

MARK T. BERGER

Bringing History Back In: The Making and Unmaking of the East Asian Miracle*

The East Asian crisis, which began in Thailand in July 1997, has precipitated important changes in the contours of the post-Cold War international political economy. During the 1970s and 1980s Japan, South Korea, Taiwan, Hong Kong, and Singapore, followed by Thailand, Malaysia and Indonesia, were increasingly celebrated as miracles of capitalist development. In this period the dominant interpretations of the making of the East Asian Miracle were linked to the rise and spread of neo-liberalism as a growing number of commentators used the dynamic new Asian capitalisms to support their case for laissez-faire economic policies. By the time the Cold War came to an end, Japan, and the other miracle economies of Northeast and Southeast Asia, were also widely perceived as a challenge to the »West« generally, and to the United States more specifically.¹ However, despite expectations in some quarters that the end of the Cold War might signal the decline of the U.S. role in Asia, the United States remained the hegemonic power in the region and revised forms of neo-liberalism continued to provide the most influential understanding of the East Asian Miracle, and of capitalist development generally. In fact, since the second half of 1997 there has been a reassertion of U.S. hegemony in East Asia, via the International Monetary Fund (IMF) in particular. The IMF, and advocates of neo-liberalism generally, blame the crisis on the state-centred elements of the East Asian model (»crony capitalism«) and continue to hold out liberalization and deregulation as the key to economic progress in East Asia and world-wide.² More broadly, it is clear that the United States is attempting to administer the last rites to Japanese-style developmentalism, and its imitators, sending a message about what form(s) of economic development are deemed to be acceptable in the post-Cold War era.³

Despite the continued dominance of neo-liberal ideas and practices, the crisis has called

further into question many of the lessons which proponents of neo-liberalism have drawn from East Asia over the years. It has also raised questions about the descriptions and prescriptions provided by advocates of the developmental state, whose formulations are characterised by many of the problems associated with neo-liberalism. At the outset, this article will look at the way the dominant neo-liberal approaches to capitalist development, and the state-centred perspectives which have emerged as their main challengers, have increasingly extracted technocratic and ahistorical lessons from the East Asian development experience. This leads to an emphasis on the importance of a more historically grounded approach to capitalist development in East Asia and beyond. Of particular importance is the way in which the history of the Cold War provided the crucial foundation for the emergence of various, far from uniform, but usually authoritarian, developmental states at the same time as U.S. hegemony imposed a range of important limits on all states in the region. It will be argued that the likelihood of a significant and/or unified regional response to the

* Support for the research and writing of this article was provided by the Asia Research Centre at Murdoch University, Perth, Western Australia, and a Special Research Grant, as well as a Small Australian Research Council Grant, from the Faculty of Arts and Social Sciences at the University of New South Wales, Sydney, Australia. I would also like to thank Anthony Aspden, Jasper Goss, Andrew Rosser and Catherine Waldbly for assistance and/or comments.

1. Mark T. Berger, »The Triumph of the East? The East Asian Miracle and Post-Cold War Capitalism« in Mark T. Berger and Douglas A. Borer, eds., *The Rise of East Asia: Critical Visions of the Pacific Century* [London: Routledge, 1997].

2. Charles Wolf, »Blame Government for the Asian Melt-down« *Asian Wall Street Journal* February 5 1998. p 14.

3. Bruce Cumings, »The Korean Crisis and the End of »Late« Development« *New Left Review* no. 231. 1998. pp. 45, 51–52, 71–72.

crisis is remote, and the reason for this is to be found in the close connection between the making and unmaking of the East Asian Miracle and the history of the Cold War. At this juncture, a renovated form of neo-liberalism, linked to the hegemonic position of the U.S., remains the dominant approach to development in East Asia and beyond, and a romanticised laissez-faire version of the development path followed by the United States will continue to be held up to the rest of the world as the mirror in which they can observe their own future. However, although the end of the East Asian Miracle represents a moment of consolidation for neo-liberalism, it also represents a crisis of neo-liberalism which is characterised by both ominous and encouraging possibilities.⁴ The East Asian crisis, and the looming crisis of neo-liberalism to which it is linked, have created political space for progressive alternatives to gain in prominence. But, this will only happen in East Asia when the elites and historic structures of social and political power, which were consolidated during the Cold War, are dramatically reformed or overthrown.

Making Miracles: The State-Market Debate and the Lessons of East Asian Development

The Rise and Renovation of Neo-Liberalism

Despite the way in which the dominant laissez-faire interpretations of East Asian development, which gained prominence in the 1980s, presented their conclusions as universal lessons in capitalist development which transcended history, they were the product of a highly politicised debate which occurred against the backdrop of the emergence and increasingly global diffusion of neo-liberalism. In the 1980s neo-classical economic theories associated with a romanticised laissez-faire version of capitalism increasingly meshed with the aims and assumptions of a complex array of transnational socio-economic forces which possessed the power and influence to embark on the internationalisation of the neo-liberal project (a process which is also known as globalization).⁵ A crucial turning point was the election of Margaret Thatcher in Britain, followed soon after by Ronald Reagan in the United States and Helmut Kohl in West Ger-

many, which set the scene for the rapid, but uneven, spread of neo-liberalism world-wide. By the early 1980s the main policy conclusions of neo-classical economics were becoming the received wisdom among most of the senior officials in the OECD nations and at the International Monetary Fund and the World Bank.⁶ The increased pressure on governments around the world to liberalise, privatise and deregulate, coincided with a growing awareness of the economic resurgence of Japan and the rise of the East Asian tigers. By the end of the 1970s, Japan, South Korea, Taiwan, Hong Kong and Singapore, were being held up as exemplars of the success of the free-market model, while the economic failure of governments in Latin America and Africa was increasingly represented as evidence of the short-comings of the state-centered model.⁷ For example, writing in 1979, Edward Chen argued that in the case of Japan, South Korea, Taiwan, Hong Kong and Singapore »state intervention is largely absent«. He argued that all »the state provided« was »a suitable environment for the entrepreneurs to perform their functions«. ⁸ In 1986 David Aikman asserted that the industrial dynamism of countries such as Hong Kong and Taiwan made clear just how faithful, consciously or not, the governments of these nation-states have been to U.S. »conceptions of free enterprise«. ⁹

While the rise of East Asia was increasingly attributed to laissez-faire economic policies, neo-liberalism underwent a process of reorientation in the second half of the 1980s and this was linked to wider changes in the international political economy. For example, there was a shift in Washing-

4. Mark T. Berger, »Up From Neo-Liberalism: Free-Market Mythologies and the Coming Crisis of Global Capitalism« *Third World Quarterly: Journal of Emerging Areas* vol. 20. no. 2. 1999.

5. James E. Cronin, *The World the Cold War Made: Order, Chaos and the Return of History* [London: Routledge, 1996]. pp 177, 185.

6. John Martinussen, *Society, State and Market* [London: Zed Books, 1997]. pp. 260–261, 263.

7. Michael Barrat Brown, *Africa's Choices: After Thirty Years of the World Bank* [London: Penguin, 1995]. pp. 5–6, 29–49.

8. Edward K. Y. Chen, *Hyper-growth in Asian Economies: A Comparative Study of Hong Kong, Japan, Korea, Singapore and Taiwan* [London: Macmillan, 1979]. p. 41.

9. David Aikman, *The Pacific Rim: Area of Change, Area of Opportunity* [Boston: Little Brown, 1986]. p. 116.

ton in the mid-1980s symbolised by James Baker's emergence as Treasury Secretary in 1985. In this post, Baker, who went on to serve as Secretary of State under George Bush (1989–1993), made it clear that he was less opposed to economic intervention than his predecessor. Baker looked favourably on international economic cooperation with the major economic and financial powers (especially Japan and Germany) and began to pursue a series of initiatives to secure agreements with them, resulting in the 1985 Plaza Accord and the Louvre Accord of 1987. These agreements were aimed at mitigating the negative effects of the economic policy excesses of the early Reagan years, particularly in relation to financial markets, debt repayment, and the decline in investment levels. However, by lowering the value of the dollar vis-à-vis currencies such as the yen, U.S. exporters also gained a competitive advantage. This more pragmatic, but still neo-liberal, agenda became a hallmark of the Bush administration and continued under his successor, Bill Clinton.¹⁰ At the same time, the re-orientation of the international political economy embodied by the Plaza Accord, coincided with a growing challenge to neo-liberalism being mounted by the government of Japan. In fact, in part as a result of the Plaza Accord, the »external reach« of the Japanese state, via foreign investment and aid programs, increased significantly by the end of the Cold War (the role of the Plaza Accord in this process will be discussed below). This trend was reinforced by a range of attempts by the Japanese government to encourage the political and economic elites in the countries over which it enjoyed growing influence, to view economic development in more strategic and interventionist ways than was advocated by powerful promoters of neo-liberalism such as the World Bank.¹¹ Meanwhile, in the early 1990s the term »Washington Consensus« was increasingly deployed to characterise the dominant post-Cold War approach to international development.¹²

It was against this overall backdrop that the now famous 1993 World Bank report on East Asia appeared.¹³ The 1993 report, which was funded by the Japanese Ministry of Finance, was a profoundly political document which, reluctantly conceded that government intervention had played some role in economic development in East Asia. The report reflected the ongoing renovation of

neo-liberalism which was grounded in the liberal notion of the state as neutral arbiter.¹⁴ The effort to accommodate the state-centered approaches to the wider neo-liberal understanding of capitalist development which was apparent in the Bank's 1993 report on East Asia, was even more apparent in »The State in a Changing World«, which was launched with considerable fanfare at the annual IMF-World Bank meeting in Hong Kong in the middle of 1997. It was premised on the idea that the state is not just an important factor in economic development, but that »its capability«, which was »defined as the ability to undertake and promote collective actions efficiently«, had to be »increased«.¹⁵ At the same time, the World Bank's 1997 study defined an »effective state« in a way which remained inoculated from historical and political questions, while the wider social context was sidestepped and the authoritarian character of most of the developmental states in East Asia was given implicit, if not explicit, legitimacy. The renovation of neo-liberalism, manifested in the 1997 report, was facilitated in a significant fashion by the rise of rational choice theory. As with the approach to economic behaviour taken by neo-classical economics, rational choice theory built its explanations for political behaviour on assumptions about the rational calculations which informed the policies and actions of the individuals and groups concerned. This outlook exercised a direct influence on the approach to development taken

10. Stephen Gill, *American Hegemony and the Trilateral Commission* [Cambridge: Cambridge University Press, 1990]. pp. 108, 119–121.

11. Robert Wade, »Japan, the World Bank, and the Art of Paradigm Maintenance: The East Asian Miracle in Political Perspective« *New Left Review* no. 217. 1996. pp. 6–7.

12. John Williamson, »The Progress of Policy Reform in Latin America« in John Williamson, ed., *Latin American Adjustment: How Much Has Happened?* [Washington: Institute for International Economics, 1990]. pp. 351–420.

13. World Bank, *The East Asian Miracle: Economic Growth and Public Policy* [Oxford: Oxford University Press for the World Bank, 1993].

14. Mark T. Berger and Mark Beeson, »Lineages of Liberalism and Miracles of Modernisation: The World Bank, the East Asian Trajectory and the International Development Debate« *Third World Quarterly: Journal of Emerging Areas*. vol. 19. no. 3. 1998.

15. World Bank, *World Development Report: 1997, The State in a Changing World* [Oxford University Press, 1997]. pp. 3, 6, 24, 46, 61. emphasis in original.

by the World Bank by the second half of the 1980s. For example, the 1991 World Development Report rested on a synthesis of the work of the prominent rational choice theorists Robert H. Bates and Douglass C. North to strengthen its major conclusions. The World Development Report for 1994 also owed a major debt to rational choice theory. North and Bates work is widely cited by North American political scientists, while the terminology, if not the conceptual framework, which is a hallmark of their work is widely deployed.¹⁶ Overall, rational choice theory has facilitated the refinement of neo-liberalism and the consolidation of an increasingly technocratic and ahistorical conception of development.

The Emergence of Anglo-American Revisionism and the Idea of the Developmental State

Before outlining an alternative and historically grounded approach to the making and unmaking of the East Asian Miracle, it is also necessary to look more closely at Anglo-American revisionism, which emerged in the 1980s, and is closely associated with the idea of the developmental state. The genealogy of Anglo-American conceptions of the developmental state is generally traced back to the work of writers such as Max Weber and Friedrich List (and sometimes Karl Marx). But, it is the 1982 study of industrial policy in Japan by Chalmers Johnson (who has been characterised by the Japanese media as the »Godfather of Revisionism«) which is seen as the foundational text of Anglo-American revisionism.¹⁷ Other important studies in the revisionist canon include the work of Alice Amsden, Robert Wade, Stephan Haggard, James Fallows, Peter Evans, Sanjaya Lall and Linda Weiss.¹⁸ The emergence of the revisionist trend was connected to the wider effort in various branches of the social sciences (including political science, development economics and sociology) to »bring the state back in«.¹⁹ The rise of state-centred challenges to neo-classical explanations for East Asian capitalism was an important part of the relative recovery of development economics and the growing significance of political economy as a sub-discipline of political science by the second half of the 1980s. And, as the idea of the developmental state emerged as the main challenger to neo-liberal understandings of East Asia, revisionist formula-

tions were partially domesticated by the dominant neo-liberal narrative via rational choice theory.

While the work of revisionist authors has been embraced with varying degrees of enthusiasm by opponents of neo-liberalism, the progressive credentials of the revisionist tradition ought to be, and are being, subject to increasing scrutiny. Even if the East Asian crisis can be understood primarily in terms of unregulated financial markets (as numerous prominent economists have argued), rather than an indictment of state intervention, the increasingly technocratic image of a developmental state presiding over steady economic growth and widening prosperity, which is central to the revisionist narrative on East Asia, has still been undermined by the crisis.²⁰ Revisionist approaches have

16. Colin Leys, *The Rise and Fall of Development Theory* [Bloomington: Indiana University Press, 1996]. pp. 36–37, 80–103. Robert H. Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies* [Berkeley: University of California Press, 1981]. Douglass C. North, *Institutional Change and Economic Performance* [Cambridge: Cambridge University Press, 1990].

17. Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy 1925–1975* [Stanford: Stanford University Press, 1982].

18. Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization* [New York: Oxford University Press, 1989]. Stephan Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries* [Ithaca: Cornell University Press, 1990]. Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialisation* [Princeton: Princeton University Press, 1990]. James Fallows, *Looking at the Sun: The Rise of the New East Asian Economic and Political System* New York: Pantheon, 1994]. Peter Evans, *Embedded Autonomy: States and Industrial Transformation* [Princeton: Princeton University Press, 1995]. Sanjaya Lall, *Learning from the Asian Tigers: Studies in Technology and Industrial Policy* [London: Macmillan, 1996]. Linda Weiss, *The Myth of the Powerless State: Governing the Economy in a Global Era* [Cambridge: Polity Press, 1998].

19. Theda Skocpol, »Bringing the State Back In: Strategies of Analysis in Current Research« in Peter B. Evans, Dietrich Rueshemeyer and Theda Skocpol, eds., *Bringing the State Back In* [New York: Cambridge University Press, 1985].

20. The technocratic character of revisionism generally, and the revisionist view of the crisis more specifically, is nicely encapsulated by Linda Weiss's emphasis on the difference between »state involvement« and »state transformative capacity«, arguing that if the state is »part of the problem« in the East Asian crisis it is as a result of »too little state capacity, rather than too much state involvement«. Weiss, *The Myth of the Powerless State* 1998. pp. xii–xiii. emphasis in original.

been accommodated to neo-liberalism, and like neo-liberalism they perpetuate an elite-oriented ahistorical approach to capitalist development. More specifically, some revisionists, such as James Fallows, perpetuate a fixed conception of culture/race, while recent articles by Robert Wade and Frank Veneroso rely on an exceedingly homogeneous conception of the »Asian Model« to inform their policy prescriptions for the region as a whole.²¹ In general, it can be argued that revisionist writers are highly selective in their use of history and ignore issues of social change. Within the revisionist tradition the developmental state tends to be narrowly defined as a policy-making body with limited recognition of the complicated and contested social relations to which it is linked. For proponents of the developmental state, economic development involves the subordination of major social actors to state power, while complicated historical processes are reinvented as technocratic and managerial practices.²² For example, Alice Amsden's overall argument – that industrialisation in South Korea flowed from »government initiatives and not the forces of the free market« and this is »applicable to similar countries« – nicely captures the technocratic and ahistorical perspective at the centre of the revisionist tradition.²³

There is also an important intersection between revisionist conceptions of the developmental state and the politics-of-order approach which emerged as a challenge to classical modernization theory in the 1960s, and held up the military as the only institutional force which had the administrative and technical skills to facilitate modernization. Not surprisingly the appearance of the politics-of-order approach (sometimes called military modernization theory) coincided with the trend towards military regimes in Asia, Africa and Latin America.²⁴ By the end of the 1960s Samuel Huntington was regarded as a particularly prominent exponent of this perspective and his 1968 book »Political Order in Changing Societies« became one of the most well-known works of comparative politics.²⁵ The politics-of-order approach was explicit in the way it treated the emergence of authoritarian regimes, such as Suharto's New Order in Indonesia (1965–1998) and Park Chung Hee's national security state in South Korea (1961–1979), as a necessary response to

instability, and focused on the need for, and the ability of, centralised authoritarian states and governments to better pursue capitalist development. While Huntington and the military modernization theorists were preoccupied with security and social order, advocates of the developmental state, such as Chalmers Johnson, focused on the state's capacity to bring about economic development, setting out successful development under state auspices as the best guarantee for strengthening the power of the state. But, they both emphasised that the power and autonomy of the state was the basis for social and economic development.²⁶ During the Cold War, Huntington's ideas about the need for a military-led technocracy to oversee the process of development was popular in Washington and with many military figures in Asia, Latin America and beyond. Huntington's book was well received by the South Korean government – it was translated into Korean in order to give it a wide audience in the peninsula. The influence of Huntington's ideas is also apparent in the writings of Ali Moertopo, an important New Order ideologue who served as Suharto's intelligence chief for many years.²⁷ While the politics-of-order approach was explicit in its legitimization of military rule in the context of the Cold War, the technocratic and ahistorical approach of the revisionist literature on the developmental state has also worked over the

21. Robert Wade, »The Asian Debt-and-development Crisis of 1997–?: Causes and Consequences« *World Development* vol. 26. no. 8. 1998. Robert Wade, »The Asian Crisis and the Global Economy: Causes, Consequences, and Cure« *Current History* vol. 97. no. 622. November 1998. Robert Wade and Frank Veneroso, »The Asian Crisis: The High Debt Model Versus the Wall Street-Treasury-IMF Complex« *New Left Review* no. 228.

22. Alex H. Choi, »Statism and Asian Political Economy: Is There a New Paradigm?« *Bulletin of Concerned Asian Scholars* vol. 30. no. 3. 1998. pp. 51, 55–56.

23. Amsden, *Asia's Next Giant* 1989. p. 27.

24. On this shift see Mark T. Berger, *Under Northern Eyes: Latin American Studies and U.S. Hegemony in the Americas* [Bloomington: Indiana University Press, 1995]. pp. 101–153, especially pp. 129–133.

25. Samuel P. Huntington, *Political Order in Changing Societies* [New Haven: Yale University Press, 1968].

26. Martinussen, *Society, State and Market* 1997. p. 239.

27. Ali Moertopo, *Some Basic Thoughts on the Acceleration and Modernization of 25 Years of Development* [Jakarta: Centre for Strategic and International Studies, 1972].

years to provide implicit, if not explicit, intellectual justification for military dictatorship and authoritarian developmentalism.²⁸

Containing Communism: Cold War Capitalism and the Rise of Authoritarian Developmentalism

The Bretton Woods Bargain and the Coming of the Cold War

Contrary to the technocratic and ahistorical character of the dominant neo-liberal and state-centred narratives on capitalist development, the making and unmaking of the East Asian Miracle can only be understood in the context of the history of the Cold War, and the political and social struggles with which it interacted. While Europe was a major axis of the early Cold War confrontation, Asia also emerged as a crucial arena of the Cold War by the late 1940s. In Asia, the Cold War formed the backdrop to the emergence and consolidation of various types of capitalist authoritarian developmentalism based explicitly on the repression and political exclusion and control of important social forces such as workers and peasants.²⁹ Beginning in the late 1940s the U.S. embarked on a full-scale effort to facilitate the industrial rebirth of Japan and Germany as part of its wider effort to turn Western Europe and Northeast Asia into capitalist bulwarks against the Soviet Union and »international communism«. Among other things, this resulted in the Marshall Plan for Western Europe and a less ambitious, but still significant, version for Northeast Asia centred on Japan.³⁰ Although the U.S. approach had already begun to shift by 1947 towards the rebuilding of Japan as the linchpin of U.S. hegemony in the region, it was not until the Chinese Revolution and the Korean War (1950–1953) that the U.S. defence industry, and the governmental institutions and bureaucratic structures of U.S. Cold War hegemony, began to develop into distinct instruments of regional and global power. It is abundantly clear that the dramatic economic growth of an increasing number of nation-states in Northeast and Southeast after 1945 was grounded in the interaction of the geo-political and geo-economic interests of the United States and its key ally in the region, Japan.³¹

At the same time, the arrangements laid down

at Bretton Woods in 1944, before the coming of the Cold War, had produced an »informal bargain« which meshed with subsequent Cold War imperatives. On the one side, the U.S. (with the dollar providing the central currency for the post-war order) accepted the increasingly large balance of payments deficits necessary to pay for its expanding network of military bases and the large quantities of foreign aid it was disbursing, which was paralleled by high-levels of foreign investments made by U.S.-based companies. On the other side, the United States' allies (particularly Germany and Japan), which were also its economic competitors, were allowed to retain high levels of control over their economies in terms of the flow of capital and commodities. Furthermore, with the implicit agreement that its allies would not attempt to convert large amounts of their U.S. dollar holdings to gold (which was technically permitted by the gold standard), Washington threw open the North American market and turned a blind eye to the protectionist trading practices and restrictions on capital movement, practiced by its major Cold War allies. Ultimately, the fact that German and Japanese manufacturers were able to gain increasing access to the world market at the expense of manufacturers in the United States and

28. For example, Linda Weiss criticises the way in which »the South Koreans had increasingly relinquished state control over the past decade«. Weiss, *The Myth of the Powerless State* 1998. pp. xiii-xiv. emphasis in original. There is no discussion of the way in which the relinquishing of state control over the economy was linked to the transition from authoritarian to »democratic« politics.

29. The concept of authoritarian developmentalism is derived from Takashi Shiraishi, »Japan and Southeast Asia« in Peter J. Katzenstein and Takashi Shiraishi, eds., *Network Power: Japan and Asia* [Ithaca: Cornell University Press, 1997]. pp. 192–193.

30. Michael J. Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947–1952* [Cambridge: Cambridge University Press, 1989; first published 1987]. Ronald L. McGlothen, *Controlling the Waves: Dean Acheson and U.S. Foreign Policy in Asia* [New York: W.W. Norton, 1993].

31. Bruce Cumings, »Japan in the World-System« in Andrew Gordon, ed., *Post-War Japan as History* [Berkeley: University of California Press, 1993]. pp. 45–51. Bruce Cumings, »The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles and Political Consequences« in Frederic C. Deyo, *The Political Economy of the New Asian Industrialism* [Ithaca: Cornell University Press, 1987].

Great Britain can be seen as »indispensable« to the rapid industrial resurrection of Germany and Japan after 1945.³²

Reaping the Benefits of the Korean War

Against the overall backdrop of the Cold War and the Bretton Woods bargain, it was the Korean War which provided a key stimulus to industrial production in Japan as a result of the dramatic increase in the purchase of military equipment and war-related products by the U.S. after 1950. During the Korean War, the U.S. spent as much as U.S.\$4 billion dollars on services and manufactured goods provided by Japanese companies. This, combined with the limiting of Japanese defence spending to 1 percent, resulted in major financial benefits for the government which were redirected into national reconstruction. At the same time, by the end of the 1940s the U.S. fear of social upheaval and even revolution in Japan itself had already ensured the effective restoration of the »old order« minus the most notorious militarists. While the cooperative labour relations system which emerged in Japan in the 1950s is often characterised as a »class compromise« between capital and labour, it was firmly grounded in labour's subordination to capital following the defeat of the militant labour movement in the 1940s, a process which was facilitated by the United States. Meanwhile, the reversal of U.S. plans to break-up the pre-war industrial conglomerates, which had direct links to the pre-1945 imperial government, resulted in the resurgence, in a modified fashion, of the old »zaibatsu«, such as Mitsui, Sumitomo and Mitsubishi. At the same time, large new firms, such as Toyota, Toshiba, Nissan and Hitachi, which were established along the lines of the old »zaibatsu«, also took root and went on to reap the benefits of the Korean War.³³

The benefits of the Korean War were also felt further south. The concern that the war on the Korean peninsula might spread to Southeast Asia, combined with efforts by the major actors in the Cold War to increase their stockpiles of strategic raw materials, caused a significant increase in the price of commodities such as rubber and tin. The price of the former increased by 400 percent while the latter rose by 200 percent. The benefits from this commodity boom went particularly to British

Malaya (renamed Malaysia after independence in 1957), which was the biggest rubber- and tin-producer in the world in the early 1950s. At the same time, Singapore, which served as the main port for the outward shipment of rubber and tin was also well-positioned and the commodity boom ensured that profits in the colony's commercial sector rose significantly, while the total tax revenue received by the government trebled in both British colonies. Driven forward by a determination to defeat the guerrilla insurgency led by the Malayan Communist Party, Malaya's colonial rulers embarked on the extension and improvement of the colony's railroad and highway system in order that the army and the police would be able to operate more effectively throughout the countryside. At the same time, the colonial administrations in Singapore and Malaya used their rising revenues to upgrade port facilities and construct new power plants. Despite the fact that the Korean War boom was confined to the period 1950–1953, its significance for Singapore and Malaya was considerable. The boom contributed directly to the expansion and deepening of social and economic infrastructure, and of government capabilities, which were subsequently used to tame the labour movement and more or less successfully impose the top-down corporatist arrangements which underpinned the »soft« authoritarian developmentalism pursued by these states in the 1960s and beyond. In fact, one historian says the boom's effect was comparable to that produced by the larger and more direct influx of U.S. aid to South Korea and Taiwan in the 1950s and 1960s.³⁴

32. Robert Brenner, »Uneven Development and the Long Downturn: The Advanced Capitalist Economies from Boom to Stagnation, 1950–1998« *New Left Review* no. 229. 1998. pp. 43, 47.

33. Brenner, »Uneven Development and the Long Downturn« *New Left Review* 1998. pp. 76–79. Michael Schaller, *The American Occupation of Japan: The Origins of the Cold War in Asia* [New York: Oxford University Press, 1985]. William S. Borden, *The Pacific Alliance: United States Foreign Economic Policy and Japanese Trade Recovery, 1947–1955* [Madison: University of Wisconsin Press, 1984].

34. Richard Stubbs, »The Political Economy of the Asia-Pacific Region« in Richard Stubbs and Geoffrey R. D. Underhill, eds., *Political Economy and the Changing Global Order* [London: Macmillan, 1994]. p. 368. Richard Stubbs, *Hearts and Minds in Guerrilla Warfare: The Malayan Emergency 1948–1960* [Singapore: Oxford University Press, 1989]. pp. 107–114, 260–264.

The Emergence of Authoritarian Developmentalism in South Korea and Taiwan

The sustained U.S. military and economic aid (and capital), which went to South Korea and Taiwan in the 1950s and 1960s played a crucial role in strengthening the capabilities of these emergent national security states.³⁵ This is not to deny other factors in the rise of South Korea and Taiwan, but the emergence of capitalist, and authoritarian, developmental states in Northeast Asia after 1945 was grounded explicitly in U.S. Cold War imperatives. More specifically, Christopher Chase-Dunn has argued that the comparative analysis of over 30 countries points to the »positive effect« of U.S. military aid on national economic development (in the period up to the early 1970s) in those instances where levels of aid were particularly high as a result of geo-political considerations. Of the 32 countries examined the four success stories were South Korea, Taiwan, as well as Greece and Turkey.³⁶ (U.S. military aid to South Korea between 1945–1979 was US\$ 7 billion). At the same time, geo-politics also ensured high levels of economic aid (of course the distinction between economic and military aid often becomes very blurred in practice if not in theory). As much as 75 percent of Taiwan's infrastructure investment came from U.S. economic aid in the 1950s, while U.S. economic aid to South Korea from 1945 to 1973 was US\$ 5.5 billion dollars. This was more than all the U.S. economic aid to Africa and half the figure for all of Latin America over the same period. In the 1950s more than 80 percent of South Korean imports were financed by U.S. economic assistance. The growing power of these states was also linked to the relative weakness of capitalist elites in South Korea and Taiwan and the undercutting of large landowners after 1945, as a result of the implementation of land reforms under U.S. auspices. In the 1950s and increasingly in the 1960s, manufacturers based in South Korea and Taiwan (and, of course, Japan) also gained privileged access to the North American market, for U.S. geo-strategic reasons, at the same time as the U.S. tolerated South Korea and Taiwan's protected markets and their governments' tight controls on foreign investment. Furthermore, South Korea, Taiwan (as well as Singapore and Hong Kong) all entered the world export markets in the 1960s when a con-

sumer boom was under way. Meanwhile, Japanese-based corporations had begun to emerge as a key element in the wider U.S.-centred Cold War political economy of Asia by the 1950s. And, in the 1960s and 1970s, under U.S. auspices, Japanese companies avoided the rising cost of labour in Japan by relocating operations to their former colonies. At the same time, by the 1970s Japanese trading companies controlled 50–70 percent of the international trade of South Korea and Taiwan. In this period Japanese corporations also provided a substantial portion of the machinery and the other components needed for industrialisation in Taiwan and South Korea, and they were also an important source of technology licenses.³⁷

Apart from the important role of Japanese companies in South Korea and Taiwan in the post-1945 era, Japan also represented a model for its one-time colonies. Japanese colonialism had laid the foundations for authoritarian developmentalism prior to 1945, at the same time it also provided a pattern for capitalist development.³⁸ Park Chung Hee, who ruled South Korea from 1961 until his assassination in 1979, had been an officer in the Japanese Kwantung Army during the Pacific War, and he was one of many South Koreans who clearly remembered and was influenced by the Japanese colonial industrial pattern, most importantly the state's close links with the »zaibatsu«.³⁹ Between the 1960s and the 1980s authoritarian developmentalism in South Korea rested on a close relationship between the national security state and the country's burgeoning conglomerates,

35. Jung-En Woo-Cumings, »National Security and the Rise of the Developmental State in South Korea and Taiwan« in Henry S. Rowen, ed., *Behind East Asian Growth: The Political and Social Foundations of Prosperity* [London: Routledge, 1998].

36. Christopher Chase-Dunn, *Global Formation: Structures of the World-Economy* [Oxford: Basil Blackwell, 1989]. p. 253.

37. Stubbs, »The Political Economy of the Asia-Pacific Region« 1994. pp. 366–368.

38. Bruce Cumings, »The Legacy of Japanese Colonialism in Korea« in Ramon H. Myers and Mark R. Peattie, eds., *The Japanese Colonial Empire 1895–1945* [Princeton: Princeton University Press, 1984]. Thomas B. Gold, *State and Society in the Taiwan Miracle* [Armonk: M. E. Sharpe, 1986].

39. Jung-En Woo, *Race to the Swift: State and Finance in Korean Industrialization* [New York, 1991]. pp. 7–8, 20–21, 40.

while workers and trade unions were controlled via repression and top-down corporatist arrangements. Meanwhile, important and historically specific cultural practices and nationalist narratives emerged as constitutive elements of authoritarian developmentalism. As Roger Janelli has argued, the organisational form of the South Korean »chaebol« is a »unified, top-down, chain-of-command system of control« which is best understood with reference to the »pervasive military influence« in South Korea. Meanwhile, South Korea's corporate elite justified their control via the use of selected elements of popular knowledge about father-son relations and they represented the founding and operation of the »chaebol« as an integral part of a wider national project for the benefit of all citizens, effectively imposing a »moral duty« on their employees which blurred the boundaries between employee of the company and citizen of the nation.⁴⁰ Thus, the authoritarian developmentalism of the South Korean state in the Cold War era was legitimated via appeals to »tradition«, militarism, anti-communism and nationalism, backed up by a coercive national security apparatus. Despite, or because of, these authoritarian efforts to emphasise harmony and hierarchy, the history of South Korea in this period was a history of ongoing social and political struggles.⁴¹

In the Shadow of the Vietnam War

In the 1960s and early 1970s, at the same time as Cold War imperatives were providing the overall context for the rise of authoritarian developmentalism in South Korea, they were also ensuring an increasingly high level of direct U.S. military involvement in Vietnam which became a focal point of Washington's wider commitment to the containment of communism. While communism in Southeast Asia was eventually »contained« to the boundaries of the former French colonial possessions in the region, the U.S. effort at nation-building in South Vietnam between the 1950s and the 1970s was a dismal failure. The inability of the U.S. to turn South Vietnam into a Southeast Asian version of South Korea or Taiwan, despite a truly massive military and economic commitment, highlighted the limits of Washington's power in the region and beyond.⁴² It also draws attention to

the fact that, although the Cold War provided the crucial framework for the rise of various types of authoritarian developmentalism in East Asia, it represents a necessary but not sufficient condition for »successful« capitalist development. For example, the Philippines was also a major Cold War ally of the U.S., which was seen to have the best economic prospects of virtually any country in Southeast Asia in the 1950s. However, by the 1970s, it had succumbed to »crony capitalism« under the predatory ministrations of Ferdinand Marcos, a long-time client of the United States, who was ousted by a broad-based populist revolt in 1986.⁴³

At the same time, the ultimately unsuccessful U.S. effort to turn South Vietnam into a stable nation-state on the front-line of the Cold War brought major benefits to the other front-line states, including the Philippines. For example, South Korean »chaebol«, such as Hyundai and Daewoo, gained major war-related construction contracts in South Vietnam, while trade between Singapore and South Vietnam, particularly in petroleum products, increased precipitously between 1964 and 1969. The tropical city-state's entrepôt trade also rose dramatically. And Singapore, as well as Hong Kong, and other countries, especially Thailand, experienced the mixed benefits which flowed from the provision of »rest and recreation« for the large number of U.S. soldiers stationed in the region. Thailand's role in the »rest and recreation« economy was linked to its role as a staging area for the Vietnam War. In fact Thailand had been viewed by the U.S. since the mid-1950s as a key country in the wider effort to »contain communism« in Southeast Asia. U.S. military aid augmented the capabilities of the Thai state and rein-

40. Roger L. Janelli (and Dawnhee Yim), *Making Capitalism: The Social and Cultural Construction of a South Korean Conglomerate* [Stanford: Stanford University Press, 1993]. pp. 232–239.

41. Martin Hart-Landsberg, *The Rush to Development: Economic Change and Political Struggle in South Korea* [New York: Monthly Review Press, 1993].

42. Gabriel Kolko, *Anatomy of A War: Vietnam, the United States and the Modern Historical Experience* [New York: New Press, second expanded edition, 1994; first published, 1985]. p. 545.

43. Albert F. Celozza, *Ferdinand Marcos and the Philippines: The Political Economy of Authoritarianism* [New York: Praeger Publishers, 1998].

forced the rise of authoritarian developmentalism under military stewardship. U.S. aid and the security imperatives of the Cold War led to the dramatic improvement of the country's communication and transportation networks. As U.S. involvement in Vietnam intensified, there was a major increase in U.S. spending on everything from the building and operation of U.S. military and airforce bases to the »rest and recreation« activities of U.S. personnel stationed, or on leave, in Thailand. This Cold War foundation was a critical factor in what became known as the »Thai boom«. ⁴⁴

The rise of a profoundly patrimonial version of authoritarian developmentalism in Indonesia in the 1960s also needs to be located in the wider context of the Cold War. ⁴⁵ The bloody foundation of Suharto's New Order coincided with the deepening of the U.S. presence in the region. At the outset, the official interpretation of the ousting of Sukarno and the violent transition of 1965–1966, became a key element in the state-centred discourse on the communist threat and was instrumental in the social reorganisation of the New Order around a version of Indonesian nationalism grounded in anti-communism and a complex mix of politico-cultural ideas which emphasised the relevance of »Indonesian« traditions, in contrast to unsuitable »Western« ideas such as marxism and liberalism. This was backed up by the dramatic deepening of the role of the military in the political system, the economy and in society. Meanwhile, Suharto's elimination of the Indonesian Communist Party (PKI) and his regime's anti-communist credentials ensured that the U.S. and its allies quickly embarked on the (re)incorporation of Indonesia into the world economy. This included generous quantities of aid and a considerable amount of debt re-scheduling. Under the guidance of a group of U.S.-trained technocrats – the so-called Berkeley Mafia – the New Order solicited foreign investment, particularly from the U.S. and Japan. From the mid-1960s, until at least the early 1980s, the New Order regime pursued an import-substitution industrialisation strategy financed by growing foreign investment, as well as by foreign aid and some domestic investment. Until the mid-1970s, Suharto was indebted to the U.S.-backed international agencies particularly, and a range of foreign investors more generally, for both the alacrity with which they had

moved to support his regime and the quantity of their assistance. And this meant adopting an economic stance that was receptive to foreign investors and to the U.S. vision of laissez-faire. But, the dramatic increase in oil prices in the 1970s provided the New Order with the means to move to an even more state-centred approach to capitalist development. This trend was short-lived, however, and the decline in oil prices in the 1980s resulted in increasing debt and a decreased capacity on the part of the state to facilitate local capital accumulation, while greater use of foreign loans and foreign aid led to greater leverage on the part of the World Bank, the IMF and foreign investors. By the second half of the 1980s, important liberalising reforms were under way. This shift in economic policy facilitated an increase in the influx of foreign capital in the late 1980s, much of it from Japan (as well as South Korea and Taiwan), and the rapid rise of an export-industry sector, especially on Java. ⁴⁶

The Nixon Doctrine and the Breaking of the Bretton Woods Bargain

The deepening of authoritarian developmentalism in Indonesia in the 1970s coincided with an important shift in U.S. hegemony in the region. By the end of the 1960s the looming defeat in Vietnam had brought Richard Nixon to the White House with promises that his administration would find an »honourable solution« to the war in Southeast Asia. Outlining what became known as the Nixon Doctrine, the new president emphasised that the U.S. would seek to avoid direct intervention to contain revolution and increasingly move to assist its allies with military and economic aid. The Nixon Doctrine was explicitly aimed at avoiding another Vietnam; however, it did little to

44. Stubbs, »The Political Economy of the Asia-Pacific Region« 1994. pp. 368–369. Robert J. Muscat, *Thailand and the United States: Development, Security, and Foreign Aid* [New York: Columbia University Press, 1990].

45. Mark T. Berger, »Old State and New Empire in Indonesia: Debating the Rise and Decline of Suharto's New Order« *Third World Quarterly: Journal of Emerging Areas* vol. 18. no. 2. June 1997.

46. Jeffrey A. Winters, *Power in Motion: Capital Mobility and the Indonesian State* [Ithaca: Cornell University Press, 1996]. pp. 47–94.

alter a deeply rooted Cold War outlook (which saw *the* Soviet Union as the major threat).⁴⁷ The Nixon Doctrine was linked to what the Japanese called the second »Nixon Shock«. This stemmed from U.S. overtures to China, (against the backdrop of an emerging U.S. détente with the Soviet Union) which led to the historic visit to China by Nixon in 1972 and the eventual establishment of ambassadorial level relations by the end of the 1970s. At the same time, with the rise of Deng Xiaoping in the late 1970s China's overall economic policy shifted in a market-oriented direction and the central planning system was gradually wound back in favour of market mechanisms. This was linked to a dramatic opening to foreign capital and technology, foreign consumer goods and external export markets.⁴⁸

With China's (re)turn to capitalism in the late 1970s, a victory of sorts in the Cold War had been »won« in Asia, insofar as this shift marked an implicit acknowledgment of the relative success of capitalism generally, and the post-war capitalist dynamism of Japan, South Korea and Taiwan.⁴⁹ However, the victory was ambiguous because China's discovery of capitalism actually did little to change the United States' long-term assessment of the Middle Kingdom as a major »threat« second only to Russia.⁵⁰ At the same time, from Washington's perspective, Japan was also emerging as an ambiguous Cold War success story of a somewhat different kind. By the end of the 1960s, the Japanese government was under mounting pressure from the U.S. to revalue the yen given its record-breaking current account and balance-of-trade surpluses. The Japanese government resisted this pressure and in 1971 Nixon ended the formal and informal aspects of the Bretton Woods bargain precipitating the first »Nixon Shock«. This involved floating the U.S. dollar and suspending its convertibility to gold; at the same time Nixon introduced a new 10 percent surcharge on all imports into the United States. This brought the Japanese government to the negotiating table, and in December 1971 it signed the Smithsonian Agreement which devalued the dollar by 7.89 percent against gold while revaluing the yen by 16.88 percent against the dollar (the German mark was also revalued by 13.5 percent against the dollar). This made North American goods more competitive and increased the cost of Japanese exports to the

United States. But, despite Nixon's efforts, the Japanese trade surplus continued to rise during the 1970s.⁵¹

This trend was linked to the way in which Japan had begun to surpass the U.S. as Asia's most significant source of aid and investment. By the first half of the 1970s, four times as much foreign direct investment (FDI) was going to South Korea from Japan as from the United States. From the mid-1970s to the mid-1980s, investment by Japanese corporations in Northeast and Southeast Asia continued to increase at a steady rate. Then, in the second half of the 1980s, the amount of Japanese FDI spreading around the region increased even more sharply. As a result of the ratification of the Plaza Accord in September 1985 – which reversed the rising U.S. trade deficit with Japan by getting the major G-5 central banks to increase the value of the Japanese yen against the U.S. dollar – the value of the yen went from 238 to the dollar in 1985 to 128 to the dollar in 1988. This encouraged a growing number of Japanese corporations to move their operations offshore to bring down production costs. In the early 1980s Japanese investment in the ASEAN countries was about US\$ 900 million annually. Then, following a slight drop, the figure rose to US\$ 4.6 billion by 1989. Meanwhile, South Korean and Taiwan-based companies also expanded into Southeast Asia and coastal China. Hong Kong-based investors also directed increasing attention at Malaysia and Thailand, and southern China. The growing presence of Japan-based investors in Northeast and Southeast Asia in the 1980s was facilitated by the transfer of large quantities of official Japanese development aid. In the 1970s and 1980s the governments of Thailand, the Philippines, Malaysia and Indonesia were given

47. Thomas G. Paterson, *Meeting The Communist Threat: Truman to Reagan* [New York: Oxford University Press, 1988]. p. 75.

48. Richard Baum, *Burying Mao: Chinese Politics in the Age of Deng Xiaoping* [Princeton: Princeton University Press, 1994].

49. Arif Dirlik, *After the Revolution: Waking to Global Capitalism* [Hanover: Wesleyan University Press, 1994]. p. 44.

50. Gilbert Achcar, »The Strategic Triad: The United States, Russia, and China« *New Left Review* no. 228. 1998.

51. Brenner, »Uneven Development and the Long Downturn« *New Left Review* 1998. pp. 116–124.

approximately one-third of all bilateral aid distributed by the Japanese government. In the wake of the dramatic rise of Japanese investment to Southeast Asia from the mid-1980s, the total amount of Japanese aid going to the region went from a figure of US\$ 914 million for 1986 to US\$ 2.3 billion by 1990. By the 1980s an attempt to build a »regional production alliance«, which would mirror politico-economic arrangements in Japan, could be discerned. However, by the early 1990s and beyond, this remained more a set of intentions than an accurate picture of the situation on the ground. This is not to say that the regional influence of the Japanese state and Japanese-based corporations had not increased dramatically. For example, in 1986 US\$ 15.2 billion dollars worth of exports from the ASEAN countries went to Japan (13 percent of which were manufactured goods). By 1991, by which time the dust had settled somewhat following the end of the Cold War, the figure was US\$ 30.26 billion and 32 percent of this was manufactured goods.⁵²

Domesticating Developmentalism: Post-Cold War Capitalism and the Decline of Authoritarian Developmentalism

U.S. Hegemony and the End of the Cold War

Despite the incipient economic integration of the region centred on Japan, which was apparent by the end of the Cold War, there were important constraints on Japan's ability to rise to a position of regional hegemony. Although trade within East Asia had risen to surpass trade between the U.S. and East Asia, the North American market remained very important to all the economies in the region. In the context of the history of the Cold War and the continued influence of the U.S. there was also an unwillingness, or an inability, on the part of the Japanese government (as well as virtually all other leaders in the region) to stand up to Washington and create an economic (and certainly not a politico-military) framework aimed at greater regional integration and autonomy vis-à-vis Washington.⁵³ Furthermore, the end of the Cold War coincided with, and reinforced, a growing array of economic problems in Japan linked to the decrepit character of the country's politics.

Walter LaFeber has characterised the Liberal Democratic Party, which has ruled Japan since the mid-1950s (apart from a brief period in the early 1990s), as »more a financial cesspool than a political party«.⁵⁴ In fact, concerns in Japan about the country's position in post-Cold War Asia were often overshadowed by the relative inertia of domestic politics and the apparent waning of the Japanese »economic miracle« by the end of the 1980s.⁵⁵ Meanwhile, in a 1991 visit to East Asia, George Bush's Secretary of State, James Baker reaffirmed a U.S. commitment to the Asia-Pacific, emphasising the continued importance of Washington's bilateral security arrangements which connected allies such as South Korea and Australia, to a web centered on the United States. These arrangements maintain, in a somewhat revised fashion, the basic bilateral politico-military architecture of the Cold War. However, this did not mean that the U.S. was opposed to all regional and multilateral initiatives.⁵⁶ But, the only multilateral regional organisation to emerge has been the Asia Pacific Economic Co-operation forum (APEC) which was set up in 1989 and has faded into insignificance with the onset of the East Asian crisis.⁵⁷

Prior to the crisis many observers in East Asia articulated the view that APEC might provide the mechanism for maintaining and extending U.S. hegemony.⁵⁸ Prime Minister Mahathir Mohamed of Malaysia expressed this concern and at the

52. Shiraishi, »Japan and Southeast Asia« 1997. pp. 187–188. Stubbs, »The Political Economy of the Asia-Pacific Region« 1994. pp. 371–373.

53. Shiraishi, »Japan and Southeast Asia« 1997. p. 186. Stubbs, »The Political Economy of the Asia-Pacific Region« 1994. pp. 373–374.

54. Walter LaFeber, *The Clash: U.S.-Japanese Relations Throughout History* [New York: W.W. Norton, 1997]. p. 383.

55. Haruhiro Fukui and Shigeo N. Fukai, »The End of the Miracle: Japanese Politics in the Post-Cold War Era« in Berger and Borer, eds., *The Rise of East Asia* 1997.

56. Susumu Yamakage, »Japan's National Security and Asia-Pacific's Regional Institutions in the Post-Cold War Era« in Katzenstein and Shiraishi, eds., *Network Power* 1997. pp. 291–292.

57. Mark T. Berger, »APEC And Its Enemies: The Failure of the New Regionalism in the Asia-Pacific« *Third World Quarterly: Journal of Emerging Areas* vol. 20. no. 5. 1999.

58. Helen E. S. Nesadurai, »APEC: A Tool For U.S. Regional Domination?« *The Pacific Review* vol. 9 no. 1. 1996. p. 52.

beginning of the 1990s he sought to counter APEC with a proposal that Japan and other East Asian countries form an East Asian Economic Bloc (EAEB). The following year his idea of an exclusive regional bloc, which had initially been raised with Premier Li Peng of China, was presented to a post-ministerial meeting of ASEAN, by which time it was being called an East-Asian Economic Group (EAEG). While most Southeast Asia governments were wary of Mahathir's proposal, it did lead directly to the formation of the ASEAN Free Trade Area (AFTA) in June 1991. The EAEG continued as an agenda item within ASEAN, with its name being changed again in October 1991 to the less threatening East Asian Economic Caucus (EAEC).⁵⁹ By 1994 Mahathir had reluctantly agreed to incorporate the EAEC into APEC. The »Asia-first« approach emphasised by Mahathir continues to mesh with the outlook of some influential members of the Japanese elite; however, the prevailing view in Japan as the 1990s unfolded was that the combination of the end of the Cold War and the dynamic character of the new Asian capitalisms made it possible for Japan to be both »internationalist« and »Asianist«. In the post-Cold War era it was widely assumed amongst Japanese policy-makers that the Japanese economic presence could be extended ever more deeply into the region, without challenging either the U.S.–Japan alliance or liberal forms of economic regionalism.⁶⁰ Up to the mid-1990s this meshed nicely with the optimistic visions of the coming Pacific Century being conjured within North America.⁶¹ For example, the semi-official U.S. view, which was articulated in this period by C. Fred Bergsten (Director of the Institute for International Economics based in Washington, and former chairman the APEC Eminent Persons Group), presented APEC as both an important institution for regional integration and economic prosperity and a »force for worldwide liberalisation«.⁶²

The Coming of the Asian Crisis and the Reassertion of U.S. Hegemony

These ostensibly overlapping Japanese and U.S. visions for the Asia-Pacific, which were being conjured up against the backdrop of ongoing friction over trade and other issues, now represent an

exceedingly fanciful set of expectations regarding the future of the region. The Japanese elite was as unable to see the coming of the Asian crisis as the vast majority of their neo-liberal counterparts. Prior to the onset of the Asian crisis in 1997, the Japanese approach assumed that the various forms of authoritarian developmentalism in the region were basically the same as the »politics of productivity« which the conservative political coalition in Japan had presided over since the 1950s. However, regardless of variations from country-to-country, authoritarian developmentalism is grounded in the exclusion and coercion of the majority of the population, and this, combined with rapid and uneven capitalist development, leads almost inexorably to some form of participatory crisis. In Japan a major participatory crisis occurred and was resolved during the U.S. occupation, prior to Japan's era of high-speed growth. South Korea, Taiwan and even Thailand may also be said to have passed through crises of participation by the mid-1990s which have involved a greater or lesser degree of political and economic liberalization. However, as the financial crisis loomed, it was not at all obvious that other authoritarian developmental regimes would do so without considerable social and economic upheaval and this would in turn undermine the economic dynamism of the region. The Japanese elite failed to anticipate the financial crisis and was unprepared for the wider crisis of authoritarian developmentalism in parts of Southeast Asia, such as Indonesia (or the much more contained version in Malaysia) which the financial crisis helped precipitate, but did not cause. Nor was the possibility of political and social crises in China, as a result of the dramatic and uneven economic development of the past twenty

59. Shigeyuki Abe, »Prospects for Asian Economic Integration« in Shoji Nishijima and Peter H. Smith, eds., *Cooperation or Rivalry?: Regional Integration in the Americas and the Pacific Rim* [Boulder: Westview Press, 1996]. pp. 244–245.

60. Shiraishi, »Japan and Southeast Asia« 1997. pp. 191–192.

61. Mark T. Berger, »A New East-West Synthesis? APEC and Competing Narratives of Regional Integration in the Post-Cold War Asia-Pacific« *Alternatives: Social Transformation and Humane Governance* vol. 23. no. 1. 1998.

62. C. Fred Bergsten, »APEC and the World Economy: A Force for Worldwide Liberalisation« *Foreign Affairs* 73. no. 3. 1994.

years, given much consideration prior to 1997. At the same time, writing before the onset of the crisis, Takashi Shiraiishi argues that if, or when, these sorts of crises come it would be »better« for the Japanese government to address them »collectively with the United States as the senior partner rather than making it an ›imperial‹ issue to be resolved by Japan alone«. ⁶³

Certainly, this is what the Japanese government has done. In fact, the U.S. has reasserted its hegemony in the region to such a degree that it is doubtful if the role of the Japanese government can even be characterised as that of junior partner. The Asian crisis has provided the opportunity for the U.S. to more effectively domesticate, if not bring an end to, state-centered developmentalism in Japan itself, as well as in most of the rest of the region, except China. ⁶⁴ In the second half of 1997, the IMF embarked on major efforts to restore financial stability to the region via loan packages to the governments of Thailand, Indonesia and South Korea. Its overall approach was premised on the view that the crisis flowed from the distortions and inefficiencies which were characteristic of state-capitalism and the IMF loans were conditional on the implementation of a range of austerity measures. ⁶⁵ However, by 1998, the IMF was increasingly being seen to have failed, and/or aggravated a worsening situation. A growing number of policy-makers and economists – including writers such as Jeffrey Sachs, who played an important role in the spread of neo-liberal ideas and policies – now argue that the crisis in East Asia was the result of a »financial panic« which fuelled a dramatic and unnecessary shift in investor confidence and market expectation which led to the rapid movement of capital out of the region and the resultant currency collapses. ⁶⁶ This implicit critique of the IMF plan for the region was soon followed by more explicit critiques and by the end of 1998 political support for controls on capital flows was on the rise in East Asia and beyond. ⁶⁷ Major proponents of neo-liberalism were also starting to worry about a (re)turn to protectionist trade practices. ⁶⁸

The Consolidation and Crisis of Neo-Liberalism

Support for protectionism amongst elites, however, even in many parts of East Asia continued to be weak, despite the rising popularity of various forms of capital controls. ⁶⁹ Whatever adjustments are made, renovated versions of neo-liberalism continue to provide the dominant narratives on economic development, backed up by U.S. hegemony in the region and beyond. Of course, a range of historically specific structures and practices in the region still constrain the spread of neo-liberalism. ⁷⁰ However, no significant regional initiative to deal with the Asian crisis in an alternative fashion to the neo-liberal approach prescribed and implemented by the IMF has emerged. Prior to the annual APEC meeting in late 1998, the idea of an Asian Monetary Fund was again being discussed. ⁷¹ However, as in 1997, when the Japanese Ministry of Finance initially floated the idea of a regional monetary fund to manage the crisis,

63. Shiraiishi, »Japan and Southeast Asia« 1997. pp. 192–194.

64. Cumings, »The Korean Crisis and the End of ›Late Development‹ *New Left Review*« 1998. pp. 71–72.

65. Nicola Bullard (with Walden Bello and Kamal Malhotra), »Taming the Tigers: The IMF and the Asian Crisis« in Jomo K. S., eds., *Tigers in Trouble: Financial Governance, Liberalisation and Crises in East Asia* [London: Zed Books, 1998].

66. Jeffrey Sachs, »Global Capitalism: Making It Work« *The Economist* September 12 1998. pp. 19–23. Paul Krugman, »Saving Asia: Its Time to Get Radical« *Fortune* September 7 1998. pp. 32–37.

67. Robert Wade and Frank Veneroso, »The Gathering World Slump and the Battle Over Capital Controls« *New Left Review* no. 231. 1998. pp. 19–21, 30, 41–42.

68. »A Bad Time to be an Ostrich« *The Economist* December 19 1998. pp. 15–16.

69. »Liberalism Lives« *The Economist* January 2 1999. pp. 53–54.

70. Donald K. Emmerson, »Americanizing Asia?« *Foreign Affairs* vol. 77. no. 3. 1998. pp. 46–48. Mark Beeson, »The Political Economy of East Asia at a Time of Crisis« in Richard Stubbs and Geoffrey R. D. Underhill, eds., *Political Economy and the Changing Global Order* [London: Oxford University Press, second edition 1999; first published 1994].

71. Robert Wade and Frank Veneroso, »The Resources Lie Within« *The Economist* November 7 1998. pp. 19–21. Koichi Hamada, »Keeping Alive the Asian Monetary Fund« *Capital Trends* vol. 3. no. 10. September 1998. pp. 8–9. Masaki Shiroyama, »With IMF Cash-Strapped, Room for Asian Monetary Fund« *Capital Trends* vol. 3. no. 10. September 1998. p. 10.

no effort to implement such a scheme has materialised. And, if it did materialise, the U.S. Treasury would undoubtedly move quickly to oppose such an effort out of concern that an Asian Monetary Fund would undermine the high degree of control the U.S. now exercises via the IMF.⁷² Meanwhile, the November 1998 APEC meeting produced even less of substance than in previous years, signalling to all that events will unfold despite, rather than because of APEC.⁷³ Nor did an important ASEAN meeting in December 1998 result in any significant initiatives to address the crisis.⁷⁴ All this points to the conclusion that the Asian crisis is unlikely to produce a serious or region-wide challenge to neo-liberalism. This results from the fact that the main structures and discourses of the post-Cold War international political economy, which were laid down during the Cold War, continue to constrain the sovereignty of governments and political actors in Northeast and Southeast Asia.

In the wake of the East Asian crisis it is now clearer than ever that the twenty first century will be the »American Century« in a range of important ways. The U.S. remains the only truly world power in military and economic terms; at the same time it exercises a broad and diffuse political and cultural influence.⁷⁵ U.S. hegemony is mediated through numerous and complex sets of power relations, economic arrangements, social structures and cultural practices. Nonetheless, Washington maintains control over the important things and continues to set the boundaries as far as acceptable and unacceptable political and economic behaviour in the international arena is concerned.

While the East Asian crisis represents a moment of consolidation for neo-liberalism, it has also signaled the onset of a crisis of neo-liberalism. The processes driving post-Cold War capitalism are contributing to both integration and fragmentation, throwing up new and reconfigured fault lines against a global backdrop of politico-military rivalry, national and ethnic mobilisation and rising socio-economic inequality. A defining characteristic of the spread of neo-liberalism has been a shift in international power relations from states to increasingly mobile types of capital and this has been accompanied by rising levels of inequality and the maldistribution of wealth world-wide.⁷⁶ The rising levels of inequality and the increased

concentration of wealth, which has been a major international trend for the past two decades or more, stands in sharp contrast to the claim that economic liberalism is the key to general prosperity. At the same time, the increased levels of competition brought on by the shift to neo-liberalism has not reversed the »long downturn« which began in the major capitalist economies such as the U.S. and Germany in the 1970s. In fact, neo-liberal policies generally, and the emphasis on competition more specifically, which were a response to the »long downturn«, can actually be seen as central to the failure to reverse the »long downturn« over the past two decades. And, in the context of continued financial deregulation, trade liberalization and over-production, the »long down-turn« could accelerate as the crisis of neo-liberalism takes on an increasingly global character.⁷⁷

Conclusion: Bringing History Back In

This article has emphasised the way in which the dominant neo-liberal and state-centred approaches to capitalist development have continued to offer technocratic prescriptions based on highly selective readings of the making and unmaking of the East Asian Miracle. The complex history of development, and the often authoritarian character of the capitalist success stories of East Asia have been routinely down-played or ignored by the dominant neo-liberal approach and its main challengers. By contrast, it has been argued here that in order to understand the East Asian crisis (and the East

72. David D. Hale, »The IMF, Now More Than Ever« *Foreign Affairs* vol. 77. no. 6. November-December 1998. pp. 12–13.

73. »APECS family feud« *The Economist* November 21 1998 p. 41.

74. »ASEAN Looks to the New Year« *The Economist* December 19 1998. pp. 29–30.

75. Alfredo G. A. Valladão, *The Twenty-First Century Will Be American* [London: Verso, 1996].

76. United Nations Development Program, *Human Development Report 1996* [New York: Oxford University Press, 1996]. United Nations Development Program, *Human Development Report 1997* [New York: Oxford University Press, 1997]. United Nations Development Program, *Human Development Report 1998* [New York: Oxford University Press, 1998].

77. Brenner, »Uneven Development and the Long Downturn« *New Left Review* 1998. pp. 7–9, 258–262.

Asian Miracle which preceded it) it is necessary to focus on the history of the Cold War and the often authoritarian forms of developmentalism which emerged in this period. The capitalist nation-states of Asia were incorporated into the post-1945 U.S.-centered world order on terms which often ensured that the holders of state power had considerable autonomy within their territorial borders, at a time when sovereignty was dramatically limited in international terms. In turn, the history of the Cold War in the region, and the hegemonic role of the U.S. has important implications for the future of East Asia. While the East Asian crisis represents a victory for neo-liberalism, it is a pyrrhic victory, which has heralded the coming of a wider international economic crisis. While no grand alternative to neo-liberalism is likely to emerge, the situation at this juncture is still very fluid. The rise and spread of neo-liberalism has played a role in the appearance of an array of sinister reactions, but the current crisis can also provide the context for the emergence of progressive alternatives to neo-liberalism (and to the authoritarian developmentalism and state-socialism of the Cold War era). In East Asia today, millions of ordinary people, directly affected by the crisis, are calling for thorough reform, if not a revolution, of the structures of social and political power consolidated during the Cold War. It is to be hoped that this time, history is on their side.



Achtung!

**Hier Anzeige
plazieren!**