

The Voice of East Asia

Development Implications for
Latin America

by **Mitsuhiko KAGAMI**

Institute of Developing Economies

The Voice of East Asia

I.D.E. Occasional Papers Series No. 30

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INSTITUTE OF DEVELOPING ECONOMIES

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The Voice of East Asia: Development Implications for Latin America

Mitsuhiro KAGAMI

The Voice of East Asia (VEA) challenges Latin American policy makers to examine and adopt the East Asian approach to industrialization, both macroeconomically and microeconomically. Two industrial surveys conducted by the author of small-scale enterprises in Brazil and Mexico provide a better understanding of Latin America's industrial structure just before the height of economic liberalization. The data allows a comparison of the experiences of East Asian countries in the 1980s with current Latin American conditions.

During the last fifty years East Asia has experienced a "mega-transformation" from a rural society based on primary products to one based on modern industry. This transformation has come about through high levels of investment and exporting. Gradual liberalization has promoted foreign direct investment (FDI) which in turn has increased intra-regional trade. As a result East Asia has formed a multilayered industrial structure across national boundaries which ties the countries of the region together by an "invisible thread" of dynamic comparative advantage.

To ensure a smooth economic transformation and to increase competitiveness in Latin America, *VEA* argues that many steps will have to be taken to catch up with modern technological society. Two priority issues are taken up: one concerns in-house measures and the other deals with the organizational linkage of factories and industries. In-house measures include Japanese-type shop floor production techniques; organizational aspects include functional linkages between parts-and-components producers and assemblers, i.e., the formation of "supply chains."

Mitsuhiro Kagami was born in 1943, educated at International Christian University, and obtained an M.A. in economics at Stanford University. He is now the Director of the Research Planning Department, Institute of Developing Economies, Tokyo. He worked for the United Nations Economic Commission for Latin America and the Caribbean (1982-86), and served as a visiting scholar at the Inter-American Development Bank from 1991 to 1993.

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