

The competition becomes so intense that low-wage areas seek to take business away from each other through the development of extra incentives on top of the low-wage attraction. Thus, recently, the Executive Yuan (cabinet) of Formosa approved a five-year moratorium on the payment of customs duties by manufacturers who would move their plants from Hong Kong or Macao and provided additional incentive ^{27/} to make the particular package deal sweeter.

A foundation is thus laid, to which our own entrepreneurs contribute, for sustaining depressed labor conditions in many parts of the world and for building up excess capacity generated when businessmen switch their orders from one country to another. The inevitable result is the multiplication of production facilities, increasing underemployment, and international tension. Competition ceases to be a constructive force and becomes destructive. The possibility that this might happen has long been feared by experts on international development who cautioned countries against the wasteful buildup of duplicating export facilities. Jan Tinbergen, for example, urged in his "The Design for Development", p. 24, that

Expansion of exports should ... be based on demand analysis, in this case for foreign markets. There might be still a danger of inconsistencies if two or more countries independently planned to expand the same line of production. Such uncoordinated programs might result in overproduction. Therefore it is desirable that duplication be avoided.

^{27/}Daily News Record, July 14, 1967.