.6 percent profit for OEM production, while GM appropriated an 8.9 percent yield from the marketing process (30).

Many Hong Kong apparel manufacturers have embarked on an ambitious program of forward integration into retailing, using their own brandnames and retail chains for the clothing they make. These retail outlets started out selling in the Hong Kong market, but now there are Hong Kong-owned stores throughout East Asia (including China), North America, and Europe. A good example of this is the Fung Brothers, one of the principal Hong Kong suppliers for Liz Claiborne, who now have several different private-label retail chains (Episode, Excursion, Jessica, and Jean Pierre) in a variety of countries including the United States (31). Hong Kong suppliers thus have upgraded their position from contract manufacturers to integrated retailers in the buyer-driven apparel commodity chain.

In the personal computer industry, Taiwanese companies are more inclined to export their own brands of computers than their South Korean counterparts. In 1986, exports of personal computers by each country totaled about $400 million. "Own-brand" computers comprised 28 percent of Taiwan’s overseas sales, but only 16 percent of the Korean total. Conversely, OEM sales accounted for 44 percent of Korea’s exports of personal computers, but only 22 percent for the Taiwanese. The remainder, 50 percent in Taiwan and 40 percent in South Korea, were personal computer exports by TNC subsidiaries. This contrast in OEM versus OEM orientation reflects the two countries’ distinct industrial capabilities: whereas Korea’s much larger companies have sought a competitive edge based on price and standardized, mature goods, Taiwan’s smaller firms have emphasized flexibility, innovation, and market niches for more differentiated products (32).

The difficulties of OBM should not be underestimated, however, and some East Asian companies are shifting back from OEM to OEM work. In 1990 Mitac Corporation, the main competitor to Acer in Taiwan’s personal computer market, made 70 percent of its computers under its own brand name and 30 percent for OEM clients. By 1993 the OEM ratio was back up to 60 percent. The reason, according to Mitac’s president C.S. Ho, is that the firm was more profitable when it concentrated on its core competencies. “We asked ourselves: What functions are we best at? Our strengths are in R&D, design and manufacturing”, says Ho. “We are now focusing on designing and supplying products and key components for major OEM customers, whose brands are better-known but which have withdrawn from fully integrated manufacture” (33). This OBM option, while still remote even for the relatively advanced Third World nations in Latin America and Southeast Asia, establishes a new benchmark against which the most ambitious export firms will be measured.

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One of the central tasks in fashioning national development strategies is to determine how to plug into transnational production systems in a way that allows nations to increase their productivity and international competitiveness, while simultaneously generating a higher standard of living for the local population. An important lesson of the countries that have been successful in industrial upgrading and diversified exporting (such as the East Asian NICs) has been the prominent role of locally owned firms in their export-oriented industries. The vast majority of the exports from the East Asian NICs, with the exception of Singapore, are produced by domestically owned firms. Whether large industrial conglomerates, like South Korea’s chaebol, or densely networked small and medium-size firms, as in Hong Kong and Taiwan, domestic enterprises have been the key to East Asia’s international competitiveness (34).

In most of the East Asian NICs, the state has induced local private capital to take a mercantilist approach to global markets, where overseas sales are equated with enhanced national security and prestige. Exporting is viewed as a matter of long-term necessity, rather than short-term convenience. The economic restructuring of the 1980s and 1990s has changed the incentives for leading NIC manufacturers. East Asian firms have responded to rising wage rates and labor shortages at home and protectionism abroad in three ways, which are not mutually exclusive: (1) industrial upgrading to higher-value-added export products that take full advantages of technology and production know-how; (2) re-exporting to circumvent trade barriers; (3) moving production to lower-cost regions and establishing export-oriented production networks in Asia and beyond. (35)

(30) For a more complete discussion of Hyundai’s efforts to build its own marketing network for cars in the United States, see Hyung Kook Kim and Su-Hoon Lee, “Commodity Chains and the Korean Automobile Industry”, and Nyeung Lee and Jeffrey Gason, “Automobile Commodity Chains in the NICs: A Comparison of South Korea, Mexico, and Brazil”, in Gary Gereffi and Miguel Korzeniewicz, eds., Commodity Chains and Global Capitalism (Westport, CT: Praeger, 1994).


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advantage of East Asia's manufacturing expertise, skilled labor, and well developed local supplier base; (2) offshore sourcing to low-cost export platforms in the Third World for labor-intensive products in which the NIC manufacturers are no longer directly competitive, but can assume middleman roles in triangle manufacturing networks; and (3) diversification out of export sectors and into more profitable economic activities, such as services and real estate.

Top priority should be given to transferring key elements of the East Asian model (with all its internal differences) to other countries that remain underdeveloped. The World Bank's East Asian Miracle report has sound recommendations about the value of policy "fundamentals", such as a stable macroeconomic environment, export orientation, and more education. But policy guidelines alone are not enough. Developing countries the world over need help to build the institutions and skills required to adopt, modify, and effectively implement East Asia's approach to suit their own circumstances. The most challenging lesson in East Asian development lies not in mimicking policies from the past, but rather in understanding how the East Asian nations have progressed through development cycles and stages of industrialization in which organizational learning is continuous.

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**INDUSTRIAL ORGANIZATION, INTERNATIONAL COMPETITIVENESS AND PUBLIC POLICY IN LATIN AMERICA IN THE NINETIES**

*Mots clés :* Politiques industrielles, Amérique Latine, privatisations, politique technologique, rendements d'échelle, externalités.

*Key words:* Industrial policies, Latin America, privatisation, technology policies, economies of scale, externalities.

After a relatively long period in which economists avoided discussing on industrial policy and selective interventions both topics are once again becoming fashionable in Latin American academic and government circles.

On the one hand, the experience of the last five years of countries such as Mexico or Argentina seems to be showing that macroeconomic stability, de-regulation of markets and an open trade regime might not be sufficient conditions for both countries to attain the rate of productivity growth they require under present world competitive circumstances in order simultaneously to sustain macroeconomic equilibrium and a healthy rate of economic expansion.

On the other hand, the East Asian Miracle study recently carried out by the World Bank has strongly contributed to confirm the fact that, far from being always and universally the source of corruption and ill-conceived interventions, governments in countries such as Japan, Korea or Taiwan succeeded in implementing a comprehensive industrial policy package which dramatically changed

(*) See, for example : America Latina y el Caribe : Politicas para mejorar la insercia en la economia mundial. ECLAC, March, 1994. Also: El Regionalismo abierto en america Latina y el Caribe. ECLAC, Marzo de 1994. This does not mean that previous industrialization efforts were non-existent. In particular, we can observe significant developments in sectors such as textiles or foodstuffs but they were undertaken in the context of a wide open economy and subject to the challenge of external competition. In fact, the economy was opened to international trade and an automatic adjustment mechanism was in place through the gold standard system. From this perspective such industrialization efforts were not the result of deliberate government actions but the consequence of market signals.

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