

C **HAPTER 8**

CONCLUSIONS AND POLICY RECOMMENDATIONS

Throughout the document we have emphasized the uniqueness of the Taiwanese experience. Each country adopts different strategies depending on several factors that include historical, social, economic, political and even fortuitous events that shape the nature of a nation. Many of these scenarios can not be replicated. Nevertheless, in the case of Taiwan and Honduras, I believe there are lessons to be learned from the Taiwanese development model that can be useful to the efforts of Honduras to combat poverty through economic growth and sustainable development.

8.1 Conclusions

Taiwan's rapid growth appears to have been dependent upon the presence of certain strategic factors. Perhaps if these factors had not been present, Taiwan's development performance might have been drastically different. Among the singular factors we can mention are the native talent and the industry of the people; certain aspects of the Japanese colonial period; the administrative and professional role of the postwar immigrants from mainland China; political stability; public policies bearing on agricultural productivity, price stability, private enterprises, export expansion; and finally the United States economic assistance.

In addition to the above-mentioned factors, there were additional circumstances that facilitated Taiwan's developmental success. For example, its opponent — mainland China had a totally different developmental agenda. Also, Taiwan enjoyed a geopolitical strategic position before it entered the global economy. Taiwan also had the opportunity to consolidate itself economically and socially without outside negative intervention. In addition, Taiwan emerged into the world's economy at a very

convenient time in history, and finally, there are particular cultural attributes of its people that contributed to the development of Taiwan.

Taiwan is an island of limited natural resources that underwent numerous hardships and struggles to reach today's economic status. Taiwan's reality was also complicated by lack of foreign exchange, overcrowding and diplomatic isolation. The history and experiences of Taiwan's economic development serve not only as a worthwhile example for other developing nations, but they also provide Taiwan with the opportunity to evaluate the importance of citizen participation and the incorporation of environmental factors into the economic development strategies.

Honduras can use the experience of Taiwan as a case study and select certain aspects of the development strategy to analyze the viability of incorporating such experiences into its development strategies. We find that the most important lessons or strengths to be emulated from the Taiwanese experience are the emphasis placed on human capital investment, agricultural development and land reform, the strategic national development plans and the constant revision of policies to better adapt to the needs of the nation and the competitive global market.

The economic development strategy of Honduras should be fashioned within the framework of a regional development strategy. According to Bulmer-Thomas (1987), a basic lesson for the Central American region is that one of the most important conditions for development is the size of the domestic market, and that its expansion provides an opportunity for industrialization and growth. The Central American market is composed of approximately 30 million inhabitants, relatively small, but larger than the local markets of each individual country. At a global level, the Central American economies are weak; therefore they would have a better position acting within a regional development strategy. In other words, the efforts to improve the levels of development should be made to increase the domestic market in the region, mainly in terms of demand and capital accumulation.

Honduras and the rest of the Central American countries need to implement a political economic strategy that ensures that its poorest citizens obtain the means to improve their living and economic conditions. Having experienced the economical crisis of two decades ago, "No Central American country can afford to repeat the fall in

living standards experienced in the 1980s” (Acuña-Alfaro, 2000). Therefore, the first condition for development in the region should be to provide the least advantaged members of society with education, loans, health services, and business training.

The Central American region as a whole, has successfully transitioned from the period of confrontation and civil wars of two decades ago that caused so much human and economic pain to a period of peace and reconstruction. The countries have the advantage of a rich natural resource base and closeness to the North American market that should offer an avenue of economic development for the region.

Honduras is currently at a turning point with the upcoming implementation of the CAFTA free trade agreement, the benefits associated with the Highly Indebted Poor Countries Initiative, the Inter American Development Bank debt relief, and other regional and global initiatives. The country could use the current opportunities to guide its economic strategy toward the reduction of poverty and economic welfare. We have many disadvantages, including international debt and other economic problems but we can set priorities to try to overcome our obstacles and look forward to a more sustainable economic strategy.

8.2 Policy Recommendations

The majority of the events and circumstances surrounding the Taiwanese development are certainly non-replicable but we think that there are elements of Taiwan’s experience that are not linked to situational and cultural variables that could be emulated by developing countries like Honduras.

In Chapter 7 we presented a list of lessons-learned that Gold (1986) suggests could be helpful for developing countries. He mentions strong points such as government commitment to development and suitable agencies to guide development; information availability; adequate management of economic aid; widespread industrial development; agricultural and land reform; and investment in human capital. Following is a discussion of each possible lesson in the Taiwanese development experience and how they may apply to Honduras.

1. The government and policy makes commitment to development with a strategic national development plans, and the continuous adaptations with reforms implemented throughout time to accommodate the development guidelines to the ever changing conditions within society and the world. The practice proved to be very successful for Taiwan. In the case of Honduras, the government has already committed to the strategies presented in the PRSP.

The PRSP document includes the appropriate consultation process to involve all the sectors of society affected by the policies. Careful monitoring and evaluation of the process should be incorporated to update the effects of the policies and ensure that the most vulnerable sectors of society are not affected by the development strategies.

In terms of development strategies, Honduras has established an institutional framework to implement the PRSP. This document contains the immediate and long-term goals, tasks and priorities needed to increment national economic growth and combat poverty. One of Taiwan's successful strategies has been linked to its functional national development plans and continuous policy revisions

2. With regards to data collection and analysis, the experience of Taiwan in this sense is one of the lessons to be learned. Information is a key for the successful achievement of any strategy or goal. In the case of Honduras, efforts are being made to modernize the data collection and processing systems but much work needs to be done. Without correct and updated information, policy makers and interested actors can not make educated decisions about the best way to solve the problems related to economic and human development.

3. Taiwan received substantial assistance from the United States at the onset of its development. The strategic credit allocation and wise use of those funds was a key factor in the economic development of Taiwan. Honduras has just recently reached the HIPC status and benefits from this debt relief program will be available for development. Honduras is also expecting a final decision on the debt release request presented to the IDB. Honduras could use the debt relief funds towards combating poverty. In terms of donor aid, the government and stakeholders should intensify efforts to improve donor coordination to align external cooperation with national priorities.

4. Another interesting aspect of Taiwan's development that can be studied by other nations is the wide geographic dispersal of industrial opportunities that was applied in Taiwan. Development in Taiwan was not centered on a specific area. Among the priority goals for Honduras under the PRSP is to focus poverty reduction to both rural and urban areas but actions should favor the least developed areas. In this regard it is important to spread the industrial opportunities because currently, much of the industrial development is centered in the North coast near the city of San Pedro Sula. As part of the CAFTA implementation, Honduras needs to take measure to improve its competitiveness and analyze the distribution of both industrial and agricultural opportunities to take the best advantage of roads, ports, and other infrastructure.

5. Agrarian reform and agricultural promotion are two important issues for Honduras as a whole. Honduras' economy has been heavily dependent on agriculture. Recent export product diversification such as the maquila industry has been reducing the role of agriculture in trade but Honduras still needs to focus its poverty reduction efforts in rural areas. Agriculture promotion and agrarian reform are two ways to combat rural poverty.

Agricultural promotion and land reform were key factors for the industrialization and economic growth of Taiwan. Taiwan was able to partially overcome its limitations in terms of arable land by using appropriate technology. Honduras needs to eradicate the practice of slash and burn agriculture commonly used by landless peasants because it promotes deforestation and soil degradation. Land reform that would provide land to the peasants could help reduce the incidence of this practice.

The role played by the agricultural sector in Taiwan's economical development is a good lesson to be learned by other developing countries. Agricultural development paves the way for self-sufficiency in terms of food production and access to food. Food self-sufficiency, in turn, is a means to support industrial and economic development.

6. Another lesson to be learned is the experience of Taiwan with small and medium-size enterprises (SMEs). SMEs exert a strong influence on the economy, particularly in the fast-changing and increasingly competitive global market. SMEs in Taiwan have played a role in promoting rapid growth during Taiwan's economic transition. SMEs employ a large percentage of the workforce and comprise a large

segment of the total business establishments (MOEA, 2006). The SMEs in Honduras are found predominantly in the non-export sector. The SMEs in this sector, while accounting for a high proportion of employment, have been unable to benefit from the rise in productivity and improved technology in the export sector. Honduras could explore the experience of Taiwan and the contribution of the SMEs innovation to include this important sector of the economy in the developmental strategy.

7. Perhaps the greatest lesson to be learned from the experience of Taiwan is the investment in human capital. Over time, Taiwan has effectively used its human capital not only to overcome the disadvantages imposed by its lack of natural resources, but also to maintain a high degree of economic growth. Taiwan's policy of widespread compulsory education and continued education programs has made education available to all citizens and as a result it has a well-educated and capable workforce.

Improvement of human resources is crucial to the successful and sustainable implementation of the poverty reduction strategy set up by Honduras. Honduras needs to prepare itself to the challenges and opportunities that will arise from the CAFTA. As part of this trade agreement, the country needs to improve the competitiveness of its labor force and its industry. Health and educational services are key factors for the improvement of the workforce. The investment in education is needed both in terms of coverage and quality of the service.

Education reforms are required to improve the quality of education and make it more adequate to fit the needs of the industry, the agricultural sector, and other sectors of society. Preschool, elementary, secondary, university, and vocational education systems could benefit from an analysis of the curricula and its adequacy to modern times. Outside assistance in terms of advisors that could help in evaluating the educational system and provide recommendations to improve the quality and coverage could be one way in which foreign government could assist Honduras.

8. Taiwan experienced rapid industrial growth that unfortunately led to deterioration of the natural environment. When it comes to environmental protection, wise use of the resources and pollution prevention are better tools than trying to rehabilitate areas that have been damaged by previous development. Currently, Taiwan is investing resources in environmental protection and rehabilitation and is now

avoiding further ecological damage and promoting a more sustainable development strategy. Today Taiwan has the goal of converting itself into a “green silicon island” where economic and technological development goes alongside environmental protection.

Honduras, as part of its strategy to combat poverty, needs to reduce the country’s environmental vulnerability and its impact on poverty. Honduras has significant natural resources but these are threatened by overuse and environmental degradation. The natural resources are vital for the development of a country. In the case of Honduras they offer opportunities for tourism, non-traditional export opportunities, agricultural production, hydroelectric power potential, and in general, they are the source of necessary elements to sustain the population such as clean air, water, food, and raw materials.

The goal for developing countries like Honduras should not be to attain economic growth at all consequences. There are abundant examples of irreversible ecological damages linked to irresponsible development practices and policies that have resulted in high costs in human life and monetary losses. Sustainable development implies that economic growth is accompanied by measures to protect the natural and social environment. In essence, the goal of sustainable development is that the human activities do not conflict with the natural balance of nature. Sustainable development seeks to supply the needs of the present generation without compromising the prospects of wellbeing for the future generations.

The lesson for Honduras is to try to attain sustainable development in all three aspects: economic, environmental, and social. As we expressed previously, Taiwan is working towards balancing all three components of development. In economic terms, Honduras should strive towards an economic strategy that would allow for the production of goods and services in a sustainable manner. Economic sustainability also involves keeping the government and external debt under manageable levels.

In terms of environmental sustainability the country’s development policies should strive to maintain a stable resource base. Efforts should be made to avoid over-exploitation of renewable resources. Honduras has made compromises towards sustainable development in terms of adopting legislation to protect the environment and

helping to guide development along appropriate guidelines to ensure the wise use of natural resources. In its quest toward the fight against poverty, Honduras needs to consider the adoption of further measures to protect the environment.

9. Finally, sustainable development also requires a social component. A socially sustainable system must achieve gender equity, equal opportunity for all citizens, and adequate provision of social services including health and education.

Every nation has its own strengths and weaknesses that need to be explored and recognized. Once found, the accepted rule is to try to take advantage of the strengths and make up for the weaknesses. Afterward, on the basis of the strengths, the principle of comparative advantage can be applied. The principle of comparative advantage explains that the economical benefits will be increased if a nation engages in activities for which its advantages over other nations are the largest and its disadvantages are the smallest.

Taiwan identified its strengths, then nurtured the constructive aspects and built a structure that took the best advantage of such strengths. For example, Taiwan has been continually assessing its policies and adapting to the current situations. In this regard, the lesson from Taiwan that can be helpful to Honduras is to carry out an assessment of the economy, natural resources, and society's capabilities and needs and then link those strengths to the world system in such a way as to use the country's assets to improve the nation's situation.

Overall, I believe that Honduras can benefit from the development experience of Taiwan as an example of a society that took advantage of its strengths to overcome its weaknesses. Honduras should focus its development strategies within the framework of sustainable development and join efforts with its Central American neighbors to cope with challenges as a stronger unit. Balancing the social, economic, and ecological factors, the country and the region can face the new millennium with renewed opportunities and strategies to combat poverty and improve the living conditions of all members of society.

One relevant commercial opportunity that can bring Honduras and Taiwan closer together and increase their economic ties is the new Free Trade Agreement currently underway between Honduras, El Salvador, and Taiwan. The agreement is expected to

go into effect in January of 2007. Issues such as Market Access, Rules of Origin, Trade Facilitation and Customs Procedures, Services and Investment, Cooperation, Health Measures, Technical and Institutional Arrangements, and Conflict Resolution have already been discussed. The final round of negotiations is scheduled for September of 2006 with the goal of signing the agreement by October of 2006 (La Tribuna; 2006c).

This trade agreement will facilitate the commercialization of agricultural products produced by Honduras and El Salvador such as coffee and sugar while Taiwan is interested in investing in the textile and medical supply manufacturing sectors.