

Understanding the best and  
looming geostrategic countries  
of the world

Class 2, Dec 10, 2020: **Asian  
Miracles: 4 Tigers**

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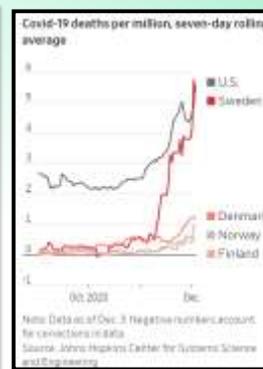
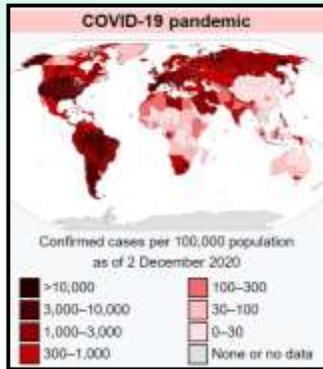


1. Tale of two Asians
2. Geopolitical challenges
3. Rise of Tigers (Hong Kong, Singapore, Taiwan & S Korea)
4. History and Background

- Welcome and thank you for logging in again today
- We are continuing our review of some of the best and most important Geo strategically countries if the world
- In class I we looked at Scandinavia and now we look at Eastern Asia and specifically at the four Tiger countries: Hong Kong, Singapore, South Korea, and Taiwan
- Although these four countries are relatively small, combined their population and economy exceeds that of Germany-the number five economy in the world
- All are based upon Chinese civilization and China is the dominant player today in the region, having become the largest economy in the world and leapfrogging Japan and the US
- Eastern Asia has changed drastically in this 21<sup>st</sup> century
  - China has become more assertive and militarily powerful
  - The US, which has played a major role in this region since World War II, is now recalibrating its relationships in this region
  - And the four Tigers have risen from rags to riches with major economic ties to both the US and China and a hesitancy to be forced to choose between the two

## Covid Case Severity

- Heavy (3% +)
  - US
  - Europe
  - S America
- Medium (1-3%)
  - Japan
- Light (1% or less)
  - China
  - S Korea
  - Australia
  - New Zealand



Sweden's Covid-19 experiment is over. After a late autumn surge in infections led to rising hospitalizations and deaths, the government has abandoned its attempt—unique among Western nations—to combat the pandemic through voluntary measures. *WSJ* Dec 6, 2020

[COVID-19 pandemic by country and territory - Wikipedia](#)

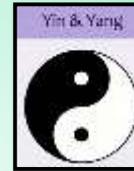
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## Tale of two Asians (worst of times) National Security Threat #1



*China poses the greatest threat to America today, and the greatest threat to democracy and freedom world-wide since World War II. ... Beijing intends to dominate the U.S. and the rest of the planet economically, militarily and technologically. ...*

*Other nations must understand this is true for them as well. The world is being presented a choice between two wholly incompatible ideologies. ... Beijing is preparing for ...confrontation with the U.S. ... This is our once-in-a-generation challenge. ... This generation will be judged by its response to China's effort to reshape the world in its own image and replace America as the dominant superpower.*

Source: By John Ratcliffe, U.S. director of national intelligence, *WSJ*, Dec. 3, 2020

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## China Is National Security Threat #1

*[I]f I could communicate one thing to the American people ..., it is that the People's Republic of China poses the greatest threat to America today, and the greatest threat to democracy and freedom world-wide since World War II. ... Beijing intends to dominate the U.S. and the rest of the planet economically, militarily and technologically. ...I call its approach of economic espionage "rob, replicate and replace." China robs U.S. companies of their intellectual property, replicates the technology, and then replaces the U.S. firms in the global marketplace. ...*

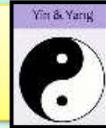
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Yin and Yang: Ancient Chinese concept of dualism, how opposite or contrary forces may actually be complementary, interconnected, and interdependent, and how they may give rise to each other as they interrelate to one another.

## Tale of Two Asians (best of times)

### Confident new wave of growth



- In the 19th century, the world was Europeanized. In the 20th century, it was Americanized. Now, in the 21st century, the world is being Asianized.
- The “Asian Century” is even bigger than you think. Far greater than just China, the new Asian system taking shape is a multi-civilizational order ...linking five billion people ...[and] 40 percent of global GDP.
- Asia’s complexity has led to common misdiagnoses: Western thinking on Asia conflates the entire region with China, predicts imminent World War III ... and regularly forecasts ... collapse for the region’s major economies. But the region is experiencing a confident new wave of growth led by younger societies from India to Philippines....

Source: Parag Khanna, *The Future Is Asian*, 2019, dust jacket

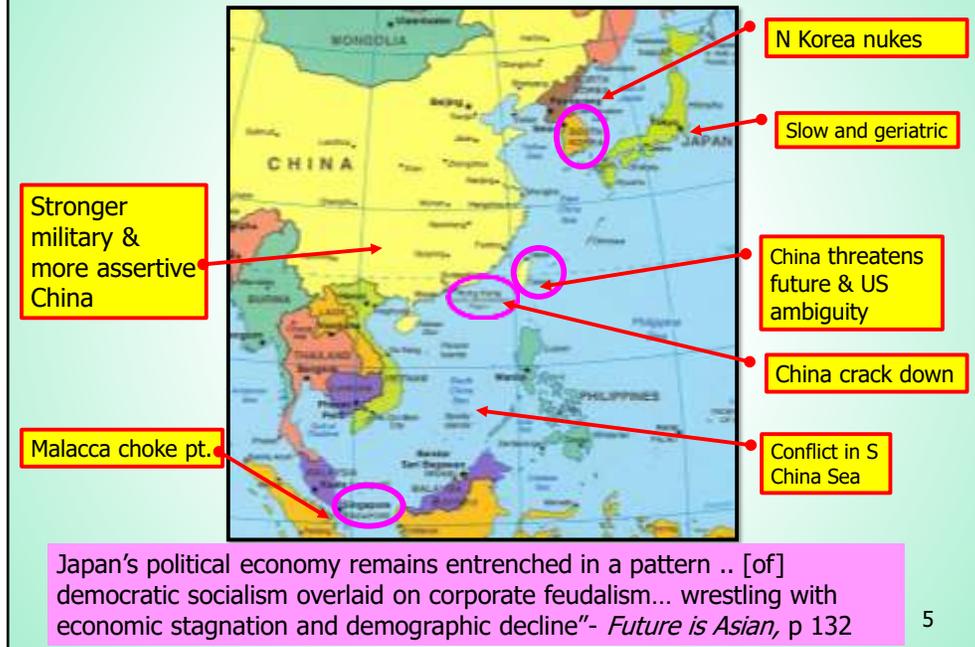
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## Today's East Asia Geopolitics



### Present East Asia Geopolitics

- China obviously is the dominant country in the region with Japan, until the 21<sup>st</sup> century, the dominant country
- South Korea is next to Japan in size and geopolitical importance, but the other three Tigers also are of much geopolitical importance
- Hong Kong is very much in turmoil due to the crackdown by China and is essentially losing its status under the system of "one country, two systems" agreed to at the British handover in 1997
- Also, Taiwan is a potential flashpoint as China becomes more aggressive and powerful and the US remains ambivalent over to what extent it would support Taiwan against an attack from China
- Singapore, is strategically located at the Strait of Malacca, one of the most important shipping chokepoints in the world that connects the Pacific and Indian oceans
- Singapore, although very small in both size and population, nevertheless is one of the most successful newly industrialized countries in the world
- All these countries are engaged in a delicate act of balancing between the United States and China

## Similarities of Tigers



- Chinese (Sinic) civilizations
- Ethnic homogeneity and Buddhism
- Open - coastal, peninsular or island nations
- Modern states formed after WW II
- Rapid GDP growth in 1970s under autocratic regimes
- Hard hit by 1997 Asian Financial Crisis
- Heavily urbanized, densely populated, low birth rates

Switzerland is the only sizeable & successful of 40+ land-locked nations

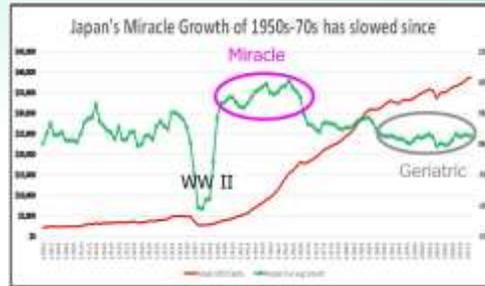
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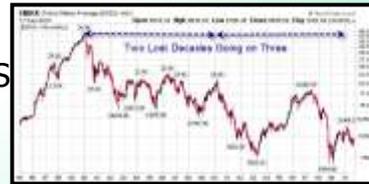
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- Switzerland is the only sizeable successful of 40+ land-locked nations

## Why Japan's Miracle Economic Growth?

- It all began with Japan
- Recovery from WW II
- Redeployment of military
- High levels of education
- Social and political stability
- Outbreak of Korean War boosted demand
- Frugality & high savings
- Favorable trade – especially with US
- Business innovations
- Japan's success inspired Tigers
- But miracle led to soaring asset prices & "two lost decades"



Japan median age 47, 2<sup>nd</sup> highest in world vs. 38 in US



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- Outbreak of Korean War boosted demand
- Frugality & high savings
- Favorable trade – especially with US
- Business innovations – e.g., just-in-time inventory management, continuous improvement, quality circles ...
- But boom led to soaring asset prices and slowdown

Source: Angus Maddison, *Contours Of The World Economy, 1-2030 AD*, Oxford University Press, 2007, p 155-156

## Tigers Economic Model



- Inspired by Japan's success
- Export-driven, high savings, consumption discouraged, and education emphasized
- Initially authoritarian with tight economic oversight
- Evolved to more free market approach
- Hard hit by 1997 Asian Financial Crisis, but recovered and now financially if not geopolitically stable
- To compete, have created new industries, moved up value-added chain and strengthened service sectors

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## Why they are Tigers - Rapid rise from rags to riches

- Poor in 1950, all below \$5,000 GDP/Capita
- Japan rose first & was highest until after Cold War in early 1990s
- Tigers growth followed 20 years later in 1970s
- 1<sup>st</sup> Tiger was Hong Kong
- China didn't to rise rapidly after 2000, but still GDP/capita much lower
- Tigers now in top 10% GDP/capita



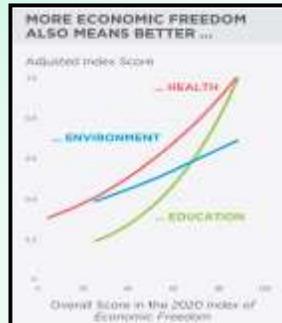
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Tiger: Country which undergoes rapid economic growth, accompanied by an increase in the standard of living.

## Tigers tops in Economic Freedom



*"Nations that promote freedom will see their citizens prosper in the years ahead. ... Prosperous peoples have the resources to take better care of their poor and their environments, create better health care and education ... and solve many of the other societal problems that nations face, and that makes life better for all people."*

Rank	Country	Overall Score
1	Singapore	89.4
2	Hong Kong	89.1
3	New Zealand	84.1
4	Australia	82.6
5	Switzerland	82.0
6	Ireland	80.9
7	United Kingdom	79.3
8	Denmark	78.3
9	Canada	78.2
10	Estonia	77.7
11	Taiwan	77.1
12	Georgia	77.1
13	Iceland	77.1
14	Netherlands	77.0
15	Chile	76.8
16	Lithuania	76.7
17	United States	76.6
18	United Arab Emirates	76.2
19	Luxembourg	75.8
20	Finland	75.7
21	Mauritius	74.9
22	Sweden	74.9
23	Czech Republic	74.8
24	Malaysia	74.7
25	Korea, South	74.0
26	Israel	74.0
27	Germany	73.5
28	Norway	73.4
29	Austria	73.3
30	Japan	73.3

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*Economic Freedom Report, 2020*

Tigers - higher GDP/Capita than Japan, like US & 4-fold China's



Tigers Size and Ranking of Population, and GDP Per Capita (2020)

Country	Population		GDP PPP		GDP/Capita PPP	
	Population (mil)	World rank	Bil \$	World Rank	PPP Int \$ per cap	World rank
Hong Kong	7.5	101	439	45	58,462	11
Singapore	5.7	113	552	37	97,084	3
South Korea	51.8	27	2,293	14	44,234	32
Taiwan	23.6	56	1,276	21	54,145	15
<b>Tigers</b>	<b>88.6</b>	<b>74</b>	<b>4,560</b>	<b>29</b>	<b>51,468</b>	<b>15</b>
China	1,405	1	24,162	1	17,191	80
Japan	127	11	5,236	4	41,228	31
US	331	3	20,807	2	62,915	9

4 Tigers – more population and GDP than Germany – World's 5<sup>th</sup> GDP

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## Tigers - higher GDP/Capita than Japan, same US & 4-fold China's

- 4 Tigers – more population and GDP than Germany – World's 5<sup>th</sup> GDP
- South Korea is the most populous country but has the lowest of the four in terms of per capita GDP
- Singapore, with a per capita GDP of 97,000, 50% higher than the US and the third highest in the world
- Although China's population and GDP are the largest in the world, on a per capita basis they rank only 80<sup>th</sup> Way below the Tigers average of 15<sup>th</sup>
- The recent popular movie, crazy rich Asians, was set in Singapore, and underscored the Tigers prosperity

## Tigers' average rank same or better than US

Country	2019 Prosperity	2019 HDI	Life expectancy	PISA	Mean years of schooling
Hong Kong	15	4	85	4	12
Singapore	16	9	84	2	12
South Korea	29	22	83	8	12
Taiwan	24	21	80	6	11
<b>Tiger Avg</b>	<b>21</b>	<b>14</b>	<b>83</b>	<b>5</b>	<b>12</b>
China	57	85	77	1	8
Japan	19	17	85	6	13
US	18	15	79	26	13

Tigers near top of 2018 Programme for International Student Assessment (PISA) - worldwide study measuring 15-year-old' scholastic performance on mathematics, science, and reading.

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### Tigers' rank same or better than US

- In four of the five major rankings of social economic indicators, Tigers average exceeded US and Japan and far exceeded that of China
- As we indicated in class I, Scandinavian countries top the ranks in prosperity, but the Tigers top it in the education quality rankings of PISA.
- China PISA ranks first, but this is not really comparable as it includes only some of the exclusive areas such as the rich coastal city Shanghai
- The Tigers also have much longer life expectancy than US
- The Tigers, especially Hong Kong and Singapore rank highly on the United Nations Human Development Index (HDI) which is a broad measure including income, education, and longevity
- The Tigers have slightly less mean years of schooling than Japan or the US but substantially more than China's
- These indexes have the advantage of taking a broader perspective of ranking countries, but the rankings of these various indices tend to be closely correlated at about 80% with GDP per capita

## Hong Kong History



- 1842: British colony after 1st Opium War
- 1860: Colony expanded to Kowloon Peninsula after 2nd Opium War
- 1898: Further extended to New Territories at 99-year lease
- 1941-45: Japan attacked and occupied for 4 years in WW II
- 1945: Britain resumed control; economy rebounded quickly
- 1949: Migrants fled Chinese Civil War and Communist Party
- 1950s: First of Asian Tigers to industrialize
- 1997: British transferred to China under principle of "one country, two systems" for 50 years
- 2020: China crack-down, abandoned "one country, two systems;" Hong Kongers must flee or to forgo freedoms

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## Hong Kong Background



- 1/4<sup>th</sup> area Marion Co. with 20 times population - one of most densely populated in world
- British colony separate from mainland China that protected rights and enjoyed special trade arrangements
- Economic freedom helped make Hong Kong a capital of international finance
- Highly developed free-market economy of low taxes, free trade
- Now, protesting restrictions of freedoms and China's abandoning agreed 50-year "one country and two systems" being sanctioned by US & UK

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- Highly developed free-market economy of low taxes, free port trade and well-established in international financial market
- Became British colony at end of the First Opium War in 1842
- Britain obtained a 99-year lease in 1898 and transferred to China in 1997
- Special administrative region under the principle of "one country, two systems"
- One of world's biggest financial centres and commercial ports

## Singapore 200-year History



- 1819: British started trading post
- 1942-4: WW II Japan occupation; historic British defeat
- 1963: Joins with Malaya to form Malaysia
- 1965: Malaysia ejects, separates under Lee Kuan Yee
- 1965: Becomes fast growing Asian Tiger
- 2018: Ranked as world's most prosperous country
- 2020: Balancing between US & China – doesn't want to choose sides

Strait of Malacca: narrow 580-mile main shipping channel between Indian & Pacific Oceans - one of world's most important 15

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## Singapore Background



- Rose from backward fishing village to impressive global city in 50 years
- Fame and fortune far beyond that expected of a small island of 6 million only 42 by 22 miles
- One of world's largest ports at entrance most strategic shipping choke points Straits of Malacca
- Offers a futuristic view of Asia's potential: soaring skyscrapers, spectacular public parks, scrupulously clean streets, unsurpassed prosperity ( & nanny government)
- One of the most impressive places on planet

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## Paradoxical Singapore: Nanny state that champions free enterprise



- More intrusive than Western societies
- Paternalistic and authoritarian, but has legitimacy because it's clean and impressive achievements
- Ruled by close knit meritocratic elite
- State controls much of economy, yet champions free enterprise, welcomes foreign investment & trade
- Government owns 90% of land
- 80% live in government subsidized and built units but 90% are owner-occupiers
- Workers required to invest 20% of salary and employers must contribute a further 17%

Another bumble bee economy— economists say shouldn't fly but does!

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## South Korea History



- 1910: Annexed by Japan
- 1948: After WW II divided into Soviet & US zones
- 1950-53: Korean War fought to standstill at 38<sup>th</sup> parallel
- 1960-1987: Largely under dictatorship
- 1963-1992: Miracle - 30 years of 10% GDP growth
- 1987: End of authoritarian rule
- 1988: Seoul Olympics boosted image and economy
- 2020: 6th powerful military force – hedge against North

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## South Korea Background



- Half size & double population of Florida
- For 30 years one of world's fastest growing economy
- World's 5<sup>th</sup> largest exporter & 7<sup>th</sup> largest importer
- Open, engaged & rich in contrast to hermit North
- South 2x North in population & 25x GDP/Capita
- Democracy - but plagued by scandals - half of all living former presidents in prison
- Modern & industrialized – in G-20
- Dominated by family conglomerates (“Chaebols”) - Hyundai, LG and Samsung

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## South Korea Background

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- World's 5th largest exporter and 7th largest importer
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- Modern & industrialized – in G-20
- Industry dominated by large family conglomerates (“Chaebols”) such as Hyundai, LG and Samsung

## South Korea's "rags to riches" story



- In 1950s, among poorest in world
- "Korean Miracle" of export-driven industrialization
- Now manufacturing high-tech products
- Export-oriented strategy allowed it to rapidly move to the top and stay on top

*Just a few decades ago, the South Koreans were an impoverished, agricultural people. In one generation they moved from the fields to Silicon Valley. They accomplished this through three totally unexpected miracles: economic development, democratization, and the arrival of their culture to global attention.* Michael Breen, *The New Koreans*, 2017, flyleaf

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Source: What event in history can be considered the turning point in Korea's economic growth? By Jung Inman, October 6, 2016

## History of Taiwan

- 17th century: Dutch colonization
- 1684: Annexed by China
- 1895: Ceded to Japan
- 1911: Republic of China (ROC) overthrew Qing dynasty
- 1945: ROC took control after WW II surrender of Japan
- 1949: After Mao's win, Chiang Kai-shek fled to Taiwan
- 1950s: Called "Nationalist" to distinguish from "Red"
- 1960s: Rapid economic growth - "Taiwan Miracle"
- 1971: Replaced by "Red" China at UN
- 1990s: Transitioned from dictatorship to democracy
- 2020: **Potential US-China flashpoint**



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- 2020: Status uncertain – China claims but ambiguous US support

## Taiwan Background



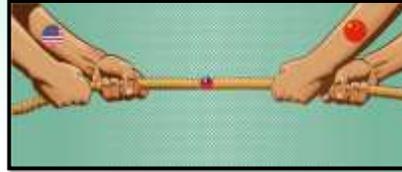
- Island of 24 mil. Claimed by China, US protection ambiguous
- Question if even still exists due to non-recognition
- Electronics sector is most important industry
- Taiwan Semiconductor Manufacturing Co. (TSMC) and United Microelectronics Corp (UMC) – world largest
- One of lowest birth rates in world of 8/1000 vs 12.4/1000 in US
- Despite tension, Taiwan major investor and trade partner of China

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## Taiwan Background

- Island of 24 mil. claimed by China but supported by US
- Controversy if Taiwan (once called “Nationalist” China and Chinese rep in UN) still exists due to the lack of wide diplomatic recognition
- Majority favor in 2009, 64% opted for "status quo", 19% favoured "independence" and 5% favoured "unification"
- Taiwan Semiconductor Manufacturing Company (TSMC) and United Microelectronics Corporation (UMC) are the two largest contract chipmakers in the world
- Electronics sector is Taiwan's most important industrial export sector and is the largest recipient of United States investment.
- Has on of world's lowest fertility rate and high housing prices.
- Exports - \$329.5 billion (2019 est.) China 27.9%, US 14.1%, Hong Kong 12.3%, Japan 7.1%, Singapore 5.5%, South Korea 5.1% )
- Imports \$285.9 billion (2019 est.) China 20.1%, Japan 15.4%, US 12.3%, South Korea 6.2%

## Taiwan: China-US flashpoint



- US ambiguous whether would defend if China attacked
- Times have changed – previously China wanted “peaceful rise” to develop, but now more assertive and stronger
- Recently stripped Hong Kong of its autonomy
- Some doubted in 1979 authoritarian Taiwan was worth defending, but has since blossomed into a democracy
- If US fails to protect, Japan & S Korea may see US unreliable
- They might either accommodate China or nuclearize
- If China takes Taiwan, freedoms would be crushed, get a high-tech economy, and able to project power in W Pacific

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### US Policy on Taiwan

- For four decades, US resisted stating whether it would come to Taiwan’s defense if China mounted an armed attack
- This deliberate ambiguity helped dissuade China as it could not be sure that the United States would do
- It also discouraged Taiwan from declaring independence and precipitate a crisis
- Now however ambiguity is unlikely to deter an increasingly assertive China
- Times have changed – in earlier time China wanted to maintain a peaceful external environment so that it could focus on its economic development and now China now more military capability
- China has ramped up military exercises in the Taiwan Strait and intensified efforts to isolate Taiwan internationally.
- And equally worrisome, has stripped Hong Kong of its autonomy
- For years, some questioned whether the authoritarian Taiwan of 1979 was worth defending, but the island has since blossomed into a robust democracy
- If US fails to respond to a Chinese use of force, Japan and South Korea will conclude that US cannot be relied upon and would then either accommodate China or nuclearize
- The 24 million people of Taiwan would see their democracy and freedoms crushed. China would subsume the island’s vibrant, high-tech economy.
- And China’s military would no longer be bottled up within the first island chain: its navy would instead have the ability to project Chinese power throughout the western Pacific.

Source: American Support for Taiwan Must Be Unambiguous, By Richard Haass and David Sacks, September 2, 2020, [foreignaffairs.com](https://www.foreignaffairs.com)

## Asian Miracles – 4 Tigers Summary & Conclusions



- Highly developed countries – among world's best
- Miracle economic growth in 1970-80s that followed Japan's rise and preceded China's rise
- Hong Kong and Taiwan claimed by China and their freedom threatened
- Open and industrialized: South Korea opposite of backward, hermit and nuclear North Korea
- US since WW II dominant power in region but now challenged by a more assertive China
- Due to large size & China's rise, strategic to US

Class 3, Dec 17, British Offshoots –  
Australia, Canada and New Zealand

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