

PREFACE

This is a rags-to-riches story. Within thirty years of its beginning as a war-damaged former colony, its population swollen by people evacuated from mainland China, the Republic of China on Taiwan was listed by the Organization for Economic Cooperation and Development (OECD) as one of ten newly industrialized countries (NICs). This book is a reflection on that growth—on how and why it happened and on what part of that how and why might be useful in helping other countries achieve economic growth and improved living standards. Broadly, then, this book is directed toward those interested in an overview of development in Taiwan and in the relationship between government policy and development.

Having assumed my current post of Minister without Portfolio, after earlier holding the Ministry of Economic Affairs (1965–69) and Ministry of Finance (1969–76) portfolios, I became convinced of the need to write about Taiwan's development, and I considered a descriptive study. However, there are several of those already available. My comparative advantage lay, it seemed, in concentrating on the evolution of government policy, where my involvement provided first-hand knowledge. Rather than simply looking back and recounting what happened in Taiwan, I wanted, in a sense, to look ahead by concentrating my discussion on features of Taiwan's development, particularly government economic policy formation, that could be instructive for the future of other developing countries.

Covering just the period from the late 1940s to the early 1980s, the writing of this book was encouraged and then supported by Gustav Ranis and John C. H. Fei. They devoted their time to writing introductory essays providing a simple model for understanding policy

evolution and its links to Taiwan's development, respectively. The first chapter discusses some comparative studies of Taiwan's development and factors contributing to that development, including the island's geography, land reform, and United States aid, as well as providing overviews of aggregate growth and improvements in social welfare. Short chapters are then devoted to population, labor force, and export-processing zones. These are strategic areas in which I was particularly involved as a policymaker. Publicity surrounding the conference on population held in Mexico City in the summer of 1984 and the United States government's official position on birth control have again pushed into the news the discussion of problems that have been an ongoing concern in developing countries. Although Taiwan has already moved through the early stages of its demographic transition, this experience is not grounds for general optimism.

Policy changes are discussed in a largely chronological overview into which is woven an analysis of development policy generally and as it was effected in Taiwan. This section is as much an essay on Taiwan's development as it is a history of that growth. The book concludes with my feelings about the relevance to other developing countries of Taiwan's experience and the transferability of Taiwan's development policies.

As a government policymaker during this period, I have emphasized the government's role in the transformation, linking Taiwan's economic development and government policy and showing how they interacted and evolved with each other. This book tells what we did and tried to do as real-world planners and hands-on doers, few of us with formal training in economics. (Although since the early 1950s my career has been with the various agencies and ministries responsible for the economy, my education was in physics.) I write in the hope that other countries will be able to learn selectively from our experience, though it is not a blueprint for growth that other countries can follow directly.

Because details on Taiwan's development are available in a number of studies, I have limited the specifics to what I feel is necessary to put the discussion of policy evolution in context. For those interested in knowing more about various aspects of Taiwan's growth and

development, three overviews of particular note are Kuo, Ranis, and Fei (1980) for general readers, Galenson (1979) for those seeking more detailed economic analysis, and Ho (1978) for a longer historical perspective.*

During the past thirty years I have given many speeches, presented many papers, and participated in many conferences and seminars. Three volumes of my speeches and papers (many done with the assistance of T. K. Tsui) have been published in English (1976, 1980, 1985).[†] Thus, my general views and lines of thinking on Taiwan's development are well known.

It remains for me to thank Professors Fei and Ranis for their encouragement, Professor Charles Kao for his assistance in preparing the initial draft, Wellington Y. Tsao for his administrative support, and Larry Meissner and T. K. Tsui for their editorial assistance.

K. T. Li
December 1987

*Shirley W. Y. Kuo, Gustav Ranis, and John C. H. Fei, *The Taiwan Success Story: Rapid Growth with Improved [Income] Distribution in the Republic of China, 1952–1979* (Boulder, Colo.: Westview, 1981); Walter Galenson, ed., *Economic Growth and Structural Change in Taiwan* (Ithaca: Cornell University Press, 1979); Samuel P. S. Ho, *Economic Development in Taiwan, 1860–1970* (New Haven: Yale University Press, 1978).

[†]K. T. Li, *The Experience of Dynamic Economic Growth on Taiwan* (Taipei: Mei Ya Publications, 1976); *My Views on Taiwan's Economic Development: A Collection of Essays from 1975 to 1980* (Taipei: Project on the Study of ROC Economic Development Strategy on Taiwan, 1980); and, *Prospects for Taiwan's Economic Development: A Collection of Essays from 1980 to 1984* (Taipei: Council for Economic Planning and Development, 1985).