

# C HAPTER 6

## COMPARISON OF COUNTRY CONTEXTS

In this chapter of the study we present a summary of the historical and economic context of both countries and present views and comparisons. Even though each country is unique in its national context and comparisons cannot be made across the board we intend to view each country individually and use the information as a guideline for analysis. In the case of Honduras, we will look at the historical, geographical and economic context of the country to analyze its positive and negative effect on the country's economic development and its struggle to combat poverty. In the case of Taiwan, we will look at the historical, geographical and economic context that allowed for the spectacular economic growth experienced by this island nation.

### 6.1 Country Background Information: Honduras

Honduras is located in the center of the Central American Isthmus bordering Guatemala, El Salvador, and Nicaragua. It has coasts on the Caribbean Sea to the North and the Pacific Ocean to the south through the Gulf of Fonseca (Fig. 1-1). It covers an area of 112,492 km<sup>2</sup> and has a population of 7.2 million.

Honduras was originally inhabited by indigenous tribes of a great linguistic and cultural diversity. The most powerful and advanced of these were the Mayas,<sup>1</sup> who built their sacred city and ceremonial metropolis in Copán,<sup>2</sup> in the western part of Honduras.

Honduras was discovered by Christobal Columbus in 1502 and named after the "great depths" of the Caribbean Sea he encountered as he sailed past its northeast tip. Honduras became part of Spain's vast empire in the New World but gained its independence in 1821. Traditionally, Honduras has been a democratic republic but has experienced incidents of political unrest including frequent changes in government, a

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<sup>1</sup> The Maya civilization is a historical Mesoamerican civilization, which extended throughout the northern Central American region.

<sup>2</sup> The Pre-Columbian city now known as Copán was the site of a major Maya kingdom of the Classic era.

brief period of dictatorship in the 1930-1940's and a period of military rule around 1960-1970's. Since 1982, Honduras has held seven consecutive democratic presidential elections.

The country traditionally lacked both an economic infrastructure and social and political integration. Its agriculture-based economy was dominated in the 1900s by United States fruit companies that established vast banana plantations along the north coast. Foreign capital, plantation life, and conservative politics were dominant in Honduras from the late 19th century until the mid-20th century.

The Honduran territory is extremely mountainous with only narrow plains along the coasts, and it has a large undeveloped lowland jungle region in the northeast. The climate varies from tropical in the lowlands to temperate in the mountains. Although Honduras is the second largest country in Central America, it has little land available for cultivation. Honduras has reasonable resources in terms of timber, gold, silver, copper, lead, zinc, iron ore, antimony, coal, fish, and hydropower potential.

The country is extremely susceptible to damaging hurricanes and floods along the Caribbean coast. In 1998, Hurricane Mitch devastated Honduras, leaving more than 5,000 people dead and 1.5 million displaced. Damages totaled nearly US\$3 billion. The Honduran Government successfully managed more than US\$600 million in international assistance for reconstruction and rehabilitation after the hurricane.

Among the current environmental issues we can mention: urban population growth; deforestation resulting from logging and the clearing of land for agricultural purposes; land degradation and soil erosion hastened by uncontrolled development and improper land use practices such as farming of marginal lands; and mining activities that are polluting the waterways.

Honduras is one of the poorest countries in the Americas. The economy has continued to grow slowly but the distribution of wealth remains very polarized with average wages remaining very low. Economic growth was roughly 5% in 2005, but many people remain below the poverty line. It is estimated that there are more than 1.2 million people who are unemployed.

Honduras expects to benefit from the debt relief assistance under the Heavily Indebted Poor Countries (HIPC) initiative.<sup>3</sup> Growth remains dependent on the status of the United States economy, its major trading partner, and on commodity prices, particularly coffee.

## **6.2 Country Background Information: Taiwan**

Taiwan became a protectorate of the Chinese Empire in 1206, the year Genghis Khan founded the Yuan dynasty.<sup>4</sup> The Portuguese discovered Taiwan and named it Formosa meaning “beautiful”. The Dutch settled in the south and the Spanish in the north until the 1600 when the Chinese drove the Dutch out. In 1895 Taiwan passed to Japanese control but at the end of WWII it was again restored to Chinese rule.

In 1949, the government of the Republic of China (ROC), led by the Kuomintang,<sup>5</sup> retreated to the island of Taiwan, marking the beginning of an era known as the “ROC on Taiwan.” At least a million Chinese citizens fled to Taiwan. The United States provided substantial economic aid to Taiwan during this time. The nationalist government ruled Taiwan under martial law but uplifted it in 1987. From the 1980’s onward, Taiwan has been gradually establishing democracy in the island. Taiwan’s economy has been characterized by prolonged period of high growth rate, winning global praise as an “economic miracle” and transforming itself into a modern country.

Taiwan is situated in the Pacific Ocean about 160 kilometers from the southeastern coast of the Chinese mainland (Fig. 1-2). Located about midway between Korea and Japan to the north and Hong Kong and the Philippines to the south, Taiwan is a natural gateway for travelers to and within Asia.

The Central Mountain Range bisects Taiwan from north to south and about two-thirds of the island is covered with forested peaks. The rest of the island is made up of foothills, terraced flatlands, and coastal plains and basins. Taiwan’s climate is subtropical. Taiwan experienced ecological degradation as a result of aggressive

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<sup>3</sup> The HIPC program was initiated by the IMF and the World Bank in 1996 to provide countries with the highest levels of poverty with debt relief measures to reduce their external debt to sustainable levels.

<sup>4</sup> Founder of the Mongol Empire.

<sup>5</sup> The Chinese Nationalist Party.

agricultural and industrial development at its onset but is working now on protecting the environment.

Taiwan's population exceeds 23 million, which makes the island one of the world's most densely populated places. Except for the approximately 350,000 aborigines, the people of Taiwan originate from the Chinese mainland.

### **6.3 Overall Comparison of Country Contexts**

#### **6.3.1 Historical and Geographical Context**

Historically, both Taiwan and Honduras have roots in colonial rule but obviously under different circumstances. Honduras gained its independence from Spain, its sole conqueror, early in the 19<sup>th</sup> century after more than 300 years of colonial life but gradually became economically dependent of the United States as its main trading partner. Honduras oriented its agricultural economy to export fruit products managed by large American corporations but it did not develop its agriculture toward food production for its own domestic consumption and autonomy.

Land reform has been a goal for Honduras' governments for many decades but the process has not been finalized to this date although progress has been made and more land has been titled to farmers and gender issues are being incorporated into the process.

In contrast, Taiwan was under the rule of a series of conquerors including the Dutch, the Spanish, and the Japanese for more than 300 years. Before reaching democratic status, Taiwan experienced a period of tight rule while it solidified itself for a good part of the second half of the 20<sup>th</sup> century. From the on start, Taiwan plunged into a strategy of self-sufficiency and development that led to its current economic success.

Land reform in Taiwan was a fast process completed in under a decade but not without its drawbacks as expected for a process that affected the landowners but benefited the farmers.

Geographically the two countries are small and mountainous but Honduras is almost three times larger than Taiwan but both have limited arable land. Taiwan was

able to partially overcome its limitations by using applied technology and implanting its own “green revolution”. Honduras is still struggling with agricultural limitations such as poor soils characteristic of its own geology as well as problems associated with the practice of “slash and burn” agriculture. This practice is derived from the need of peasants for land whereby they clear a section of the forest to plant their food crops but the soil rapidly loses its nutrients and the farmer moves on to clear another parcel. This cycle is causing deforestation and soil degradation.

Taiwan and Honduras are both subject to natural disasters, Taiwan is affected by typhoons and Honduras is in the path of hurricanes that cause serious damage to human life and infrastructure. In 1998, Hurricane Mitch caused so much damage that it set the country back at least two decades in terms of progress.<sup>6</sup>

### **6.3.2 Economic and Social Context**

Both countries have been benefited by American economic aid. Taiwan was the receptor of one of the most impressive economic aid programs at the onset of the installation of the KMT government. This aid was a one-time massive assistance and was used to finance the infrastructure, agricultural and industrial development of Taiwan as well as for strategic defense purposes. Honduras has also been the receptor of American aid but under different circumstance and stretched over a period of several decades in the form of development assistance, humanitarian assistance to help recover from natural disasters, or strategic political assistance.

In terms of education, Honduras has a low literacy rate even compared to other Latin American countries and its education system need serious upgrading and reform. The country offers public elementary and secondary education but the coverage is not complete and even though a large number of children enroll in school there is also considerable amount of student desertion and teacher performance needs improvement. The vocational training system is not satisfactory and needs improvement. For those students that are able to advance to university level, the National Autonomous

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<sup>6</sup> Damages included human toll in terms of numerous deaths and disease; damages to infrastructure (80% of transportation infrastructure was damaged) and crops (70% of crops were lost).

University is an excellent source of education at low cost and with several campuses across the country.

Taiwan on the other hand has been able to reach high levels of literacy and has elevated its compulsory education to nine grades. Taiwan has placed education as one of its highest priorities. Taiwan offers multiple vocational and university facilities and is currently working towards even more modern systems of education to prepare its people for new industrial development and research opportunities.

### **6.3.3 Comparative Analysis**

In terms of economic development is where the most drastic comparisons can be made. Honduras is one of the poorest countries in the American continent and it is struggling to overcome its economic problems and combat poverty that affects a large portion of its people. Honduras has adopted strategies to combat poverty and the economic donor community is currently supporting these strategies. Honduras economy is heavily dependent on the price of its exports products and the economy of the United States, its largest trade partner. Honduras is heavily burdened by foreign debt but it has qualified for the HIPC program and it is expecting a debt pardon or reduction.

Honduran development strategies have the goal of reducing the proportion of people living below the poverty line. To achieve this goal Honduras needs to concentrate on strengthening the macroeconomic framework, become more competitive, invest on education and health and social protection and in general work toward achieving sustainable development.

Among Honduras strong points are its natural resource base which still contains large sections of undisturbed forest and wildlife and other natural attraction with high ecotourism value. Honduras also has the largest port facility in the Central American region and it could very well expand its services and make a more efficient use of this valuable asset.

Honduras has a large population, half of it is under 15 years of age, but its manpower is highly unskilled therefore it needs to educate its population and provide job opportunities for its human capital and use it toward its development goals.

Taiwan on the other hand has already achieved a highly regarded economic status and its macroeconomic framework is strong and healthy. Taiwan achieved its economic status through a succession of stages based on land reform, agricultural sustainability, self-sufficiency and later its industrial development took over as the main development strategy but the workforce was not affected by the transition.

Taiwan's strength lies on its human capital. Taiwan is not rich in natural resources but it has capitalized on its human capital to adopt new technologies and bring about capital accumulation. Its widespread compulsory education program has had excellent results and is one of the major achievements of the country.

Table 6-1 presents some contrasting economic and social indicators for both Taiwan and Honduras. The last indicator shows the United Nations Human Development Index (HDI).<sup>7</sup>

**Table 6-1 Comparison of General Economic and Social Indicators  
between Honduras and Taiwan**

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<sup>7</sup> The index is used by the United Nations Development Program in its annual Human Development Report. The HDI is a comparative measure of poverty, literacy, education, life expectancy, childbirth, and other factors for countries worldwide. It is a standard used for measuring well-being. Taiwan prepares its own HDI based on similar factor elements as the index prepared by the United Nations.

<b>ITEM</b>	<b>UNIT</b>	<b>HONDURAS</b> (2001-2004)	<b>TAIWAN</b> (2004)
GDP	US\$ billion	7.4	576.2
Economic growth rate (GDP increase)	%	3.0	5.71
Gross national product (GNP)	US\$ billion	6.5	316.7
Per capita GNP	US\$	970	14,032
Changes in consumer price index (CPI)	%	-15.1	1.62
Exchange rate (end of the year)	per US\$	17.345	31.917
Unemployment rate	%	28	4.44
Foreign exchange reserves	US\$ billion	2.23	241.7
Merchandise exports (at FOB prices)	US\$ billion	1.5	174.0
Merchandise imports (at CIF prices)	US\$ billion	1.8	167.9
Balance of trade in merchandise	US\$ billion	-1.29	6.1
Literacy rate	%	76.2	94.0
Human Development Index		0.638	0.910

Source: Honduras is from World Bank (2005), UNDP (2005); Taiwan is from CEPD (2005).

#### **6.4 Summary**

As closing remarks for this chapter we can say the contrast between Taiwan and Honduras is great. On one extreme we have Honduras, a developing country fighting poverty and having low values for social and economic indicators such as GDP, per capita GNP, literacy rates and overall Human Development Index. On the other hand we have Taiwan that represents a successful model of a society that evolved into an industrialized nation with remarkable social and economic indicators.

The conclusion of the countries comparison analysis is that even though the differences between both countries are dramatic, we can still use the analysis to identify



potential similarities and possible opportunities to use the experience of Taiwan to implement reforms in the Honduran economic strategy. For example, both countries have geographical limitations; both countries have been the focus of economic aid from United States and both have an enviable location in their respective continents. When compared, any two nations will show differences and similarities and the study of both can help identify possible situation in which one country can benefit from the experience of the other.