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Globalizing Asia: Towards a New Development Paradigm

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Abstract: Asia is a rising leader in the international political and economic system. Japan plus the Four Dragons, Five Tigers and two potential world economic powers — they all positively describe Asia. Yet Asia is also identified with “orientalism,” Asian values, and the Pacific way. The economic crisis in 1997 challenged the multiple Asias and its various cultural and religious traditions to conform to global standards through structural adjustment programs. The crisis functioned as a test bed of the market, state, and culture approach to Asian development. However, the negative impacts of top-down economic globalization have shown us that the structural adjustment programs end with social dissolution, political decay, and economic stagnation. Given this, this article suggests, tentatively, an alternative development paradigm for globalizing Asia: the “stakeholder model” of capitalism. This model highlights the critical role of NGOs in committing themselves to the organized interests of the people as public goods.

Keywords: alternative development, Asian development, financial crisis, multiple Asias, NGOs, SAPs, stakeholder model

The Rise of Asia

(1) More than thirty years ago, Norman Macrae (1975), who was then the deputy editor of the *Economist*, talked about the coming of the “Pacific Century.” According to him, the world had gone through the “British Century” (1775-1875), the “American Century” (1875-1975), and now was entering the “Pacific Century” (1975-2075?). Asia was seen as a newly rising leader in the international political and economic system. Its extraordinary vitality has forced development scholars and practitioners to “ReOrient” the history of capitalist development in the region. [1]

(2) Indeed, Asia is one of the most dynamic regions in the world. Japan was the first non-Western country to have modernized; South Korea, Taiwan, Singapore and Hong Kong comprise the Four Dragons of thriving

recent development; Thailand, Malaysia, Indonesia, the Philippines and Vietnam are the Five Tigers of newly industrializing economies; and China and India have the potential to become world economic powers with continent-size markets. Although some countries in the region faced economic crisis in the late 1990s, they have succeeded in recovering from it.

(3) Asia is now on the rise. Its rise would be unthinkable, as long as we are accustomed to “Orientalism.” Once Edward Said (1978) remarked that Asia was an imperialist creation to dominate the world by Europe. Asia became “orientalized” in such a way as to have been particularistic, irrational and stagnant, while Europe was described as universal, rational and vibrant. It has awakened to get out of orientalism as a discourse in which knowledge and power are closely interrelated.

(4) Over the past few decades, Asia has shown remarkable developmental dynamism, as compared to Latin America, Eastern Europe and Africa. In fact, any region would be hard-pressed to match Asia in economic growth and structural change. Asia has grown in population, production and trade to become the world’s biggest regional economy. It contains almost half of the world population and produces well over half of the total manufactured goods in the world. Trade in the Asia-Pacific surpasses that of the Atlantic region. When compared to the EU (European Union), NAFTA (North American Free Trade Agreement), and MERCOSUR (Common Market of the South), APEC (Asia-Pacific Economic Cooperation forum) has the possibility of becoming the largest economic bloc.

(5) Asia stands at the cutting edge of the world. In the past, only Western countries were “developed,” but since then Asia has industrialized and is rapidly moving toward an information-based, knowledge-intensive economy. No doubt Asia is what is called a “high-growth system,” to quote Chalmers Johnson. This noticeable development has led some scholars to consider East Asia as entering modernity, following the Western prototype. [2] There is even a “left-liberal consensus” on the success story of Asian development. [3] Voices can be heard discussing “Asian Values,” “Neo-Asianism,” the “Asian View,” and the “Pacific Way” as Asia moves toward a united identity.

(6) By all accounts, Asia has made exceptional industrial progress in the world economy, despite the financial crisis it suffered after decades of economic success. Yet it is important to point out that the development experiences of Asian countries have been too different to categorize into a single model of development. Asia is a compact region that nonetheless contains considerable diversity. There are distinct religious traditions ranging from Confucianism (China, Japan, South Korea, North Korea, Taiwan, Singapore and Vietnam), Buddhism (Thailand), and Catholicism (the Philippines) to Islam (Indonesia and Malaysia) and Hinduism (India). The region includes contrasting economic systems such as socialism (China, North Korea and Vietnam) and capitalism (the rest of the region). Within the capitalist model are at least three different systems: government-interventionist economies (Japan, South Korea, Taiwan and Malaysia), laissez-faire economies (Singapore and Hong Kong), and mixed economies (Indonesia, Thailand and the Philippines). There is not a single Asia, but are multiple “Asias.”

(7) Historically speaking, however, a significant cultural and institutional connection has endured among the Asian countries. If Asia has any unifying trait that sets it apart from the outside world, it is this cultural and institutional interconnection that defines Asia as a distinct region. Asia has demonstrated that its countries have followed one another in a

development trajectory in which the latecomers try to replicate the success of the early developers. [4]

(8) There are lots of important questions to be addressed in the present context. How can we characterize the Asian development experience? Do the commonalities outweigh the differences? What are the impacts of globalization on Asian development in terms of development and democracy? In what ways does the Asian development experience diverge from the Western development experience? What is the role of social science in dealing with different development experience? How can we seek an alternative development paradigm from Eastern and Western development experience?

Explaining Asian Development Experience

(9) Asia exhibits the possibilities and limitations of capitalist development for other parts of the world. It is worthwhile to start by placing the Asian development experience into the broader context of development theories. Three lines of analysis have been used to explain the dynamics and contradictions of capitalist development in Asia. First, the *market approach* emphasizes the rules of the game made by government. Such institutional rules contribute to the enhancement of markets in a way to promote competition and efficiency. [5] Government's intervention is limited, however, to sponsoring the manufacture of exportable goods. Second, the *state approach* focuses on government's careful development strategy, which is instrumental to economic development. [6] According to this perspective, government designs industrial and financial policies in order to lead markets toward the goal of effective capital accumulation. Third, the *culture approach* stresses the role of traditional Confucian ethics, which emphasize achievement, self-discipline, education, strong family ties, loyalty to the organization, and communitarian values. [7] These Confucian principles act as institutionalized cultural arrangements for economic development.

(10) Each of these approaches has merits and demerits. While the market approach gives priority to the increasing importance of the market mechanism in the overall development process, it does not take into account the government's central role in the process of capital accumulation. The state approach touches on the significance of discretionary policies in promoting economic development, but fails to consider the negative outcomes that can be produced by state intervention into economic activities. By solely focusing on Confucian ethics as the functional requisite of economic development, the culture approach leaves the workings of institutions, such as the state or the market, unexplained in the accumulation process.

(11) The Asian economic crisis in the late 1990s has given social science scholarship a valuable opportunity to test the validity and reliability of these three approaches. Some mistakes in Asian development are manifested by the Asian crisis: excessive government intervention, the lack of a market mechanism, collusion between government and business, a precarious financial system, moral hazards, pervasive corruption, and so on. These problems point to weaknesses inherent in each approach. The market approach overlooks the foundation of the financial system as a basis for corporate transparency, efficiency and accountability. The state approach neglects the requirement of free and competitive markets that prevent the rent-seeking behavior that results from government-business

collusion. The culture approach does not take the importance of a development strategy into account that provides industrial and financial policies geared toward spurring economic growth.

(12) Before the 1997 crisis, Paul Krugman had already pointed out the illusory nature of economic success in Asia. [8] According to him, rapid economic growth in Asia can be attributed mostly to high rates of capital formation and labor mobilization in the accumulation process. It is not high rates of technology innovation that led to economic growth in the region. Japan is the only exception among Asian countries, where skill has multiplied the output produced by capital and labor.

(13) Krugman's criticism of Asian economic success is not entirely appropriate. History has shown that every country experiencing economic development has moved from extensive growth to intensive growth in the process. For instance, not only Japan as an early developer but Taiwan, South Korea, Singapore and Hong Kong as the latecomers have undergone continuous economic growth by way of labor-intensive industrialization followed by technology-intensive industrialization later. Thailand, Malaysia, Indonesia, the Philippines and Vietnam as the latest developers are also considered to be in transition from extensive to intensive growth.

(14) When it comes to the Asian crisis in 1997, two conflicting arguments emerge regarding the main causes of economic meltdown. Krugman blames internal weaknesses of Asian development, [9] whereas Robert Wade and Frank Veneroso underscore the external threats faced by Asian countries. [10] Crony capitalism is a good example of the internal weaknesses favored by Krugman. Policy loans and "soft" credit are moral hazards in financial and corporate sectors. Corruption is rampant in this government-business nexus. In contrast, explanations focusing on external threats hold that speculative international investments brought about the economic crisis. The opening of domestic capital markets to foreign economies without adequate protective safeguards allowed risky foreign investments to move about freely in Asian countries.

(15) While the old debates concern the factors responsible for successful Asian development, newer issues surround the vulnerabilities, such as those that led to the economic crisis of the late 1990s. In fact, Asia is an ideal case for demonstrating the dynamics and contradictions of capitalist development. Even though it has undergone rapid industrialization and steady democratization, considerable ruptures and tensions have developed these two ideals. In a sense, Asia's economic development has taken place under the guidance of authoritarian leadership and in the context of illiberal democracy. The state has dominated civil society, and has also governed the market. For these reasons the states in Asia have been described as merely "developmental." [11] The developmental state usually creates "growth coalitions" between the state and capital, excluding labor. Asia now stands at the critical juncture in changing this pattern and establishing a new partnership that incorporates state, capital, and labor in order to survive in an era of globalization.

The Implications of Globalization for Asia's Future

(16) Asia is now undergoing a rapid and drastic globalization unprecedented in its history. Globalization has permeated every corner of every country in the region. While globalization has provided opportunities for some countries, it has also posed threats for other

countries. It would be no exaggeration to say, however, that though Asia has tried to use globalization as a stimulus for advancement, each country in the region has met success and failure in the process of national development. The future of national development in the region would depend significantly on the country's ability to make use of globalization.

(17) In terms of democratic achievement and industrial progress, globalization has very mixed results in developing countries. [12] It is widely recognized that globalization generates both international and domestic disparities in which there is a minority of winners and a majority of losers. Among the (former) Third World countries, there are not many that have benefited from globalization. Except for a few countries, democratic consolidation has not been able to complete the transition from authoritarianism in the midst of growing disparities and inequality. Globalization has brought about the expansion of democratic ideals, without the institutionalization of democratic practices. What globalization really promotes is a type of democracy that allows for the free flows of capital, goods and services across borders to generate accumulation on a worldwide scale. It also replaces class politics with identity politics, resulting in more diverse possibilities for political conflict. [13] Democracy functions only in a procedural manner, without enlarging social and economic citizenship. Even economic progress is often emasculated because of increasing social cleavages and political struggles. These social cleavages and political struggles over the long run are detrimental to the sustainability of democracy.

(18) Globalization is oriented to the integration of the capitalist world system that is promoted worldwide by restructuring. Restructuring refers to structural reform aimed at a comprehensive overhaul of the institutional framework of an economy. Interestingly enough, structural reform used to be a term used by the 1960s left-groups who advocated redistribution of income, land, salary reduction, and cuts in public spending for projects which did not directly benefit the market. [14] Now its standard form, recommended by the IMF (International Monetary Fund) and the World Bank, is a set of structural adjustment programs.

(19) The structural adjustment programs can be divided into those calling for one or two years of short-run stabilization (a reduction of aggregate demand through macroeconomic management such as devaluing currency, slowing down inflation, reducing balance-of-payment deficits) and those calling for three to five years of medium-term structural change (encouraging earnings or savings through trade liberalization, price deregulation, and tax reform). [15]

(20) There are two ways to achieve structural adjustment in crossing the transition valley. Orthodox adjustment programs attempt to achieve a fast transition, at the expense of low growth and high inequality, by tightening government budgets, downsizing the public sector, and loosening labor protective laws. In contrast, unorthodox adjustment programs prefer a slow transition, pursuing high growth and better equality simultaneously by investing in production and welfare at the same time, despite the risk of conflict with foreign debtors. [16]

(21) It is instructive to note that there have been more cases of failure than of success in the developing countries which have undergone the IMF's structural adjustment programs. Having evaluated critically a variety of empirical studies conducted on the performance of neoliberal restructuring in many developing countries, Biblap Dasgupta concludes, "There is no evidence that structural adjustment works." [17] He states, "Dependence on structural adjustment tends to become never-ending... What was originally planned as an emergency surgical operation has now

become a routine treatment, irrespective of the specific conditions of the patients. Once admitted, it becomes a life-long patienthood in the (International Monetary) Fund-(World) Bank hospital. Seventeen years is a long time for testing a package of policies, and there can be no doubt that structural adjustment has failed the test of time.” [18] Indeed, no small number of the developing countries under neoliberal restructuring have shown a low degree of growth, worsened distribution, increased unemployment and underemployment, and deteriorated foreign indebtedness. For example, the Latin American development experience over the last three decades proves that neoliberal restructuring ends with social dissolution, political decay, and economic stagnation.

(22) South Korea provides an intriguing case of how globalization has shaped development and democracy. The Kim Young Sam administration’s *saegyehwa* (globalization) drive, followed by the Kim Dae Jung administration’s neoliberal restructuring, was conducive to the deepening of globalization in Korea. The country has in fact implemented structural adjustment programs dictated by the IMF. Structural adjustment programs have entailed social and political realignment, with no small degree of social disparities and political cleavages. [19]

Some Suggestions for an Alternative Developmental Paradigm

(23) It is tricky to judge the effects of neoliberal restructuring on development and democracy, since they are not immediately apparent even if restructuring measures are successful. Carlos Prereira, Jose Maria Maravall, and Adam Przeworski have suggested to find out whether a country exhibits economic growth under democratic conditions. [20] Their basic premise is that “stabilization and liberalization are insufficient to generate growth unless targeted to redress fiscal crisis and to generate public spending; without social policy to protect at least those whose subsistence is threatened by reforms, political conditions for the continuation of reforms erode; the technocratic style of policy making weakens nascent democratic institutions.” There are a couple of flaws in the IMF’s restructuring package. First, the developing countries are forced to “adjust” their economies to the logic of the capitalist world system created by the interests of the developed countries, especially the Group of Five (G5) countries, France, Germany, Japan, the United Kingdom, and the United States. The IMF, controlled by developed countries, initiates structural adjustment programs that might be less beneficial for developing countries. Second, the IMF’s restructuring package is too standardized to take into consideration the social, cultural, economic, and political specificities of the developing countries. It does not allow developing countries to pursue their own development strategies based on those specificities. [21]

(24) I am wondering whether the neoliberal development model would be a good choice for Asia or not. Market liberalization and policy depoliticization envisaged in the neoliberal development model could not be good enough to coordinate large-scale change, social provision, and conflict management. [22] As globalization limits a nation-specific prescription for development, so restructuring restrains the state’s role in policy making. It is of course unlikely in the foreseeable future that the state’s role will be eroded by transnational market activities. Yet restructuring in the midst of growing globalization will constrain the state’s capability to manage and coordinate industrial and financial

policies. In particular, neoliberal market-oriented restructuring is indifferent to social disparities, internally, and foreign dependence, externally, that have been recently suffered by some Asian countries.

(25) We must go beyond the neoliberal model of development in such a way as to provide greater welfare, justice, and harmony. At the present moment, however, there are no other better alternatives to the existing neoliberal development strategy. The only one, so far, seems to be the neostructuralism attempted by Chile and Brazil. However, some scholars dismiss neostructuralism as neoliberalism with a human face. For instance, F. I. Leiva states that “neostructuralism’s historical opportunity appears once it is necessary to consolidate and legitimize the new regime of accumulation originally put in place by neoliberal policies. Neoliberalism and neostructuralism, therefore, are not antagonistic strategies, but rather, due to their differences, play complementary roles ensuring the continuity and consolidation of the restructuring process.” [23] Neostructuralism denies neither the role of the state nor the function of the market, rather viewing them as being supplementary. It claims that the state should play a role of arbitrator in order to cope with market failure or market despotism. Social provision, industrial competitiveness, limited liberalization, and open regionalism are underlined. [24] One can suspect that neostructuralism is akin to the conventional Asian developmental state model.

(26) With the advancement of the twenty-first century, the future of Asia would rely on its capability to find a new development paradigm. Although it is not easy to reframe the existing development model, I would like to examine some of the ideas and practices discussed in the existing literature of comparative development, as a starting point from which to seek an alternative development paradigm in the future. A new development paradigm should be neither state-centered nor market-concentrated. It would be both feasible and effective in advancing social integration, political stability, and economic dynamism. The alternative development paradigm should be a people-oriented development, combining normative and practical dimensions. It also has to consider the socio-historical context of each country in Asia.

(27) First, there is a multitude of capitalisms in action: the Anglo-Saxon, the German, the Swedish, the Danish, the Japanese, the Singaporean, and so on. [25] While the Anglo-Saxon model is an expression of shareholder capitalism, the German model is an outgrowth of stakeholder capitalism. I would prefer a stakeholder capitalism to a shareholder capitalism. A new development paradigm can be built upon stakeholder capitalism. [26] It is assumed in this capitalist model that not only owners, investors, and managers, but also employees, bankers, suppliers, subcontractors, and franchisees all have rights in sharing the profit. The stakeholder model is close to the German social market economy in which all social members can be, at least in theory, winners by taking responsibility for production and distribution.

(28) What differentiates the stakeholder model from shareholder capitalism is its emphasis on codetermination (*Mitbestimmung*). Labor is entitled to participate in management decisions and profit sharing. The merits of the stakeholder model lies in a cooperative labor and management relationship based on fairness, trust and accountability that enables stable profitability under long-term survival of the firms. It should be also mentioned that in the face of internationalization of production and capital the stakeholder model faces employment cut, merger and acquisition, and downsizing. [27] It would be advantageous for both management and labor to maintain such relationship in order to extract

full values from their firm-specific investment and production.

(29) Second, there exist a variety of social systems of production under capitalism: customized production, diversified quality mass production, flexible diversified quality mass production, and adaptive production. [28] It can be recognized that the past developmental state model had been based on Fordist mass production. Yet the Fordist mass production system is not sustainable any more under cyclical recessions and changing market tastes in a globalized economy. We are now pressed to go beyond the Fordist mass production system in figuring out a new social system of production based on flexibility, efficiency, and fairness. A new social system of production will be a combination of technological, organizational, and managerial innovations built upon knowledge intensive industrialization.

(30) Third, state interventionism and market liberalism contradict each other. It can be said that state intervention tends to distort markets, while market competition decomposes social bonds. The reason is that as a guiding principle hierarchical control of the state collides with dispersed competition of the market. In order to overcome the state as a custodian and the market as a demiurge, we need a large growth of intermediary associations that can achieve an “organizational concertation” of diverging and conflicting interests in society. [29] These could be NGOs (Non-Governmental Organizations) related to the common use of organized interests of the people as public goods.

(31) Asia is privy to a rich tradition of communitarianism, which is a resource for creating social order through associational interest governance. Associational interest governance can lead to a more democratized state and people-friendly market. In this way, we can transcend the dichotomy of state vs. market and find the proper mix of market and state. [30] Asia’s past development experience reveals no small potential for a new synthesized logic of state and market in the future.

Notes

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