

# Thailand and the East Asian Economic Model

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The East Asian Economic Model (EAEM) focuses closely on the economic aspects by which first Northeast Asian and secondly Southeast Asian nations attained rapid economic growth from the second half of the twentieth century. The EAEM considers the important economic aspects of the process: import-substitution, export-orientation, openness to inward investment and low wage cost competitiveness with an Original Equipment Manufacturing (OEM) approach. This model was officially introduced into official Thai policy as part of the First National Economic Development Plan of 1961. Since then, the Thai economy has developed along parallel lines, with a large subsistence agricultural sector, in addition to repressive acts by authorities, serving to dampen any significant movement towards higher labour costs. This form of the EAEM was quite successful in promoting growth until the 1997 crisis, when its limitations were first thrown into sharp relief. The governments of 2001-6 attempted to create a different trajectory for the economy but this was brought short by a military coup and a stultifying period of junta rule. The economic crisis that emerged around the world in 2008 and is becoming manifested in 2009 in Thailand in major job losses in the manufacturing industry represents a further threat to the value of the EAEM. New competition from Vietnam and China, in particular, make low-labour cost competitiveness no longer a viable strategy. The country has become lodged in what the World Bank calls the Middle Income Trap, in which the means by which a low-income country reaches a middle-income situation cannot be the same means by which the country can move from middle-income to high-income. As a means of exiting this trap, the current Pheu Thai administration has launched a range of measures, including a significant rise in the minimum wage and support for commercial

## Introduction

The rise of East Asia to economic ascendancy has taken place since the conclusion of WWII. Fearing that Japan might lean towards a Communist revolution, the US authorities opened their markets to Japanese exports manufactured in Japanese factories unencumbered with worker's rights, health and safety issues or intellectual property protection. A huge boost to the region was provided by the outbreak of the Korean Civil War, which offered opportunities for contracts with local manufacturers in a variety of fields, the chance to send troops to the combat zone in return for concessions and the development of recreation facilities for US and allied troops in several convenient port locations. Subsequently, the Korean economy received a similar boost through its role in the Second Indochina War (or Vietnam War). Manufacturing was based on original equipment manufactured (OEM) products – that is, items with any embedded intellectual property belonging to non-national interests and with competitiveness provided by low labour costs. In Japan, followed by Korea, Taiwan, Thailand and now China and Vietnam, these low labour costs have been managed by moving workers into the manufacturing sector from the large and under-employed agricultural sector and by suppressing rights of association, collective bargaining and freedom of speech. The roots of

many an East Asian economic so-called miracle have been refreshed with the blood of inconvenient trade unionists.

In due course, the success of economic development led to generally rising standards of living that eroded low labour cost competitiveness, although some have sought to wring the maximum possible value from this asset through the use of force. Eventually the governments of Japan, Korea and Taiwan, in particular, have realized that the model no longer has meaningful application in their countries and have orchestrated a qualitative change in economic and social structure: to add value to production through creativity is benefited by (a sometimes limited form of) democracy, better advanced education institutions and social solidarity. Autocrats have been replaced, therefore, and occasionally jailed for such crimes as corruption, abuse of power and so forth. Seizure of assets from those involved demonstrates that the state will no longer tolerate the methods of the past.

The period of rapid economic development in a number of East Asian countries – first Japan, then a wave of four Newly Industrialising Economies (South Korea, Taiwan, Hong Kong and Singapore) and then later arrivals including Malaysia, Thailand and now China and Vietnam – is associated with the adoption of an economic model which has a number of similar features replicated in different territories. These include the

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reliance on low labour-cost manufacturing, import-substituting and export-oriented in nature, with the use of repressive means of ensuring that maximum value is extracted from the efforts of the manufacturing workers and then placed at the disposal of the developmental state. Of course, there are variations in the EAEM as it has been manifested in various locations (Park, 2002).

This paper explores the nature of the EAEM as it has been manifested in Thailand, where its natural life cycle now appears to be on the point of expiring and the government is preparing the means by which the next step of economic development, the upwards escape from the Middle Income Trap, may be achieved. It does this by exploring some of the features of the EAEM, then moves on to discuss the ways in which the model has come into force in Thailand and the Mekong Region more generally, before discussing the means and reasons by which the age of the EAEM is coming to an end.

### **Features of the East Asian Economic Model**

The EAEM has a number of features which have shaped it beyond the nature of its economic aspects. These are discussed in this section.

#### **The Flying Geese Model**

Groups of wild geese flying together adopt a V-shaped pattern in which there is a clear designated leader. The analogy of this group of geese is used quite extensively as a means of understanding the diffusion of technology across East Asia and, indeed, the progress towards economic development and modernization. The lead goose is, of course, Japan and it was followed by the Four Tigers (Korea, Hong Kong, Taiwan and Singapore). Subsequent iterations of the Flying Geese model have featured different configurations of nations involved and a movement from follower to leader for some nations – it is, therefore, a model in which some flexibility exists.

From the time of its introduction by Kaname Aamatsu (1933) in the 1930s, the Flying Geese model has been intensely controversial, particularly in those countries which were then being occupied and colonized, often with considerable brutality, by Japan. Koreans and Taiwanese, for example, protested that the reason why Japan was in the lead was because it was exploiting and abusing the people of the colonies and unfairly extracting resources for their own ends. The Flying Geese model falsely represents, therefore, violent imperialism with an unacceptable portrayal of apparently peaceful cooperation. Nevertheless, the model has proven itself to be persistent and has been reinvented in different variants in the years subsequently (Kojima, 2000).

#### **The Cold War**

As observed by Berger (2003) among others, the first wave of East Asian industrialization took place during the Cold War and the region was considered crucial in the international struggle against the spread of Communism. In addition to

providing the bulk of defence costs, the American state also provided preferential access to its home markets to East Asian allies. This greatly facilitated the rapid growth of NICs, as too did turning a blind eye to some incidences of reverse engineering and the use of non-tariff barriers to entry for goods moving in the reverse direction.

#### **Availability of Investment Capital**

One major international investor during the early waves of rapid industrialization, after Japan itself had developed, was Japanese capital. This capital was used in outsourcing much of the Japanese manufacturing industry to Southeast Asia, notably to Malaysia and Thailand. This transfer of capital facilitated the creation of the EAEM in those countries and enabled them to create supportive small and medium-sized enterprises (SMEs) of their own which would supply the inwardly investing firms. This is particularly evident in the case of the automobile and automotive industrial sectors in Thailand, in which a number of SMEs have Japanese manufacturers as their sole customers. Some Japanese firms have been involved in apprenticeship schemes in which prized and comparatively scarce skilled Thai workers are given training in Japan as well as Thailand in return for signing long-term guarantees of employment. On the other hand, there is evidence to suggest that the inward investment of Japanese firms has, in Malaysia at least, had only a limited impact on the deepening of relationships within industrial sectors: that is, in the degree of connections between not just the international investor and direct sub-contractors but also second and third-order stakeholders (Yean and Loke, 2011). Such connections, if present, would help in the inwards transfer of technology and skills and the ability of the domestic economy to launch its own high-quality SMEs.

#### **Diffusion of Technology**

Manufacturing in the 1950s until the 1980s was rather a different undertaking to the kind of manufacturing that is expected in the contemporary world (see, e.g., Lei, Hitt and Goldhar, 1996; Bo, 2003). Corporations need increasingly to take account of computerized systems, organizational flexibility, real-time connections with stakeholders and so forth. Even when developing countries manufacturing companies expect to participate on an OEM basis, they must at the very least anticipate international scrutiny. Both local and international monitors of corporate behaviour now report on workplace conditions and, even when suppression of workers' rights generally and of the media is enforced, stories can still be distributed widely owing to the availability of low cost photography, citizen journalism and internet connectivity. There are both opportunities and threats, in other words, for developing country companies in manufacturing and with respect to relationships with international investors.

#### **Other Factors**

Most of northern East Asia suffers from low levels of water and

a large proportion of land unsuitable for intensive agriculture. The countries are also required to import their own energy sources, given the lack of oil and gas hydrocarbons in the area. This is quite different to some of the Southeast Asian nations, where agriculture is flourishing and, despite incidences of low levels of productivity, represents a significant source of exports. Further, more discoveries of oil and gas in the Gulf of Thailand, Indian Ocean and South China Sea all suggest that further phases of modernization can take place with the assistance of comparatively cheap forms of energy.

Considerable effort has been spent on developing the physical transportation infrastructure such that it constitutes what is known as the Asian Highway Network: this network consists of both road and rail links aimed at linking places of production and of consumption right across the continent. Inevitably, some links have proved more popular than others in terms of attracting investment, owing to the availability of evident market opportunities. The link between Bangkok and Kunming, for example, which also links Singapore with Shanghai, has been built comparatively quickly and has been accompanied by the opening of three new bridges across the Mekong River, the development of cross-border customs posts and linked industrial estates and special economic zones (Swe and Chambers, 2011: 34-5). By contrast, the East-West Economic Corridor (EWEC) has proved much less attractive, owing to the comparatively limited economic opportunities likely to arrive from linking Danang in central Vietnam to Vientiane in Laos and beyond, ultimately to India. There are also severe problems involving crossing Myanmar, resulting both from the role of the government and in the case of those areas in which ethnic minority insurgencies either resist the building of roads across what they consider to be their territory and, perhaps more importantly, will plan to exact tolls on those vehicles which may subsequently travel on such roads, just as they do on the existing north-south highway. The Network and generally improved infrastructure and legal considerations make for numerous new opportunities for firms and places of assembly and manufacturing to become connected with international capitalist networks.

### **The Role of Corporations**

In the western world, states are broadly divided between those who place the onus for development and welfare on the shoulders of the individual, anticipating that small government will enable corporations and hence jobs to flourish (Anglo-Saxon model) and those which work in conjunction with the private sector to ensure that developmental goals are met by a partnership (European or Scandinavian model). In the latter, corporations work with government to provide more or less guaranteed employment, while the state ensures that the employees involved receive the training the need at the state's expense. When it came to East Asia, while states would have preferred to have followed the European model, they lacked the resources to do so. Unable to trust corporations to do the right thing for the country of their own volition and unable to

provide training and development itself, the state made a bargain with the private sector: meet developmental goals and the state will turn a blind eye to the methods, while instigating a legislative framework and institutional arrangements that would permit corporations to do whatever was necessary. In Japan and Korea, therefore, Confucian paternalism created long-term employment contracts without which workers could fall rapidly into indigence. Corporations were alternately cajoled and bullied into abiding by the social contract into which they had entered with the state. Naturally, those corporations took advantage of the latitude offered to them by engineering situations in which, in the future, they could ensure that they were free from state controls. Overseas investment in everything from industrial estates to bonds to luxury consumer goods placed funds beyond the reach of home state governments. In Thailand, for example, the extremely large and diversified Charoen Pokphand Corporation has effectively removed itself from state supervision by moving its locus of control to its investments in a Chinese economy now fully embarked on its own East Asian Economic Model. The same was achieved to a lesser extent in Singapore and Taiwan, where the state preferred to act through government-linked firms which offered extensive ties and connections between partners that were difficult to unravel unilaterally.

Now, in the Mekong region in particular, one of the principal dynamic features affecting economic growth is the use of overseas Chinese organizations to help bring about developmental goals of the Chinese state: e.g., securing long-term, stable access to required resources and developing the physical infrastructure that will facilitate the distribution of Chinese goods and services. It will be of considerable interest and importance to observe the extent to which these overseas corporations will in due course be able to exercise any form of autonomy in their own right or whether the central government will continue to exercise its will from afar.

### **The East Asian Economic Model in the Mekong Region**

There is some evidence to indicate that both Laos and Cambodia are entering into versions of their own of the East Asian Economic Model. Laos is as ever challenged by the small size and dispersed nature of its population and the lack of infrastructure that continues to make imported goods cheaper than any locally-produced substitutes. Cambodia has obtained more success in its garment-manufacturing industry in particular, even though the international political environment is now in a state that makes it less likely that western countries will willingly open their markets to cheap overseas goods. Both these countries have governments that, for quite well known reasons, are able to enforce considerable influence over the nature, extent and scope of economic activities that take place within their borders. The same of course is true of Burma, where conditions exist in the wake of the relocation of the capital to establish industrial estates where less-squeamish investors from China, Singapore and so forth



can set up their manufacturing operations. However, to date this has not occurred on any meaningful scale, presumably at least in part because the ruling junta is concerned about loss of influence and power on its own behalf.

Vietnam, meanwhile, has embraced this form of growth on a significant scale. The large Vietnamese rural and agricultural population makes such a move both feasible and attractive. The country's comparatively recent readmittance to international diplomatic circles and multinational organizations has provided the prospect of new markets and, since it is not China, it appears more attractive to certain western states. As a yet young country, in terms of demographics, there appears to be a generation of growth to be obtained in this matter and, assuming the government is able to identify and meet suitable developmental goals, its monolithic nature is likely to facilitate the transition into a future state of growth.

What could go wrong is evident from the current condition of the Thai economy. The previous Thai Rak Thai administration had identified the vulnerability of the economy to external shock in the wake of the 1997 crisis and the rise of China, together with the demographic changes in the country leading to fewer younger and more elderly people as being symptomatic of the end of the practicality of the East Asian Economic Model. It initiated steps to move towards a new phase of economic growth by strengthening regional and local community development, upgrading alternative forms of competitiveness and aiming to restructure the relationship between the private and public sector. In order to find a pretext for the 2006 military coup which brought an end to Thai Rak Thai, the junta categorized these policies not just as 'populist' and hence unaffordable and undemocratic but also 'corrupt.' Prosecutions were brought in new courts with new types of offence and assets were seized in the usual way that follows military coups. Since then, a coalition of right-leaning Democrats was formed with those members of the former government willing to swap sides in return for substantial contributions. This new administration seems to have little understanding of the need for change in the Thai economy. The response to the 2008 economic crisis has focused almost entirely upon export industries and even this effort has been undermined by the continuing rise in value of the baht. Any attempt to promote creativity in industry and society is being suppressed by an enormous campaign of censorship and repression and the use of laws giving extensive freedom of action to security forces under the nominal control of shadowy committees. In this case, it is perhaps fortunate that so much of the state sector in Thailand is involved in the replication of effort and empire-building, since this has meant that at least some agencies have been making progressive efforts.

### **The Development Model of Thailand**

Thailand's economy was almost entirely agricultural in the pre-colonial age and, under the influence of colonial powers

and modernisation, followed by a form of dual economic development in which the Siamese people continued with agricultural production, while industrial activities were placed under the control of foreigners and some Thai nobility, as had happened for foreign trade under previous regimes and for monopolies provided mostly to ethnic Chinese merchants, especially in the vice-categories (e.g. tobacco, opium, gambling and prostitution). New industrial ventures were primarily organized by ethnic Chinese or by foreigners, including Japanese and westerners, although some Thai ventures did start to emerge prior to the Second World War. Some Thai ventures are closely connected with ethnic Chinese Thai nationals, of course and it is difficult to draw a line between these two categories.

In the years following World War II, Thailand was brought more forcefully into the modern world for geopolitical reasons, not least of which was the transformation of Vietnam, Cambodia and Laos, which had been known as Indochina, from colonial states to communist ones after some decades of armed struggle. Thailand, which is the USA's longest standing Asian ally, was staunchly placed on the capitalist side of the Cold War divide and its military have been supported ever since, notwithstanding the regular coups and atrocities perpetrated against citizens which have continued into the twenty-first century. The effort to accelerate economic development was, in line with all successfully developed Asian states, conducted on a state-led basis. The National Economic and Social Development Board (NESDB) was created to construct and administer a succession of five-year National Economic and Social Development Plans (NESDP), beginning with the 1<sup>st</sup> NESDP covering the period 1961-6. This plan called for import-substitution and the promotion of exports, primarily in the form of agricultural products, in which Thailand has a significant comparative advantage, owing to climatic and geographical factors. The Kingdom thereby began its career as a Newly Agro-Industrializing Country (NAIC), in a manner similar to the progress in South Korea and Taiwan, with the exception that these two lacked such agricultural potential and faced existential threats that lent urgency to the need to create a strong base of heavy industry as a means of founding a defence capability.

From a spatial perspective, nearly all of the new development in Thailand took place in this period in Bangkok and its five surrounding provinces, which together are administered by the Bangkok Metropolitan Administration (BMA). By the second half of the 1960s, it was becoming apparent that Bangkok-centred development was leading to local problems, including traffic congestion, rising land prices, issues surrounding migrant workers and increasing levels of uneven development in the country as a whole. In response to these issues and with the assistance of the World Bank, plans were laid concerning the creation of industrial estates in different parts of the country under the Board of Investment (BOI), together with the Industrial Estate Authority of Thailand (IEAT). Offices



were created to facilitate investment by both foreign and domestic investors in the various regions of the country. The most significant of the subsequent developments took place in Lamphun and the Northern Region Industrial Estate (NRIE) and the Eastern Seaboard Development in Rayong. While the Eastern Seaboard development was placed for port access and focused on energy and chemical related industries, the NRIE provided the model for export-oriented manufacturing based on low labour cost manufacturing. Owing to the lack of developed domestic brands, Thai factories signed contracts for original equipment manufacturing (OEM) under which foreign brands were added or sewn on to locally-produced products, literally so in the case of textiles and garments. This provided profits to local factory-owners and their stakeholders and regular work for factory hands but the majority of profits were repatriated to brand owners.

As was common throughout the region, authoritarian regimes colluded with factory-owners and managers in an age before managerial transparency to enforce harsh working conditions in workplaces. The most obvious example of this was the Kader Factory Fire, as a result of which 188 young women were killed and 469 wounded, many permanently, as they tried to leap from upper floors of the factory in which doors had been locked (Symonds, 1997). Numerous other examples of abuses and harsh treatment resulted in strikes and armed reprisals by military forces. The presence and popularity of the Communist Party of Thailand (CPT) provided the environment in which labour laws were written (and most of which remain on the law books). These laws banned the CPT and related forms of political expression, as well as suppressing trades unions beyond a single workplace. Political factors beyond the scope of this paper have also acted to prevent the creation of a large-scale political party aimed at supporting labour and labour issues. Deprived of political representation and freedom of speech and association, labour disputes usually took place away from public scrutiny and with the liberal use of state-mandated violence.

Lack of transparency in Industrial Estates in particular, owing to the proximity of industrial facilities in a limited space, contributed to the production of industrial pollution in a variety of categories, which represented medical risks in the workplace and also to people in neighbouring communities. There are few agglomerations of industry in Thailand which have not been associated with deaths and subsequent protests, often featuring local and international non-governmental organizations (NGOs) in support of local residents.

### Secondary Effects

The East Asian Economic Model is not a policy tool that can be picked up by a state and then discarded when it is judged to have no further application. The fact of using the model has significant changes on the society which embraces it. These are revealed in such areas as the geographical location of industry and the pattern of labour migration that this causes and in the

related changes in relations between the genders, generations and the rural-urban divide brought about by income generation by migrant factory workers. The impact of these changes is felt in such areas as demands for public services, for free speech and for genuine democracy in the Kingdom. These social changes are profound but should not be allowed to overshadow completely the enormous environmental damage that has been caused not just by remorseless resource extraction but by the laxity with which environmental health standards have been treated by successive governments which have taken the stance of letting corporations do to a considerable extent whatever they like, so long as they delivered aggregate economic growth.

### Social and Economic Relations

The EAEM brought about large-scale labour migration, largely in gender-specific manners, since work in the factories tended to be characterized as being either male-suitable or female-suitable in nature. This led to the creation of new communities located in or in the vicinity of the places of work which are themselves dominated by one or other gender. This has had impacts upon the private lives of those involved and their family members. In some cases, female workforces have been encouraged in the misguided view that they will prove to be more tractable and docile and, therefore, to be more conveniently abused and exploited in the factory environment. One result of this is that it has been women who have led the resistance to such exploitation and to take a leading role in the trade union movement, generally in the face of fierce and violent response by the state.

In this sense, then, the EAEM has led to a dramatic rupture in the reproduction of the social relations in the societies in which it had become embedded. It has been an important driving force in changing at least some of the societies involved from a feudal or primitive capitalist state to a more advanced form of capitalism, with attendant aspirations for consumer goods and the rise to a certain extent of bourgeois social and political beliefs. Some of the physical changes this has brought about include the evidence of consumerist society in previously remote and impoverished villages: air conditioning units, pickup trucks and satellite television dishes, for example. Village people become better informed about the events taking place in their regions and states and, to some extent, more able to participate in an informed way in political issues. Of course, state-level agencies have sought to prevent these changes leading to meaningful political change through creating and recreating institutions (i.e. ideological state apparatus) that act to deter the desire for that change.

### The Pheu Thai Administration

The landslide electoral victory of Pheu Thai, a successor to Thai Rak Thai and a party led by the sister of its founder as Thailand's first female Prime Minister, has enabled the country to return to a period of economic adjustment and growth. Against the background of the global economic crisis

starting in 2008 and the subsequent crises of austerity that have done so much damage to some of Thailand's more important export markets. Thailand's EAEM has shown further evidence of having reached the limits what it could achieve. The floods of 2011, which led to the loss of more than 700 lives and massive financial losses when industrial estates were closed and the regional and global production networks of many Japanese corporations were halted, were a further reminder of the need for diversification in the Thai economy. The Pheu Thai administration has responded to this situation with a strategy aimed at encouraging commercial enterprises in the country to add value to their production processes and to try to compete in terms of brand and unique product offering rather than low prices. The strategy includes the following components:

- Increases in the minimum wage level: starting in Bangkok and adjoining provinces with a view to being rolled out across the whole country, the minimum wage was increased by about 40% to 300 baht (approximately US\$10) per day. This enables more workers to consume some at least of the goods that they have produced and thereby increase the level of domestic demand and reduce the reliance on exports. This has taken place at a time of shortage of skilled workers in the Thai labour market (which is in fact of long-standing) and the presence of in excess of at least one million low-skilled migrant workers from neighbouring countries who have often been used as a means of undercutting wage levels within countries as a whole;
- To reduce pressure on companies facing sudden increase in production costs, the government provided a range of tax breaks and incentives to invest in skills and technology so that firms wished to do so could reconfigure their activities to include higher value-added production (Charoensutthiporn, Theparat and Jikkham, 2013);
- For firms that did not wish to reconfigure themselves, the Pheu Thai government has facilitated their opportunities to exit Thailand by supporting, for example, the construction of the 250 km<sup>2</sup> industrial estate at Dawei across the border in Burma and planning to build a 160-km-long road to it from Kanchanaburi so as to promote re-importing of goods from the estate into Thailand or further afield. The ADB's Asian Highway Network is making this form of rapid cross-border road and rail transportation much more convenient;
- Additional measures taken include stimulus measures to boost the regional economy, particularly in rural areas and to restore and maintain international investor confidence by creating large-scale anti-flood infrastructure measures.

At the time of writing, the program of policies is just being

announced and then implemented and it is not yet clear what level of success will be achieved as a result.

### Reasons for the Decline of the EAEM

Scholars have taken different approaches to attempting to explain why the limits of growth through the EAEM have been reached. Amsden (2001: 293), for example, sees institutional weaknesses as being responsible. Others point to the dynamic nature of markets, in which supply and demand factors vary over time and space. As Balakrishnan points out, the growth stimulating the EAEM results from the kind of IT and containerization technologies that enabled exporting states to provide large numbers of the same kinds of goods that already exist rather than new types of products (Balakrishnan, 2009). As Thailand's example demonstrates, there is very little reason for customers to develop loyalty to a commodity-like OEM-generated product. However, there are also certain structural reasons for the decline of the EAEM, which this section will discuss.

One of the preconditions for the creation of the EAEM was the existential threat faced by various East Asian states – notably South Korea, Taiwan, Singapore and Hong Kong. When the nature of that threat dissipated or at least decreased, then the need for the EAEM as a mechanism for coping with that crisis also declined. The threat had certainly not disappeared but the nature of changes in the geopolitical situation in the second half of the C20<sup>th</sup> have been such that launching a devastating military assault would bring about enormous repercussions to the extent that it seems if not inconceivable in the East Asian context then at least highly unlikely. Singapore has established stable enough relationships both with its neighbours and with the rest of the world to the extent that a physical confrontation is a vanishingly small risk in current conditions. Hong Kong has been reintegrated with mainland China as a Special Administrative Region and, although the relationship is not perfectly harmonious, it is sufficiently vibrant as to ensure that differences will be resolved on the political level. It is little more likely that Taiwan will be threatened, given the strength of its alliances with important western allies. The situation on the Korean peninsula is somewhat more problematic and the irrational nature of the North Korean leadership renders analysis, if not survival, problematic.

However, it is not just the pre-conditions that have changed and thereby led to the decline of the EAEM but changes in other aspects of the external environment. These include the rise of new economies entering into the factory age and, thereby, able to undercut existing nations in terms of low labour costs. The very processes of economic success have acted to raise both the cost of living and the standard of living that can be afforded by members of the state. Newcomers such as China and Vietnam then enter the scene at lower rates and that makes them particularly attractive locations for international investors. Necessarily, therefore, the original EAEM states move up the ladder of competitiveness by seeking to provide

more value-adding activities as the means of remaining competitive.

The processes of economic development and change also led to additional societal changes relevant in this context. This includes the impact of demographic change: improved incomes and economic opportunities tend to lead to both larger numbers of older people and smaller numbers of younger people. In an East Asian context, in which members of the labour market are differentiated on entry by educational qualifications and then awarded incremental salary increases on an age basis, the presence of older people is much less valuable as inputs to the EAEM as are young people. Further, the fewer young people will have more resources devoted to them at the family level than in the past and will have a relatively greater responsibility to meet the costs of family care for the older surviving family members. Under such circumstances, therefore, joining the factory age of the EAEM as a simple input becomes a much less viable strategy to maintain contemporary familial circumstances. Second, the rise of incomes and the concomitant spread of consumerism and the aspiration fuelled by globalization that people experience further renders a life as an unskilled or semi-skilled factory hand appears less attractive. It has been argued that it is the introduction of Fordist factory practices that brought about the ending of the skilled/unskilled bifurcation in working class life by creating a category of semi-skilled workers who, from a political economic perspective, might be extracted from existing class relations and dealt with more efficaciously in terms of the effort-reward negotiations of industrial relations.

There is an additional reason for the decline of the EAEM in the first wave of countries and that is the maturing and diffusion of manufacturing technology around the region and, indeed, most of the world. It is now common for factories in many countries to be able to offer CAD/CAM assisted batch manufacturing, short run branding of goods and similar comparatively advanced and sophisticated techniques. This technology is comparatively cheap and mobile and does not require any additional skills or competencies from the workers charged with using them. Again, therefore, the connection between location and activity in the EAEM is broken and the activities spread elsewhere.

### Conclusion

Although there has been some contestation of the nature and even the existence of the EAEM, there can be little doubt that broadly similar conditions affected the rapidly industrializing East Asian nations involved and they drew forth broadly similar responses and solutions. These solutions, which have been characterized here broadly as the features of the EAEM, include export-oriented import-substitution, the encouragement of the entry into the factory age and the creation of forms of social control which inhibited effective collective bargaining and freedom of association. The EAEM is

time-limited in nature in that it is, in its basic form, capable of lifting an economy from low to middle income status but not beyond that. The next step, as has been indicated in the cases of countries such as Korea, Taiwan and Malaysia, is a series of qualitative changes which do not only require economic restructuring but some reconfiguration of society such that new social norms came into focus concerning issues such as freedom of speech and the role of debate and civil society – these changes are necessary because it is contradictory and inhibiting to try to move purposively into the age of knowledge and information economies while maintaining a restrictive policy towards freedom of speech and on censorship. Consequently, the EAEM must be replaced by a different and more sophisticated approach: to date, there is insufficient data to make any firm conclusions about what a post-EAEM development generally looks like.

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