

endeavouring to restructure its economy. One indicator which reflects this decision has been the rapid increase in the outflow of foreign direct investment from Korea. Between 1980 and 1990, the total stock of Korea's direct investment abroad increased by almost 600 per cent from 0.3 to 1.5 per cent of its GDP,<sup>17</sup> with economies in North America (42 per cent) and the ASEAN group (27 per cent) being the principal recipients. The North Asian economies had received only 4.2 per cent of the stock of Korea's outward FDI flow as of 1990. These investments have tended to be focussed in the large-scale manufacturing sector and have been trade-related.

### 2.3 Taiwan

Taiwan has few resources other than a well-educated and hard-working labour force. Nevertheless, Taiwan's economic performance during the past decade has been strong, with real annual GDP growth averaging 7.4 per cent between 1980 and 1993. Taiwan is currently one of the richest nations in Asia, with a per capita GDP estimated at US \$10,100 in 1992 and foreign exchange reserves exceeding US \$90 billion at the end of 1994.

Taiwan's early postwar efforts at industrialization combined fairly heavy trade protection for domestic manufactures with an overvalued currency. The state also became involved in a number of heavy industries, such as chemicals. Small businesses played an important role, particularly in the more successful export sectors such as textiles and electronics. The program began to falter in the 1950s because of the small domestic market and the inefficiencies in the protected industries. Between 1958 and 1961, Taiwanese authorities introduced a reform program that included trade liberalization, a currency devaluation and export promotion measures. Free trade zones were established in 1965. Accompanying these reforms were efforts to promote strategic industries through preferential loans, tax exemptions and special tax holidays.

Trade has played a crucial role in Taiwan's economic development. Between 1963 and 1988, exports and imports as a share of GDP rose from 17.8 and 18.9 per cent to 57.0 and 47.4 per cent, respectively. The structure of Taiwan's economy has also undergone considerable change. Between 1953 and 1987, agriculture's share of GDP fell from 38.3 per cent to 6.1 per cent, while that of manufacturing increased from 17.7 per cent to 47.5 per cent. Traditionally, Taiwan's manufacturing activity was concentrated in labour-intensive industries, such as footwear and apparel.

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<sup>17</sup> World Bank, *World Tables*, Washington, 1994.