

DIGITAL STRATEGIES AND TRANSFORMATIONS

THE STEWARDSHIP OF ‘TAIWAN’S ECONOMIC MIRACLE’ AND ITS FEEDBACK ON NATIONAL CULTURAL CONTEXT

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ABSTRACT

Poverty – prosperity leap debates have been rising steeply across the globe in recent decades. Taking Taiwan with its Li Kwoh-ting’s legacies as a good illustration how the agrarian-based colony turned into the ‘Silicon Island’ for a comparatively small period the authors analyse the man-made policies on making the ‘Taiwan’s Economic Miracle’. The article studies a ‘twilight zone’ within the gap as well as both the prerequisites and outcomes of the ‘Taiwan’s Godfather of Technology’ stewardship. The paper also considers the factors which determine the rapid growth of Taiwan.

Despite the almost universal characteristics of the East Asia countries, differences between them remain substantial. This circumstance gives the authors a room for speculations over the reasons of one country becoming the world leaders. The authors use the ‘Four Asian Tigers’ as Hong Kong, Singapore, South Korea and Taiwan for comparison. China is also included in the comparative analysis for better understanding. The study showed that the success phenomenon of the country is being determined in the national cultural context, inside of which the economy develops. The Geert Hofstede’s Six Cultural Dimensions model was utilized for employing the indexes as follows: Power Distance, Collectivism vs. Individualism, Uncertainty Avoidance Index, Femininity vs. Masculinity, Short-Term vs. Long-Term Orientation and Restraint vs. Indulgence. The cultural dimensions typology of the Geert Hofstede helped to explain the national predominance for this or that economic and political initiatives of the government, the comparison showed that the core of nation’s prosperity development mechanisms is incorporated in the Taiwanese cultural code.

KEYWORDS

Economic powerhouse, Li Kwoh-ting’s stewardship, export processing zone, high-technology ventures, telecommunications technologies, Silicon Island, hub, Hsinchu Science-based Industrial Park, the Taiwan’s trans-Pacific Silicon Valley, semiconductor, e-Taiwan, Four Asian Tigers, Hofstede’s Six Cultural Dimensions model

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СТРАТЕГИЧЕСКОЕ УПРАВЛЕНИЕ «ТАЙВАНЬСКИМ ЭКОНОМИЧЕСКИМ ЧУДОМ» И ЕГО ОТКЛИК НА УРОВНЕ НАЦИОНАЛЬНОГО КУЛЬТУРНОГО КОНТЕКСТА

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АННОТАЦИЯ

Дебаты по поводу стратегий «от бедности к процветанию» некоторых стран не утихают в мире уже несколько десятилетий. Взяв в качестве наглядной иллюстрации Тайвань, государство с наследием Кво Тинь Ли, «Тайваньского крестного отца технологий», за относительно короткий срок превратившееся благодаря его управленческой политике из колониальной аграрной страны в «Силиконовый остров», авторы проанализировали составляющие созданного им «Тайваньского экономического чуда». В статье исследована «сумеречная зона» внутри стратегии Кво Тинь Ли, ее предпосылки и последствия. Рассмотрены также факторы, обусловившие высокие темпы экономического развития.

Несмотря на кажущиеся схожие характеристики стран Юго-Восточной Азии, различия между ними существенны. Это дало повод размышлять и о причинах, позволивших одной стране сделать такой рывок. Проведено сравнение Тайваня с остальными странами (Гонконг, Сингапур, Южная Корея) из группы «Четырех азиатских тигров». В сравнительный анализ включен и Китай. Исследование показало, что феномен успеха страны детерминирован и национальным культурным контекстом, внутри которого развивается экономика. Для подтверждения результатов была задействована модель шести культурных измерений Герта Хофстеде (индексы: дистанцированность от власти, коллективизм – индивидуализм, избегание неопределенности, фемининность – маскулинность, краткосрочные и долгосрочные ориентации, индугенция). Типология Хофстеде помогла объяснить как гибкость национального мышления в принятии той или иной экономической или политической правительственной инициативы, так и корневые особенности такого типа мышления на уровне культурного кода нации.

КЛЮЧЕВЫЕ СЛОВА

Локомотив роста, стратегическое управление Кво Тинь Ли, свободная экспортная зона, высокотехнологичные предприятия, телекоммуникационные технологии, Силиконовый остров, хаб, научно-исследовательский парк Синьчжу, Тихоокеанская Кремниевая долина, интегральные полупроводниковые микросхемы, e-Taiwan, Четыре азиатских тигра, модель культурных измерений Хофстеде

ДЛЯ ЦИТИРОВАНИЯ

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INTRODUCTION [ВВЕДЕНИЕ]

The nations' poverty – prosperity leap debates are a stumbling block for the experts for centuries, but one thing is obvious, 'man-made economic institutions' are responsible for countries success [Acemoglu, Robinson, 2013]. From being a part of the Third World, an 'Asian backwater', to becoming a developed country and economic powerhouse, Taiwan encountered ups and downs both economically and historically. These experiences have become the nutrients that let its unique culture flourish on the island. Thanks to the economic prosperity, citizens in Taiwan can have a more stable and diverse lifestyle. However, seventy years ago, the Taiwanese society was not growing as steadily as it is nowadays. In 1945, after the World War II, Taiwan was no longer a colony of the empire of Japan with all its legacies. The Nationalist government took over this island, starting from 1948 a series of constructions which led to the so-called 'Taiwan's Economic Miracle': the country has changed "... from a poor agrarian society into an export-driven manufacturing one"¹. That had happened also due to the 40-year-period steering of the government official Li Kwoh-ting who was called later the 'Father of the Taiwan's Economic Miracle' and the architect of Taiwan's financial reforms. At the beginning, in 1950s, he joined the industrial development section of the Economic Stabilization Board, and under his stewardship the funds were mainly from the United States who allied themselves with Taiwan in the Korean war. Besides the loan from the United States government, monetary and land reforms were two other key forces boosting the economy [Studwell, 2014]. During the 1960s, the divestment of the United States government was not a crisis but a chance for Taiwan to grow its economy more independently. The strategies for economic development switched from import substitution to export expansion, including tariff reduction and the establishment of export processing zone. Li Kwoh-ting served this very period as an economics minister from 1965 up to 1969, he headed the Finance Ministry from then until 1975, and remained a principal adviser in those fields afterward.

THE ANALYSIS OF THE 'TAIWAN'S ECONOMIC MIRACLE' ROOTS [АНАЛИЗ ИСТОКОВ "ТАЙВАНЬСКОГО ЭКОНОМИЧЕСКОГО ЧУДА"]

From 1973 to 1979, the world experienced oil crisis twice. The government found out that for maintaining the country's stability focusing on the industries with more adding value, on high-tech activity, was crucial. The course toward high-technology ventures and production was chosen. When today we speak 'Made in Taiwan' as a label which is recognized worldwide, we imply first Li Kwoh-ting catapulting the engineers and IT specialists training programs both at the secondary schools and universities. In 1979, Li Kwoh-ting formed the Institute for Information Industry to make the Taiwan's information and telecommunications technology sector, i.e. to turn Taiwan in a technologically advanced country. The high-technology-oriented education, large investments into science and a lot of IT research projects under the patronage of the government helped launching the country into the third place among the world's leading producers of telecommunications technologies. Hence, several industrial and technological hubs were set up to nurture the new generation, for instance, in 1989, the Taiwan's Hsinchu Science-based Industrial Park, the location of Macronix International Co. The trans-Pacific replica of the Californian Silicon Valley was committed to advancing the extremely profitable semiconductor, optoelectronic, and information technology industry. It means that overwhelming majority of the government research projects ('e-Taiwan', etc.) after them becoming successive started their transformation into the private ones. All in all, the Taiwan's original economic structure which was based on labor intensity has been fully replaced by high technologies.

THE ANALYSIS OF THE 'TAIWAN'S ECONOMIC MIRACLE' EFFECTS AND OUTCOMES [АНАЛИЗ ПОСЛЕДСТВИЙ И РЕЗУЛЬТАТОВ "ТАЙВАНЬСКОГО ЭКОНОМИЧЕСКОГО ЧУДА"]

The legendary Taiwanese economist and politician Li Kwoh-ting (without formal economic education but he studied engineering and law at the China's National Central University and physics at the Cambridge University in England) well-known also as the 'Taiwan's Godfather of Technology' and the 'driving force' of country's transformation

¹Saxon W. (2001), "Li Kwoh-ting, 91, of Taiwan dies; led effort to transform economy", *The New York Times*. Available at: <https://www.nytimes.com/2001/06/02/business/li-kwoh-ting-91-of-taiwan-dies-led-effort-to-transform-economy.html> (accessed 08.02.2021).

into the superpower in the information technology field died 20 years ago, in 2001, but his technocratic agenda based on the mixture of US and European ‘know-hows’ and the Asian skills works in a full swing. Practically the same period ago, in 1998, there appeared the Forbes article “Silicon Island” which also became famous in the world and gave the contemporary nickname to Taiwan. The final phrase of the article was “... for the foreseeable future, Taiwan stands as a model to the rest of Asia on how to modernize an economy”². Both the progressive Li Kwoh-ting agenda and the 23-year-old article content proved their validity up to nowadays because Taiwan, the ‘Green Silicon Island’, is proving to be a consistent world power and the world-renowned electronics exporter, otherwise, to be a thriving country. The real conclusive proofs of one of the strongest economics exist.

1. The country is the world’s top exporter of peripheral products, information applications, wired and wireless communications systems products, etc.

2. Taiwan supplies over one-half of the world’s market of these products.

3. Taiwan Semiconductor Manufacturing Company proclaimed the completion of its factory 3nm at the South Taiwan Science Park. This brings it closer to the beginning of the production of chips based on the 3nm process technology. This foundry is expected to begin mass commercial production of the 3nm factory by 2022. The first client is Apple. The new 3nm chips will utilize the FinFET technology [Ye et al., 2019], which supplies the productivity gains 15 % more in comparison with the 5nm models. The diminishing of energy consumption is 30 %³.

Thus, being compared with the United States the country uses the general motto, which may be formulated as ‘better, cheaper and faster’.

While speaking how fast the economic transformation of a country from poverty to wealth can be Fu-Lai Tony Yu considers, the ‘Taiwan’s Economic Miracle’ has been the result of a long-term evolutionary process of entrepreneurial vision by the government, careful policy experimentation and market selection [Fu-Lai, 2007]. The most effective programs of this sort of development on the world map have taken place in East Asia: South Korea, Japan, China, etc. Indeed, the government officials of the so-called ‘Four Asian Tigers’ as Hong Kong, Singapore, South Korea and Taiwan used similar but far from being identical mechanisms to speed up their countries’ economic development. Achieving a fast growth sometimes had a high price for some countries. By contrast, some Asian countries fail. To have a more precise glance on the factors, which determine the rapid growth let us use the national cultural context in which the country develops.

RESULTS AND DISCUSSION: REFLECTION ON THE CULTURAL CODE LEVEL [РЕЗУЛЬТАТЫ И ОБСУЖДЕНИЕ: РЕФЛЕКСИЯ НА УРОВНЕ КУЛЬТУРНОГО КОДА]

When turning the four places into bar charts based on the famous Geert Hofstede’s Six Cultural Dimensions model [Hofstede, 1991], we can see that they are quite relatable. Since they have common historical backgrounds and comparable strong economic structures, their culture may not be identical but they do overlap considerably. “The six dimensions are as follows: Power Distance, Collectivism vs. Individualism, Uncertainty Avoidance Index, Femininity vs. Masculinity, Short-Term vs. Long-Term Orientation and Restraint vs. Indulgence” [Talalova, Werthschulte, 2020, p. 15]. According to the Hofstede insights of countries comparison, Taiwan has a relatively high score on ‘uncertainty avoidance’, with a score of 69⁴. The number shows that by working hard and keeping themselves busy, people on this island deal with the unknown future cautiously. The characteristic implies that Taiwanese would stick to certain beliefs, such as religion or Confucianism, when being haunted by ambiguity and anxiety in their daily lives. Those beliefs can at the same time explain why Taiwan scores over 90 on the ‘long-term orientation’ (93). Since the doctrines are highly related to the ancient Chinese tradition and history, the citizens cherish the value of virtue. There is still a variety of festivals and customs inherited from the Chinese culture. Nevertheless, this dimension reveals the tricky relationship between Taiwan and China. To this day the young generation is gradually rebelled against these concepts which they consider obsolete and oppressive. Furthermore, it becomes a way

²Forbes staff (1998), “Silicon Island”, *Forbes*. Available at: <https://www.forbes.com/global/1998/0601/0105042a.html?sh=637faa5e67f4> (accessed 08.02.2021).

³DIGITIMES staff (2020), “Highlights of the day: TSMC closer to 3nm production”, *DIGITIMES*. Available at: <https://www.digitimes.com/news/a20201125VL202.html> (accessed 08.02.2021).

⁴Hofstede Insights (2021), “Country comparison. Taiwan”. Available at: <https://www.hofstede-insights.com/product/compare-countries/> (accessed 08.02.2021).

to resist the political repression enforced by the Chinese government. On the other hand, being quite different from China, Taiwan has a lower grade when it comes to the ‘masculinity’ index. At 45 Taiwan is slightly ‘feminine’ while China got 60 meaning that it is a much more ‘masculine’ country. The value systems of these two places are quite similar in the school education, but there are wide variations in the way the Chinese and the Taiwanese are motivated after the student times. For a feminine country, both equality and welfare are important. However, it is necessary to notice that 45 is a grade almost in the middle and therefore success is still a common driving force. The ‘Economic Miracle’ is the gate that is open for Taiwan to join the international market. Under the influence of globalization, especially the countries around it, Taiwan becomes a place where different cultures are accumulated and mixed. Transnational interaction is now frequent and convenient, and therefore cultural exchange gains its popularity. For instance, ‘individualism’ (17) has become more significant than before for the Taiwanese youngsters. Relatively got high scores on this dimension, the United States is the country which have great impacts on the Taiwan’s society. With the help of international trade and the expansion of pop culture, the spirit of independence has also been spread and praised. Having individual characteristics is no longer regarded rebellious or odd but unique and necessary. Again, gaining from the United States, the tolerance to the ‘power distance’ (58) has been lowered in Taiwan’s society. The civilians nowadays have the rights to express themselves and to confront the authorities. This is also a consequence of the boom in small and medium-sized enterprises, meaning that everyone has an opportunity to start his or her own business. As for the dimension of ‘masculinity’, seeing Japan and China growing faster and bigger, the Taiwanese are still trying to seek a balance between both ‘masculine’ vs. ‘feminine’ and ‘indulgence’ (49) vs. ‘restraint’. The two concepts, ‘being the best’ and ‘loving what you do’ represent the social expectations and individual preferences. This kind of thought dilemmas can be discovered in the Taiwanese lifestyle because of the extreme opposite perceptions that they learn from the Chinese and American cultures. There are often numerous overlaps between the economy and culture. China and the United States are the top two markets Taiwan trades with. If observing from a historical perspective, we can find the bond originated almost a century ago. The ‘Taiwan’s economic miracle’ is a peak in that period but there exist much more events which can prove the interrelationship. After all, the growth of culture takes time to have accumulation and integration process.

CONCLUSION [ЗАКЛЮЧЕНИЕ]

Serving as a publisher of the monthly “Industry of Free China” (since 1954 to 1971) Li Kwoh-ting wrote several books and collections of his essays and speeches which referred to his own experience of the economic transformation in Taiwan. His book “The Evolution of Policy Behind Taiwan’s Development Success” [Li et al., 1995] is a real manual for other countries oriented for success. But the most popular book is “Economic Transformation of Taiwan, ROC” published earlier in London [Li, Li, 1988]. In fact, most of the countries in East Asia have similar prototypes. The ‘Four Asian Tigers’ Hong Kong, Singapore, South Korea and Taiwan all have many common points. By carrying out policies like export-oriented industrialization and low taxes, these four countries have maintained growth rates of more than 7 percent every year between the 1960s and 1990s. Nevertheless, the ‘feror of ideological revivalism’ [Collier, 2018] is tempting. “We, obtaining our own cultural code, will never understand the alien. Keeping it in mind we can do the only rational thing, we can speculate about it” [Lai et al., 2019]. As a result, Li Kwoh-ting’s heritage turned into propaganda materials among China and Southeast Asia countries. As mentioned before, the ‘Four Asian Tigers’ are not just correlated in economy and likewise in historical and cultural aspects. The cultural dimensions helped to explain the Taiwanese national predominance for this or that economic and political initiatives of the government, the comparison showed that the core of nation’s prosperity development mechanisms is incorporated in the cultural code.

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