



UNIT THREE: NEWLY INDUSTRIALIZING AND LESS DEVELOPED COUNTRIES

So far, we have investigated countries that represent two types of political systems – advanced democracies and communist and post-communist countries. However, the vast majority of countries in the world have had neither liberal-democratic nor communist regimes. They are often categorized by political scientists and other observers as “less developed countries,” or LDCs. Formerly they were known as “third world countries,” but since the Cold War ended in the early 1990s, the term is obsolete. Their very categorization invites students to overlook the vast differences that exist among them. LDCs exist on most continents, and they have a wide array of ethnicities, racial characteristics, political cultures, and political economies.

What do these countries have in common? Most obviously, they all struggle with economic issues, including poverty, low GNPs, trade dependency, and weaknesses in infrastructure. And, despite a wide variety of government types, most LDCs are currently developing fragile democracies. Many are still ruled by dictators, military leaders, or hereditary monarchs, but most absolute rulers have been challenged in some way by democratic movements.

TWO CATEGORIES

We will begin by dividing this huge category of countries in two: **newly industrializing countries** and **less developed countries**. During the last few decades, some countries, mostly in Asia and parts of Latin America, have experienced both economic growth and democratization. As a result, they now exhibit many characteristics of advanced democracies, including relative political and social stability. An ex-

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ample is South Korea, a country that only fifty years ago was a poor agricultural country. During the late 20th and early 21st century, South Korea developed into one of the world's largest economies and also experimented with democratic institutions. The process that it experienced is sometimes called **compressed modernity** – rapid economic and political change that transformed the country into a stable nation with democratizing political institutions, a growing economy, and an expanding web of nongovernmental institutions. In this book, newly industrializing countries are represented by Mexico, a country that has experienced this compressed modernity over the past 30 years or so, and Iran, that has partially industrialized but has not democratized as Mexico has.

Less developed countries form a larger category than newly industrializing countries do, and we will examine Nigeria as an example. Nigeria has experienced political and economic change, but it has not developed distinct characteristics of advanced democracies. It has experienced economic difficulties, political instability, and authoritarian rule during the past few decades.

ECONOMIC DEVELOPMENT

Economic development by itself cannot explain the differences among the core countries of the AP Comparative Government and Politics Course, but it is an important consideration since economic and political development most often reinforce one another. In recent years in most countries, economic development has been based on free market capitalism, with **economic liberalization** taking place through privatization (expanding private ownership of property) and marketization (allowing free-market principles to govern the economy). Economic development is often measured by the **Gross National Product** (the total market value of all goods and services produced in the country), but GNP gives us a limited amount of information about the economic or human conditions of the people living in an economy. Another way to measure economic development is by using **purchasing power parity (PPP)**, a statistical tool that estimates the buying power of income across different countries by using prices in the United States as a benchmark. It is generally a better indicator than **Per Capita Gross National Product (GNP)**, which merely divides the total mar-

COMPARATIVE ECONOMIC SECTORS
(as percentage of labor force by occupation)

Country	Primary (Agriculture)	Secondary (Industry)	Tertiary (Services)
China	38%	46.9%	43%
Iran	25%	31%	45%
Mexico	13.7%	23.4%	62.9%
Nigeria	70%	10%	20%
Russia	10%	31.9%	58.1%
United Kingdom	1.4%	18.2%	80.4%

Source: *CIA World Factbook*, 2005-2010 (except Nigeria, 1999)

Another way to consider economic development is by examining economic sectors:

- **The primary sector (agriculture)** is the part of the economy that draws raw materials from the natural environment. The primary sector – agriculture, raising animals, fishing, forestry, and mining – is largest in low-income, pre-industrial nations.
- **The secondary sector (industry)** is the part of the economy that transforms raw materials into manufactured goods. This sector grows quickly as societies industrialize, and includes such operations as refining petroleum into gasoline and turning metals into tools and automobiles. As a country's industrial sector grows, its population begins to migrate from rural to urban areas to take advantage of growing urban job opportunities created by industrialization.
- **The tertiary sector (services)** is the part of the economy that involves services rather than goods. The tertiary sector grows with industrialization and comes to dominate **post-industrial societies**, or countries where most people are no longer employed in industry. Examples of tertiary

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ket value of all goods and services produced by the population of the country. PPP takes into consideration the fact that some countries are more expensive to live in than others, and it is usually expressed as a per capita figure.

Clearly, our three countries in this section (Mexico, Nigeria, and Iran) vary widely in terms of PPP, with Nigeria falling far behind any other countries on the chart. One notable variation is the size of PPP in the United Kingdom compared to any of the others. It is also worth noting that despite its recent economic development, China's PPP is still relatively low, far behind those of Mexico and Iran, although China's PPP is rising at a faster rate. For comparison's sake, the highest PPP in the world is that of Qatar at \$179,000, and the next highest is Liechtenstein at \$141,100, followed by Luxembourg at \$82,600. (The U.S. is \$47,200). Most of the top PPP countries are advanced democracies, although Qatar is ruled by an authoritarian hereditary Amir. The variations among communist, post-communist, newly industrializing, and less developed countries are huge.

COMPARATIVE PPP

Country	PPP (in U.S. dollars)
United Kingdom	\$34,800
Russia	\$15,900
China	\$7,600
Mexico	\$13,900
Iran	\$10,600
Nigeria	\$2,500

Source: *The CIA World Factbook*, 2010 estimates

jobs include construction, trade, finance, real estate, private services, government, and transportation.

Because the sectors represent necessary economic activities, most countries have some people employed in all three. However, the percentages vary widely, especially if you compare percentages of people employed in each sector.

By comparing economic sectors, the United Kingdom is the best example of a post-industrial society, with only 1.4% of its population engaged in agriculture, and 80.4% in services. Even though Russia's PPP was fairly low (\$15,900), Russia appears to have moved into post-industrialism as well. Likewise, Mexico has moved away from agriculture (13.7%) toward services (62.9%), as has Iran to a lesser extent. Despite its recent economic boom, 38% of China's population is still employed in agriculture, and Nigeria, along with its sagging PPP (\$2,500) has the largest percentage of its people (70%) employed in the primary sector.

Theories of Economic Development

What factors explain the lack of economic development in LDCs, and what is in store for their future? Their condition is often referred to as **neocolonialism**, or an unequal relationship in a world in which new indirect forms of imperialism are at play. Two conflicting theories have guided political scientists in answering these questions:

- **Westernization model** – According to this theory, Britain was the first country to begin to develop its industry. The Industrial Revolution was spurred by a combination of prosperity, trade connections, inventions, and natural resources. Once started, the British model spread to other European nations and the United States, which prospered because they built on British ingenuity and economic practices. By extension, any country that wants its economy to grow should study the paths taken by the industrial nations, and logically they too can reap the benefits of modernization, or “westernization.” According to this model, the biggest obstacle for LDCs is tradition because holding on to old values and beliefs can hinder progress.

- **Dependency theory** – In contrast to the westernization model, dependency theory holds that economic development of many countries in the world is blocked by the fact that industrialized nations exploit them. How can a country develop when its resources (natural and human) are controlled by a handful of prosperous industrialized countries? Dependency theory is an outgrowth of Marxism, which emphasizes exploitation of one social class by the other. The same dynamic is at work in assessing relationships among countries. Problems, then, cannot be solved by westernization, but must be addressed by establishing independence. In reaction to this theory, many LDCs have experimented with forms of socialism with the intent of nationalizing industry and narrowing the gap between the rich and the poor.

Most political scientists today do not adhere to one theory or the other, but instead take a pluralist approach: a country's problems have many sources, and no one formula will work for all. Many LDCs today have “mixed” economies – with some elements of capitalism and some of socialism – and they take a variety of approaches in trying to solve their problems. Political leaders are influenced by both theories, with left-leaning governments usually preferring dependency theory, and more conservative governments looking to westernization as a model.

Economic Policies in the Less-developed World

Two distinct types of economic policies have been applied throughout the less-developed world in an effort to jump-start their economies:

- **Import substitution** is based on the belief that governments in poorer countries must create more positive conditions for the development of local industries. If these countries are to compete successfully with the advanced industrialized democracies, the governments must restrict imports by setting quotas or imposing heavy import taxes. The reasoning is that people then will have to buy locally, and that demand will stimulate the growth of domestic

businesses. Eventually these businesses will develop the ability to compete in the international market because they will have built the capital and the infrastructure necessary for success. Beginning in the 1930s, import substitution was used widely in Latin America, and later in parts of Africa, and Asia.

- **Export-oriented industrialization** has been used by the so-called “Asian tigers” – Hong Kong, South Korea, Taiwan, and Singapore – whose economies boomed starting in the 1960s. This strategy seeks to directly integrate the country’s economy into the global economy by concentrating on economic production that can find a place in international markets. The countries have watched the “product life cycle” that follows stages: first an innovator country produces something new; next that country moves on to other innovations. Meanwhile, other countries think of ways to make the first product better and cheaper, and export it back to the innovator country. For example, Asian countries have prospered from this strategy with automobiles and electronics in their trade with the United States.

POLITICAL DEVELOPMENT

As we explored briefly in the introductory review chapter of this book, a major political trend of the 20th and early 21st centuries is **democratization**, or the process of developing a political system in which power is exercised either directly or indirectly by the people. A state that progresses from procedural democracy (regular competitive elections) to substantive democracy (with civil liberties, rule of law, and open civil society) through democratic consolidation is said to experience **political liberalization**, which eventually leads other states to recognize them as liberal democracies.

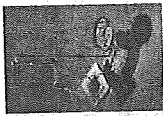
Characteristics of liberal democracies include regular competitive elections, civil liberties, rule of law, neutrality of the judiciary, open civil society, and civilian control of the military. It is true that most countries that have high PPPs and developed tertiary sectors are also

UNIT THREE: NEWLY INDUSTRIALIZING AND LESS DEVELOPED COUNTRIES 327 liberal democracies. However, does this correlation mean that economic development cannot occur without democratization? If not, then Russia’s recent move toward centralized authority is not a good sign for the future of the Russian economy. China has experienced an almost unprecedented economic boom since 1978, but the political system is still authoritarian. Does this situation spell trouble for China’s current political regime? The answers to these questions are uncertain, but they have tremendous implications for the countries that we will study in this section. For example, might it be correct to categorize Iran as a “less developed country” because it has an authoritarian government? Economically its PPP is a relatively healthy \$8,700, and 45% of its people are employed in the tertiary sector. These statistics imply stronger economic development than China. Our categories are imperfect, partly because no one knows for sure if postindustrial societies are by necessity democracies.

One important threat to some newly developing and less developed countries is the possible collapse into a **failed state**, a situation in which the very structures of the state may become so weak that it collapses, resulting in anarchy and violence that erupts as order breaks down. Somalia is a clear example of a failed state today, where a civil war has raged for almost two decades. Even though several foreign interventions have attempted to reverse the anarchy, ethnicity-based factions continue to kill Somalians in one of the world’s most dramatic humanitarian catastrophes in recent years. Of the three case studies of the AP Comparative Government and Politics Course that fall into this category, the weakest state is Nigeria, which suffers from economic stagnation, regional rebellions, and government corruption.

In the pages that follow, three very different countries illustrate some of the common characteristics and issues facing newly industrialized and less developed countries today. In the late 20th century Mexico was declared by some observers to be a poster child for the benefits of westernization, only to have their economy come crashing down with the oil bust of the early 1980s. Since then, the economy has improved, but the country is still riddled with political and economic problems. Nigeria, as Africa’s most populous nation, illustrates the perils of new

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 democracies, especially in countries with strong military traditions. Iran represents a part of the world where democracy has very little foothold. However, countries of Southwest Asia have asserted themselves in many ways in recent years, and they have profoundly affected the balance of power among nations of the world.



TWO CATEGORIES FOR COMPARISON

Newly industrializing countries have experienced both economic growth and democratization, a process known as **compressed modernity**. Representative for this category is Mexico.

Less developed countries (LDCs) form a larger category than newly industrializing countries. They have experienced political and economic change but have not developed distinct characteristics of advanced democracies. LDCs are represented by Nigeria.

Iran is harder to categorize because it has experienced economic growth but its government has not democratized.

IMPORTANT TERMS AND CONCEPTS

- “Asian tigers”
- compressed modernity
- democratization
- dependency theory
- economic liberalization
- economic sectors: primary, secondary, tertiary
- export-oriented industrialization
- failed state
- GNP
- GNP per capita

- import substitution
- political liberalization
- PPP
- westernization model