

## **Politics and Markets in East Asia: Is the Developmental State Compatible with Globalisation?**

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*Abstract:* This paper details the emergence and role of the 'Developmental State' in East Asia and assesses whether it is compatible with processes associated with 'globalisation'. The paper argues that despite the fact that the power and authority of states generally has been undermined by globalisation, and more general governance problems in the region, much of Southeast Asia still needs an effective developmental state.

One of the most remarkable and surprising aspects of international economic development in the post-World War II period has been the rise of East Asia. A region that observers like Karl Marx and Max Weber once regarded as synonymous with a form of incurable 'Oriental' backwardness rapidly transformed itself into the most dynamic economic region on the planet. Even the financial and political crises that hit parts of the region in the late 1990s failed either to stop the broadly based processes of economic expansion that had taken hold in East Asia, or to erase the very real gains that had been made there over the preceding thirty or forty years. The big question, of course, is how did much of East Asia manage to pull off such a feat? This is an especially important question at a time when some observers think that the sorts of 'interventionist' policies associated with East Asia's most successful phase of development are no longer compatible with an increasingly integrated international political economy.

In addressing these issues the first part of this chapter initially provides both a brief overview of the 'developmental state' that was at the centre of East Asia's rapid growth, and the precise circumstances that allowed it to flourish. The important point that emerges here is that East Asia's most successful economies were not just the beneficiaries of enlightened and effective public policy – although that plainly helped – they were also advantaged by a specific, possibly unique, set of geopolitical circumstances that allowed the distinctive, close relations between political and economic forces that are so characteristic of the region. In short, East Asian style state-led development was feasible for much of the post-war period partly because it was tolerated by the United States, the hegemonic power of the era, and because the expanding world economy facilitated export-oriented industrialisation. Neither of these fundamental preconditions look as certain or benign at present. To illustrate how this change has come about, the second part of the paper examines a number of factors – some domestic, some external – which have significantly undermined both the efficacy and legitimacy of the developmental state in East Asia. Nevertheless, the central argument that this chapter advances is that, even in an increasingly global political-economy, states still have the potential capacity to significantly influence economic outcomes. Whether such interventions are considered to be appropriate, useful or effective will remain as much a normative judgement as it is a 'technical' one, but in the case of the less economically developed Southeast part of the region at least, effective state-led development may still have a critical role to play.

## **The Developmental State in Historical Context**

At the outset it is important to acknowledge that the evolution of the state as the definitive form of political organisation in 'the West' and latterly the rest of the world is one that is intimately associated with the emergence and global spread of capitalism.<sup>1</sup> While there may be important and continuing differences in the way broadly capitalist economic systems are organised in different parts of the world, to operate effectively and with certainty, participants in *any* sort of market economy are highly dependent on political authorities to provide the basic institutional and legal infrastructure markets alone cannot supply. One of the defining public policy questions of the past couple of decades – a question given greater urgency by the rapid economic transformation of much of East Asia – has been about the extent and nature of the state's role. To understand the precise nature of the part played by the state in East Asia's general development, and why such a role might no longer be considered feasible or appropriate, we need to place the entire developmental experience in its specific historical context. In this regard, a number of internal and external factors have had a decisive influence in shaping the overall environment within which the developmental state emerged in East Asia.

The defining feature of the international order that emerged in the aftermath of World War II was the Cold War confrontation between the United States and the Soviet Union. As far as the emergence of the developmental state in East Asia was concerned, this geopolitical stand-off was crucial for a number of reasons. First, and most importantly, the Manichean struggle with the Soviet Union meant that the United States privileged security issues and the cultivation of successful capitalist allies over questions of ideological purity. In the context of East Asia this meant that throughout the Cold War successive American administrations were prepared to overlook political practices and forms of economic organisation which they did not necessarily approve. Even though the distinctive forms of social organisation that emerged in East Asia might not have accorded with the creation of the sort of liberal international order American policymakers wanted to create, they were tolerated if they helped consolidate the capitalist camp. The second reason why the Cold War environment was so conducive to the developmental strategies of those East Asian nations aligned with the United States was that American power, aid and assistance underpinned the 'golden age' of post-war capitalism from which a number of East Asian states were able to benefit.<sup>2</sup>

The potential importance of these inter-connected regional and transnational or systemic factors can be seen in the case of the archetypal and pioneering developmental state: Japan. Whatever problems Japan may currently be experiencing, its metamorphosis from the devastation of its war-time defeat to become the second largest economy in the world within the space of about a quarter of a century was historically unprecedented and remains a stunning achievement. Although its neighbours South Korea and Taiwan have subsequently managed to achieve even more rapid rates of economic development and industrialisation, they did so by following a Japanese blue-print of state-led development,<sup>3</sup> rather than the sort of neoliberal, market-centred orthodoxy that has become so influential across much of the Western world and which is so assiduously promoted by the United States and key institutional allies like the International Monetary Fund.

How did Japan do it? At the centre of Japan's post-war renaissance was what Chalmers Johnson famously dubbed the developmental state.<sup>4</sup> In essence, the 'secret' of Japan's success was that it was *planned*. Powerful bureaucratic agencies like the Ministry International Trade and Industry (MITI) and the Ministry of Finance (MOF) systematically attempted to implement a vision of long-term economic expansion and up-grading to provide the basis for a modern industrial economy. They were able to do so for a number of reasons that merit emphasis: most fundamentally, Japan's post-war political and bureaucratic elites not only had the requisite desire to guide the course of development, they also had the capacity. At a pragmatic level, the idea of 'state capacity' simply means a particular government's ability to conceive and implement policy. At a conceptual level, however, the notion of state capacity directs our attention toward the precise circumstances, tools, strategies and relationships that distinguish and effectively constitute different national approaches to successful economic development. It is worth briefly spelling out the manner in which these relationships have been conceptualised as they can help us to understand the basis for, and possible merits of, state intervention, both in the past and in the context of an increasingly integrated international political economy.

In one influential reading of economic development, the key variable determining successful and unsuccessful development outcomes is state policy, the effectiveness of which is determined by the degree of 'embedded autonomy' the state enjoys. The state must establish 'institutionalised channels for the continual negotiation and renegotiation of goals and policies',<sup>5</sup> which are sufficiently close to allow it to implement policy, but not so close that it is 'captured' by vested economic interests. When the developmental state was at its most effective and successful in Northeast Asia during the 1950s, '60s and '70s, the ability of the state in Japan, Korea, Taiwan and even Southeast Asia's Singapore to establish 'pilot agencies' to guide development and implement policy was clearly a crucial part of their respective economic expansions.<sup>6</sup> While all of this may have been couched in the rhetoric of 'the national interest' and made easier by the perceived need for nationally-based economic development in the face of growing international economic competition, it is important to recognise that East Asian states had powerful policy tools at their disposal which made the cooperation of indigenous business more likely: access to cheap capital, protection from external competition, and assisted access to export markets were all levers that states could use to ensure business compliance with governmental goals.

It is also important to stress that in much of East Asia 'strong' states were not looked on with alarm, nor were their interventions in economic process regarded as illegitimate. This was especially true when rapid economic growth appeared to validate such strategies and the 'late' developer status of the region as a whole meant that policies necessary for 'catching up' were comparatively easy to formulate.<sup>7</sup> Consequently, much of East Asia was able to replicate the experience of the 'developed' world, facilitate industrial development through technological adaptation, and integrate national economies into the wider international system on favourable terms through a judicious use of trade and industry policies. The situation presently confronting the political elites of East Asia is a good deal more complex and the concomitant role for states is less clear. The current challenges can be summed up in one word: globalisation.

## **East Asia in an Era of Globalisation**

‘Globalisation’ is, of course, what social scientists like to refer to as an ‘essentially contested concept’. Although its meaning may be less clear than we might like, its extent contested, and its precise periodisation unclear, globalisation is, nevertheless, a convenient shorthand for a number of processes that have become more influential and intense over the last few decades. For the purposes of this chapter globalisation is taken to refer to the array of social, political and economic processes that transcend national borders and which reflexively connect hitherto discrete parts of the world in new and complex ways.

As far as East Asia is concerned, the most important aspect of those processes subsumed under the globalisation rubric has been economic. Although East Asia generally and the role of the developmental state in particular is a powerful reminder that economic and political processes are inseparable, mutually constitutive forces,<sup>8</sup> it is still useful to highlight a number of developments that can be considered as primarily economic. To make this point clearer, it is necessary to make two further analytical distinctions. First, it is important to distinguish between the ‘real’ or industrial economy and the financial sector, the latter being manifest principally in a range of transnational capital flows and the operations of international money markets. Both industrial restructuring and the spectacular growth of the financial sector have had a powerful impact on the East Asian region and the capacity of states to manage, or indeed take advantage of, forces that emanate from outside formerly discrete national economies. The second point to highlight about the East Asian region and the differential impact of global forces is that the region itself is far from homogenous and is characterised by great variations in developmental outcomes and state capacities. It is possible, however, to make a very broad brush distinction between those countries of Northeast Asia discussed above which industrialised in the early post-war period, and the ‘late-late’ industrialisers of Southeast Asia, which did not generally experience significant industrialisation until twenty years or so ago. With these caveats in mind, it is possible to identify a number of transnational trends and forces that have been influential in shaping not only economic outcomes, but which have also helped determine the role of regional states, too.

### *International restructuring and East Asia*

There is little doubt that East Asia as a whole has benefited enormously from the transformation of trade and production in the real economy that has taken place in the post-war period. The economic expansion that occurred in North America and Western Europe created lucrative new markets which provided the basis for successive waves of export-oriented industrialisation, initially in Japan and the rest of Northeast Asia, and more recently in Southeast Asia. This remarkable, regionally-based transformation attracted increased scholarly attention, which highlighted the crucial role of the state in encouraging the development of export-oriented indigenous industries whilst simultaneously protecting domestic markets from foreign competition.<sup>9</sup> Inevitably, perhaps, those countries that found themselves running growing trade deficits with East Asia became increasingly disgruntled. Throughout the 1980s, as concerns about the relative performance of the American economy

became a prominent issue, enormous political pressure was placed on Japan in particular to reform its economy and open up to foreign competition.

The point to emphasise, therefore, is that whilst many of the decisions which drove the process of post-war international restructuring were taken by the heads of multinational corporations in the private sector, they did so in a politically conditioned environment. While the connection between state actors and the private sector may have been most overt and institutionalised in East Asia, American foreign policy was also clearly intended to advantage politically powerful ‘national champions’ in the United States. In other words, all states are interested in trying to advantage indigenous firms in an increasingly competitive international environment; the big question is about the guiding rationale that informs policy. Understood in this context, ‘globalisation’ is not simply a process determined solely by what Marxists might describe as the logic of capital accumulation, or – more simply – by the imperatives of international corporate competition. On the contrary, states – in the politically powerful industrialised economies, at least - have a continuing capacity to shape the national and transnational regulatory frameworks within which such processes occur.<sup>10</sup>

The result of this interplay between political and corporate power at both the national and transnational levels is complex and occasionally paradoxical. On the one hand, there is a surprising degree of continuity and distinctiveness in the style of corporate activities in countries like Japan and South Korea, where large industrial conglomerates continue to dominate the economic landscape, and long-term relationships remain important.<sup>11</sup> On the other hand, long-run changes in the overall international political economy – often the result of precisely the sort of political reformist pressures previously mentioned – have begun to unravel the entrenched, institutionalised relationships between corporate players, and between the economic and political actors that have been such a central part of many East Asian political-economies. In Japan, for example, long considered to be the most distinctive, non market-oriented system in Asia, there is compelling evidence that its famous *keiretsu* networks of inter-connected corporate entities are being eroded by increased levels of foreign ownership and the fact that governments can no longer offer such attractive incentives to, or constraints over, powerful corporations that have an increasing global logic and which can easily raise capital on international financial markets.<sup>12</sup>

While the deeply institutionalised basis of the distinctive forms of capitalism found in the region will ensure that a radical transformation of national political practices and economic structures is simply not possible in the short-term,<sup>13</sup> there are clearly longer term forces at work that are eroding national distinctiveness and identification. This can be seen in the development of East Asia’s other unique form of economic and social organisation: ‘Chinese’ capitalism. The dominance of ethnic Chinese business interests in a number of Southeast Asia economies like Indonesia, Malaysia, Thailand and the Philippines has long been recognised, as has the importance of personal connections in consolidating economic and political relationships. Significantly, however, globalisation in general and the recent economic crisis in particular appear to have engendered a significant change in both the attitudes of many Chinese business people and the strategies they employ as a consequence. Yeung argues that ‘globalisation’ is being used discursively ‘as an external “objective” force to discipline corrupted and statist economies in the region’.<sup>14</sup> This is especially

significant in a Southeast Asian context where political and economic power has frequently fused to create a pattern of 'embedded mercantilism', in which the state has protected local business from external competition in a mutually rewarding symbiosis.<sup>15</sup> If 'domestic' business now considers that the logic of international restructuring means that alliances with local political elites no longer offer the benefits they once did, and may in fact have become liabilities, this places a major question mark over the sustainability existent patterns of political and economic organisation and about the concomitant role of the state.

Given the frequently self-serving, if not unambiguously corrupt nature of business-government relations in parts of East Asia, their erosion may not seem to be such a bad thing. Certainly, powerful external agencies like the IMF, the World Bank and the United States Treasury Department were keen to attribute the economic crisis of the late 1990s to problems of indigenous governance and corporate organisation, rather than to systemic problems within the wider international political economy.<sup>16</sup> While 'crony capitalism' clearly has been a problem in parts of the region, it needs to be emphasised that not only were the causes of the crisis much more complex than orthodox IMF-style analyses imply, but it has been persuasively argued that in some circumstances what the less developed economies of Southeast Asia actually need is *more* state 'intervention' rather than less.<sup>17</sup> To see why, we need to look at the other major element of economic globalisation: the financial sector.

### *The financial sector in East Asia*

The financial sector is the area of international economic activity that has become most 'global' and mobile, and has grown enormously in scale and scope. One of the most important theoretical and pragmatic questions to emerge from this transformation has been about its possible impact on the state, with some observers considering that the 'structural' power of global finance heralds an inevitable diminution of state power.<sup>18</sup> For a region in which the state has sought to play an active role in economic management, this is potentially a major challenge to both the traditional style of governance in East Asia, and to the legitimacy of the state itself as a consequence.

The potential significance of this point becomes clearer when we remember how the most successful development state operated at the height of its powers. One of the reasons Japanese state officials were able to implement their plans for the development of the 'strategic' industries that would provide the backbone of a modern industrial economy was because they had leverage over domestic business. Until the 1970s, the Japanese financial system was relatively insulated and autonomous. In such circumstances, MITI and the MOF were able to re-cycle Japan's famously high levels of domestic savings to targeted domestic industrial sectors and businesses. Business cooperated because it had access to capital at 'artificially' low interest rates, which gave them a potentially important advantage over established rivals elsewhere. Governmental control of the domestic banking system ensured that indigenous financial institutions cooperated in providing funds to industry, something that helped to consolidate the close ties between industrial and financial capital that was so characteristic of Japan during the boom years.

It is difficult to generalise about the financial systems of a region as diverse as East Asia, which contains countries at very different levels of economic development, to say nothing of highly diverse political systems and state capacities. What we can say, however, is that across much of the region the Japanese exemplar, high domestic savings rates, and a general desire to accelerate the development process led to broadly similar patterns of state intervention in Korea, Taiwan, China, Singapore, Indonesia, Thailand and Malaysia, in which states repressed interest rates, directed credit and used capital controls to guide the course of economic development.<sup>19</sup> True, there may be important differences in places like Korea and Singapore where foreign capital has played a more important part in development, in resource-dependent Indonesia where the price of oil has critically influenced government autonomy, and in China, which is still nominally communist, but the overall contrast between East Asia and the market-oriented Anglo-American economies is still striking. The key question is whether changes in the increasingly integrated international financial sector will inevitably undermine state autonomy and the concomitant capacity to influence economic outcomes.

In this regard, the financial crises of the late 1990s revealed the different ways East Asian economies had already integrated with the wider international system and raised important questions about the state's role in this process. The crisis itself has generated a voluminous literature and there is no intention of adding to this here,<sup>20</sup> but it is important to note a number of issues the crisis highlighted. The first point to make is that the biggest economy in the region – Japan's – was *already* experiencing economic difficulties that pre-dated the crisis by nearly a decade. Although Japanese officials plainly made a number of 'mistakes' in their management of the rise and fall of the 'bubble economy', it is significant that the bubble itself emerged in the wake of the liberalisation of Japan's financial sector. Old relationships between industrial and financial interests in Japan had already begun to weaken as corporations accessed offshore finance.<sup>21</sup> Heightened competition in a liberalised domestic environment fuelled dubious lending practices and rampant speculation in property and equity markets. As a consequence, the 'Japanese model' began to unravel. It is important to recognise, however, that this unravelling had Japanese origins: the shift to deficit financing by the Japanese government from the 1970s onwards made liberalisation and a diminution of governmental control almost inevitable.<sup>22</sup> In addition, increasingly self-serving relationships between business and government meant that much of the money raised by successive Japanese governments was wasted on politically powerful lobby groups rather than broader developmental goals.

Even if Japan's problems were largely indigenously generated, the problems confronting other countries often had a significant external component. Indeed, the second point to make about the Asian crisis, is that those countries that were most badly affected by the crisis were also the most exposed to the international financial system. Although there undoubtedly were problems with 'crony capitalism' in South Korea, Thailand, Malaysia and Indonesia, which led to Japanese-style policy mistakes and a misallocation of resources, there is now widespread agreement that 'excessively rapid financial and capital market liberalization was probably the single most important cause of the crisis'.<sup>23</sup> Inadequately regulated domestic financial markets and institutions, combined with a frequently poor understanding of the implications that flow from opening the capital account, led to a rapid build up of foreign debt -

especially short-term - establishing the preconditions for capital flight, chaos and crisis.

The other factor the crisis highlighted that had particular implications for East Asia's developmental states was the rise of other non-state actors as centres of power and authoritative decision making. Not only did the IMF play a (generally resented and much criticised) high profile role in managing the crisis, but it became apparent that other actors – be it emerging market managers or the credit rating agencies that informed them – had become pivotal players influencing the movements of mobile financial capital.<sup>24</sup> Significantly, and despite much post-crisis talk about the need to reform the 'international financial architecture', which was widely blamed for the rapid and destructive unfolding of the crisis, little has changed. This is unsurprising: the ability of 'Wall Street' to influence American policy and the pivotal role the United States continues to play in shaping the rules of the international financial game mean that the prevailing order is likely to continue despite concerns about its stability and impact.<sup>25</sup>

This is all the more remarkable when we consider that the third major point to emerge from the crisis is that those countries that were least affected were also least integrated into the international financial system: China's currency was non-convertible, Hong Kong maintained a currency board, while Taiwan's formidable foreign exchange reserves, high domestic savings, and relatively independent financial regulators rendered it relatively immune to external pressures.<sup>26</sup> However, all this may change. China, for example, is coming under increased pressure from the United States to 'float' its currency in the hope that this will rectify the latter's chronic trade deficit. Given that a similar policy toward Japan in the 1980s led to the development of the bubble economy and did little to fix the trade imbalance, there is no reason to suppose such a policy will succeed in China's case. What it does illustrate, however, is that the international economic system will continue to be shaped by the actions of powerful nations, and that such power may be exercised indirectly: China's accession to the World Trade Organisation under terms and conditions established by the most powerful capitalist countries exemplifies the new order in which East Asian states find themselves increasingly constrained by powerful intergovernmental agencies and non-state actors.<sup>27</sup>

### **The End of the Developmental State?**

Thus, the state in East Asia is, like its counterparts elsewhere, having to come to terms with processes of globalisation that threaten to undermine its capacity to influence the course of economic development. In the Anglo-American economies like the United States, Britain and Australia this is not necessarily such a problem. On the contrary, the apparent diminution of state power and influence over the economy is entirely in keeping with a neoliberal ideology that normatively privileges markets over governments, and is something state policy has actually encouraged. In East Asia, by contrast, where the legitimacy and authority of ruling elites frequently hinges on their capacity to deliver economic growth, if states are generally in retreat then this presents a more fundamental challenge to a region which has risen to prominence in large part as a consequence of state activism.



In deciding whether East Asia's developmental state is in terminal decline, two questions loom large: first, is it certain that states generally are losing their capacity to act effectively and authoritatively? Second, does the developmental state in particular have a limited life-span, after which it should be reconfigured if it is not to become self-serving and counter-productive? These are plainly large questions and answers to them can only be sketched here.

As far as the state of the state is concerned, the East Asian experience serves as a cautionary reminder that generalisation is difficult. While the countries of Northeast Asia may have had a highly developed ability to devise and implement policy, in much of Southeast Asia state sovereignty was frequently incompletely realised even before the processes associated with globalisation intensified.<sup>28</sup> Nevertheless, a number of scholars have argued that globalisation has done little to undermine either the capacity or the necessity for states to shape economic outcomes. Linda Weiss, for example, suggests that, not only have states retained a considerable degree of 'room for manoeuvre' in policy making, but 'globalisation also contributes to the expansion of governing capacities through both the transformation of public-private sector relations and the growth of policy networks'.<sup>29</sup> Certainly this might seem to apply to many 'developed' economies where (even in the Anglo-American countries) governments generally account for an increasing share of economic activity and an array of non-governmental or quasi state agencies facilitate new modes of governance and state influence. In parts of East Asia, however, where the non-state sector is not as well developed or independent, claims about the potential reconfiguring of public-private relations look more dubious.<sup>30</sup>

In such circumstances, therefore, what much of Southeast Asia in particular needs is *more* state capacity and intervention rather than less. There are two compelling reasons for advancing this argument. On the one hand, as Ha Joon Chang has pointed out, all those states that have successfully developed sophisticated industrial economies have done so with the assistance of developmental states.<sup>31</sup> This applies to both interventionist East Asian governments like Japan, *and* to the original industrialising nations like Britain and later the United States. The degree of collective amnesia about their own historical development on the part of many in 'the West' consequently makes the advocacy of economic liberalisation and a winding back of the developmental state in East Asia hypocritical at best, self-serving and discriminatory at worst. Put simply, political elites in the developed world and the powerful non-state and intergovernmental agencies that constitute the international regulatory architecture are effectively depriving developing nations of an important mechanism for promoting development – a mechanism their predecessors used to facilitate their own economic expansion. This is especially troubling given that the historical record also suggests that, even though Southeast Asian states have had less capacity to develop and implement industrial developmental policies than their Northeast Asian counterparts, there is, as Jomo points out, 'little doubt that the structural transformation and industrialization of these economies have gone well beyond what would have been achieved by relying exclusively on market forces and private sector initiatives'.<sup>32</sup>

Equally importantly – and this is the second major argument in favour of enhanced state capacity and continuing intervention in economic activity - in the contemporary, increasingly integrated international economy, governments need to manage and

oversee the manner in which small, vulnerable economies are integrated with the potentially volatile and highly destabilising flows of mobile capital that emanate from the world's capital markets. Indeed, governments in the developing world need to think carefully about whether flows of financial or portfolio capital are useful at all. Discriminating between, and developing suitable policy responses toward, long-term direct foreign investment and short-term flows of highly mobile, speculative capital is a key part of this process. In short, as far as many developing economies are concerned, an effective, relatively independent and non-corrupt developmental state is still a potentially critical part of economic progress and mechanism for mediating global forces.

Creating and maintaining the sort of ideal-typical state-business relationship described by the likes of Evans and Weiss is plainly not a simple matter, however. Not only are such strategies at odds with the prevailing ideological climate and likely to be challenged by powerful international actors, but there are legitimate concerns about whether they are achievable without creating self-serving and corrupt relationships. The experience of Japan suggests that however effective the developmental state may be initially, there is a very real danger that it will be captured by vested interests, making it an obstacle to, rather than a promoter of, much needed reform. The Japanese case also suggests that once the developmental state has effectively done its job and 'caught up' with established industrial economies at the leading edge of production and knowledge, it is far from clear that state planners are any wiser about the course of future technological development than the private sector.<sup>33</sup> In other words, there are limits to what states can do, specific circumstances in which planned development seems to be effective, and a danger of entrenching a counter-productive institutional inertia where the relationships between political and economic elites are inadequately monitored and transparent, or where they linger on past their use by dates.

Ultimately, therefore, the relative long-term decline of the state may be inevitable and no bad thing. The East Asian experience reminds us that the price of state-led development can be authoritarianism, corruption and a fairly cavalier attitude toward the environment and human rights. Moreover, political and economic theorists have rightly drawn attention to both the conceptual and normative problems that revolve around nationally-based frameworks of understanding and action.<sup>34</sup> Nevertheless, if parts of the world that are presently 'underdeveloped' economically are to experience rising living standards and be integrated into the global economy on more favourable terms, the historical record strongly suggests that states continue to be critically important: even in an era of globalisation, states retain a significant potential capacity to influence domestic economic outcomes and the way broadly conceived national economic spaces are articulated with the wider global system. Consequently, if parts of the developing world - not just in Southeast Asia, but also in Eastern Europe, Latin America and especially Africa - are to move up the ladder of economic development, they may still need to employ some of the same sorts of coordinated, interventionist, state-led strategies that underpinned Northeast Asia's rise during its most successful period.

Whether they will have the necessary sort of domestic capacity and permissive international environment that might allow them to do so is, of course, another question. At a time when the United States is no longer constrained by wider geo-

political imperatives, and much more willing to act unilaterally in pursuit of what it takes to be its national interest, then it is entirely possible that the international ideational and political environment will remain hostile to state activism, despite compelling evidence that for some countries it may still be the key to successful economic development.

### **Suggested Readings**

Beeson, Mark, ed. *Reconfiguring East Asia: Regional Institutions and Organisations After the Crisis*, ed., London: RoutledgeCurzon Press, 2002.

Mark T. Berger, *The Battle for Asia: From Decolonization to Globalization*, London: Routledge, 2003.

Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, London: Anthem Books, 2002.

Richard Katz, *Japan: The System That Soured*, Armonk: M.E. Sharpe, 1998.

Adrian Leftwich, *States of Development: On the Primacy of Politics in Development*, Oxford: Polity Press, 2000.

Joseph E. Stiglitz and Shahid Yusuf, eds. *Rethinking the East Asian Miracle*, Washington: World Bank, 2001.

Linda Weiss, ed. *States in the Global Economy: Bringing Domestic Institutions Back In*, Cambridge: Cambridge University Press, 2003.

Meredith Woo-Cumings, ed. *The Developmental State*, Ithaca: Cornell University Press, 1999.

### **Web Sites**

Asia Recovery Information Center: <http://aric.adb.org/>

Asia Source: <http://www.asiasource.org/index.cfm>

Asia Times: [http://www.atimes.com/atimes/Front\\_Page.html](http://www.atimes.com/atimes/Front_Page.html)

East and Southeast Asia: Annotated Directory of Internet Resources:  
<http://newton.uor.edu/Departments&Programs/AsianStudiesDept/index.html>

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## Notes

- <sup>1</sup> Charles Tilly, *Coercion, Capital, and European States*, (Oxford: Blackwell, 1990).
- <sup>2</sup> Richard Stubbs, 'War and economic development: Export-oriented industrialization in East and Southeast Asia', *Comparative Politics*, 31, 3 (1999): 337-55.
- <sup>3</sup> Japan's colonisation of both Taiwan and South Korea helps to explain both its own direct influence and the wider political-economy of regional development. For a seminal discussion, see Bruce Cumings, 'The origins and development of Northeast Asian political economy: Industrial sectors, product cycles, and political consequences', *International Organization*, 38, 10, (1984):
- <sup>4</sup> Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industry Policy 1925-1975*, (Stanford: Stanford University Press, 1982).
- <sup>5</sup> Peter Evans, *Embedded Autonomy: States and Industrial Transformation*, (Princeton: Princeton University Press, 1995), p 12.
- <sup>6</sup> Linda Weiss and John M. Hobson, *States and Economic Development: A Comparative Historical Analysis*, (Oxford: Polity Press, 1995). See also, Adrian Leftwich (2000) *States of Development: On the Primacy of Politics in Development*, (Oxford: Polity Press).
- <sup>7</sup> On late development, see Gerschenkron, A. (1966) *Economic Backwardness in Historical Perspective*, (Cambridge: Belknap Press).
- <sup>8</sup> See Edmund T. Gomez, (ed.), *Political Business in Asia*, (London: Routledge, 2002).
- <sup>9</sup> There is an enormous literature on the 'Asian miracle', but in addition to those already cited, see Robert Wade *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, (Princeton: Princeton University Press, 1990); The World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, (Oxford: Oxford University Press, 1993).
- <sup>10</sup> Just how much influence states retain is a hotly contested issue. For important competing perspectives see Linda Weiss *The Myth of the Powerless State*, (Ithaca: Cornell University Press, 1998), and Susan Strange *The Retreat of the State: The Diffusion of Power in the World Economy*, (Cambridge: Cambridge University Press, 1996).
- <sup>11</sup> Paul N. Doremus, William W. Keller, Louis W. Pauly and Simon Reich, *The Myth of the Global Corporation*, (Princeton: Princeton University Press, 1998).
- <sup>12</sup> T.J. Pempel, *Regime Shift: Comparative Dynamics of the Japanese Political Economy*, (Ithaca: Cornell, 1999).
- <sup>13</sup> See Mark Beeson, 'Theorising institutional change in East Asia', in Beeson, M. (ed.), *Reconfiguring East Asia: Regional Institutions and Organisations After the Crisis*, (London: RoutledgeCurzon Press, 2002): 7-27.
- <sup>14</sup> Henry Wai-chung Yeung, 'Economic globalization, crisis and the emergence of Chinese business communities in Southeast Asia', *International Sociology*, 15, 2 (2000): 266-87
- <sup>15</sup> Kanishka Jayasuriya, 'Southeast Asia's embedded mercantilism in crisis: International strategies and domestic coalitions', in Tan, A. and Boutin, J., (eds.), *Non-Traditional Security Issues in Southeast Asia*, (Singapore: Select Publishing, 2001): 26-53.
- <sup>16</sup> See, for example, Stanley Fischer, 'The Asian crisis: A view from the IMF', Address to Midwinter Conference of the Bankers' Association for Foreign Trade, Washington, January 22, 1998. Available at: <http://www.imf.org/external/np/speeches/1998/012298.htm>
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- <sup>19</sup> Grahame Thompson, 'Financial systems and monetary integration', in Thompson, G. (ed.), *Economic Dynamism in the Asia-Pacific*, (London: Routledge): 83-111.
- <sup>20</sup> See, for example Robison, R et al (eds.) *Politics and Markets in the Wake of the Asian Crisis*, (London: Routledge, 2000).
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- <sup>22</sup> Andrew Leyshon, 'Under pressure: finance, geo-economic competition and the rise and fall of Japan's postwar growth economy', in Corbridge, S, Martin, R & Thrift, N (eds.) *Money, Power and Space*, (Oxford: Blackwell, 1994): 116-45.
- <sup>23</sup> Joseph E. Stiglitz, *Globalization and Its Discontents*, (New York: Norton, 2002): 89.

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<sup>24</sup> For a discussion of the role of ratings agencies in particular and the shift in authority to the private sector more generally, see A. Claire Cutler et al (eds.), *Private Authority in International Affairs*, New York: SUNY).

<sup>25</sup> See, Mark Beeson, 'East Asia, the international financial institutions and regional regulatory reform: A review of the issues', *Journal of the Asia Pacific Economy*, 8, 3 (2003): 305-26.

<sup>26</sup> For useful case studies of the crisis and its impact the region's financial sectors, see Gregory W. Noble and John Ravenhill *The Asian Financial Crisis and the Architecture of Global Finance*, (Cambridge: Cambridge University Press).

<sup>27</sup> The extent of this process is indicated by China having to re-write parts of its constitution to comply with WTO regulations. See Joseph Fewsmith, 'The political and social implications of China's accession to the WTO', *China Quarterly*, 167 (2001): 573-91.

<sup>28</sup> Mark Beeson 'Sovereignty under siege: Globalisation and the state in Southeast Asia', *Third World Quarterly*, 24, 2 (2003): 357-374.

<sup>29</sup> Linda Weiss, 'Introduction: Bringing domestic institutions back in', in Weiss, L (ed.), *States in the Global Economy: Bringing Domestic Institutions Back In*, (Cambridge: Cambridge University Press, 2003): 19.

<sup>30</sup> Mark Beeson, 'Globalisation, governance, and the political-economy of public policy reform in East Asia', *Governance*, 14, 4 (2001): 481-502.

<sup>31</sup> Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, (London: Anthem Books, 2002).

<sup>32</sup> K.S. Jomo, 'Rethinking the role of government policy in Southeast Asia', in Stiglitz, JE and Yusuf, S. (eds.), *Rethinking the East Asia Miracle*, (Washington: World Bank, 2001): 461-508.

<sup>33</sup> Mark Beeson, 'Japan's reluctant reformers and the legacy of the developmental state', in Cheung, Anthony and Scott, Ian (eds.), *Governance and Public Sector Reform in Post-Crisis Asia: Paradigm Shift or Business as Usual?*, (London: Curzon Press, 2003): 25-43.

<sup>34</sup> On the normative and political issues raised by globalisation see David Held, *Democracy and the Global Order*, (Cambridge: Polity Press). On conceptual issues raised by transnational economic integration see Stephen J. Korbin (2002) 'Economic governance in an electronically networked global economy', in R.B. Hall and T.J. Bierstecker, (eds.), *The Emergence of Private Authority in Global Governance*, (Cambridge: Cambridge University Press): 43-75.

To explore Asian perspectives on globalization, and to examine how the phenomenon is reshaping the region's security environment, the Asia-Pacific Center invited a group of distinguished government officials and scholars for three days of intensive discussions. Although thinking about the influence of globalization is still very much in its infancy, the meeting served to sharpen thinking about how relations in the region may " or may not " be transformed in the years ahead. Politics and markets in East Asia: Is the developmental state compatible with globalization? In Stubbs, R. and Underhill, G. R. D. (eds.), *Political Economy and the Changing Global Order* (pp. 443-53). Oxford: Oxford University Press. Beeson, M. (2007). *Regionalism and Globalization in East Asia: Politics, Security and Economic Development*. Basingstoke: Palgrave Macmillan. Blyth, M. (2002). *ASIAN PERSPECTIVE*, Vol. 33, No. 2, 2009, pp. 5-39. Developmental states in east asia: A comparison of the japanese. And chinese experiences\*. Mark Beeson. In the aftermath of the East Asian crisis and Japan's prolonged economic downturn , many observers considered that East Asia's distinctive model of state-led development had become redundant and irrelevant. The developmental state became a widely used and understood concept as a consequence of Chalmers Johnson's seminal analysis of Japan's post-war economic reconstruction.<sup>12</sup> In Johnson's original formulation the developmental state had a number of features - principal among which were competent state agencies and carefully calibrated industrial policies - that allowed it to.