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# **Confronting Globalization Through Social Reform in East and Southeast Asia**

**Johannes Dragsbaek Schmidt**

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# Confronting Globalization Through Social Reform in East and Southeast Asia<sup>1</sup>

Johannes Dragsbaek Schmidt<sup>2</sup>

## *Abstract*

*The paper considers the debate about social welfare policy and labor market policy from a comparative political economy perspective by first focusing on the political and ideological content of the controversy on the issue of attitudes toward entitlements; second by exploring the impact of existing social welfare policies in Southeast Asia compared with other regions; thirdly it explores the class nexus between labor organizations approach to social policy and the relationship with neoliberal labor market regulations which focus on flexible labor markets, and finally the struggle for social reform is presented as one important type of resistance against globalization and as a way out of the crisis.*

## **Introduction**

In 1997 the economic miracle in Asia came to an end. What many academics (Bello and Rosenfeld 1990; Schmidt 1997) had known for years became manifest in an economic and social crisis which soon spread into pluralities of crises rivaling the public debt crisis in Latin America in the 1970s and 1980s, and the aftermath of the Great Depression. In fact, Malaysia, Thailand, Indonesia and Korea saw more than 100 billion \$ fleeing the countries with massive social, economic and political consequences, and many observers even from the International Financial Institutions (IFIs) changed their vocabulary and began talking about recession or even depression.

Although the underlying reason for what caused the crises and its subsequent impact and consequences begs a number of queries, and although we already do

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<sup>1</sup>Prepared for the International Studies Association 42nd Annual Convention 20-24 February 2001, Chicago "International Relations and the New Inequality. Power, Wealth, and the Transformation of Global Society at the Beginning of the Twenty-First Century". To be presented at the Panel " Globalization and the Politics of Resistance".

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have multiple of writings and explanations, one pertinent question stands out: Why didn't the East and Southeast Asian policy-elites, their constituencies, and domestic and foreign policy advisors prepare the ground for the crisis and related to this why was there an absence of even a minimum social security net, which could have contributed to a less dramatic outcome? At least in short-term perspective there was a rapid growth of unemployment and poverty following in the footsteps of the crisis. In the longer perspective the crisis has led the dissolution of the so-called "East Asian miracle", and what some termed the "Capitalist Developmental State" (CDS) based on a peculiar mix between non-state provided social welfare, hyper-globalization abroad through classical dependency on the US market, and 'command capitalism' in the domestic context. Once held up by the multilateral agencies as a model for world capitalism (World Bank 1993), the crisis prone economies are now shown to the world as deficient because of structural distortions. As stressed by the first managing Director of the IMF, Stanley Fischer, "It is striking that models run out of string at some point. Communism worked very well for thirty or forty years and then started collapsing. Crony capitalism delivered for a long time in Asia but that interlocking nexus of banks, governments, corporations became quite rotten and it is rotten in the countries in crisis and they have to be reformed" likewise the Managing Director Michel Camdessus who also advocates international speculative capital had this comment: "It would be a mistake to blame hedge funds or other market participants for the turmoil in Asia...Turbulence in the market is only a symptom of more serious underlying problems which are now being addressed in many countries" (Fischer/Camdessus 1998 cf. Jayasuriya and Rosser 1999: 6). The crisis is viewed as the determining proof that no alternative to the neoliberal Anglo-Saxon type of capitalism ever existed, and that privatized and individualized non-universal social welfare is the only true way.

There are several reasons for this high degree of interest in this crisis. One is the sheer unexpectedness and magnitude of the crisis that struck a set of countries long considered to be friends of the Washington Consensus,<sup>3</sup> and the fact that foreign creditors needed an assurance that "the loans they had made to the bankrupt finance companies, local banks and local enterprises would be guaranteed by the government, on the grounds that not compensating the creditors would provoke more capital flight and further reduce [the economies] attractiveness as an

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<sup>3</sup>The Washington Consensus refers to the neo-liberal policy coming out of close collaboration between the IMF and the World Bank under guidance/supervision by the US Treasury. The consensus was based on a set of policies including financial sector liberalization, privatization of state-owned enterprises, fiscal discipline, and trade, exchange rate and foreign investment deregulation. What is of interest here, however, is the broader consensus in Washington that the capital account should be liberalized and the fact that key sectors of the public sector should be deregulated and privatized. This includes social welfare, but quite peculiarly not the labor market *per se*.

investment site. This was, as the logicians say, the *reductio ad absurdum* of the thinking that had dominated [the friends of the Washington Consensus] for more than a decade” (Bello 1998: 17). No matter how one interprets this situation, which might indeed with some irony be termed “a major market failure”, subsequent loans from the IMF went to repay the private sector’s foreign creditors, who refused to be penalized by the market for bad investments.<sup>4</sup> However, this is not what is interesting here, but rather the new convergence between *Third way* social democratic intellectuals who together with the IMF, the World Bank and OECD would like the CDS reformed and transformed through Russian type shock-therapy to converge with the neoliberal globalization model.

The IMF (together with the Fed) put oil on the fire, and the World Bank, UNDP, ILO and others came with the fire extinguishers and suddenly called for social safety nets in Asia to prevent social unrest and disastrous social consequences (IHT April 16, 1998; ILO 1998). Indeed the World Bank itself in its 1999 report concurs about the former ‘free market showcase for the Third World’: “East Asia’s crisis is best seen as a story of rapid growth built on incomplete foundations, which was left exposed to winds of the international capital markets. Now that the financial earthquake has occurred, it will have to rebuild its success on new foundations in its trade competitiveness” (World Bank 1999: 16). “Good governance”<sup>5</sup> is the new buzzword, and flexible labor markets and a renewed emphasis by the World Bank on safety nets, institution building and civil society denotes that the IMF and the World Bank maybe differ in their interpretations and recommendations, although it is not difficult to discern what is spin doctor advice and without any real policy change. The “new” strategies are emphasizing “an individual’s responsibility to insure against the increased risks and uncertainties of globalization, rather than one that puts emphasis on governmental responsibilities to pool risks, universalize provision and regulate the economy (UNRISD 2000: 9).

In a certain sense, the change of emphasis “parallels the attempts by Blair and Clinton to carve out a *Third Way* between the paths of Thatcherite economic liberalism and old-fashioned bureaucratic interventionism through a greater articulation of the role of the state as a facilitator of economic reform” (Jayasuriya and Rosser 1999: 11), and can be denoted as the *new* Washington consensus. An interesting U-turn in terms of policy priorities, but also an unclear concept which has caused a great deal of disagreement among European social democratic leaders and therefore it must be dealt with in careful way. For instance it is not clear whether the World Bank still holds the view that globalization of production is

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<sup>4</sup>Banks from the EU countries were the largest creditors in East Asia \$106 billion, Japanese banks \$68 billion, while U.S. banks only accounted for \$ 18 billion (IHT April 14, 2000).

<sup>5</sup>In donor parlance meaning transparency, open accounts, opening the market for Western capital, consultancy, and all kinds of penetrations - a buzzword for new imperialism.

expanding international trade and more trade will mean more employment opportunities. Or whether the dictum still holds true regarding how the Bank comments the growing “fears that increased international trade and investment and less state intervention will hurt employment are mainly baseless” (World Bank 1995: 60). This advice was followed by most countries in East and Southeast Asia and together with the premature liberalization and deregulation of the financial sectors those were fundamentally the main causes for the crisis, and it is therefore of interest to know whether this is still the case or not?<sup>6</sup> One impact of this pragmatic and non-ideological “advice” can be discerned in the basic attitude of the region’s policy elite towards social welfare and was summarized in a pre-crisis editorial in the *Asiaweek*: *“Lesson No.1. is that government handouts do not alleviate the underlying causes of income disparity. No.2: attempts to redress such gaps through taxation and welfare spending end up alienating the rich and fostering a debilitating dependence among the poor. Lesson No. 3: nations running chronic deficits lose their international credibility. Their competitiveness erodes, and global investors punish them by refusing to buy bonds issues by their governments unless they offer very high interest rates”* (*Asiaweek* 26 January, 1996: 19 cf. Ramesh 2000b: 194). Whether the unclear and blurred discourse of IFI’s represents new priorities or are just rethorics remain to be seen, but it is a fact that their “one size fits all” medicine is creating social havoc, unevenness, and instability in the societies concerned.

The countries of East and Southeast Asia were hit differently by the crisis. Some were seriously affected whereas others appear to have escaped rather lightly. This is a clear indication of the fact that the countries of the region never represented or followed one development model. Therefore, a rethinking of the crisis should also be a rethinking of the East Asian model and relatedly it involves a discussion about the role of social and labor policies versus flexibility both by theoretical, historical and empirical analysis. One impact of this rethinking is seen in the post-Washington consensus mentioned above where social safety nets suddenly became important in World Bank parlance. The paradigm relies on careful means-tested targeting of social expenditures and a neoliberal market based social safety net thought to enable social cohesion and social capital, but in reality the purpose is to foster smooth structural adjustment without creating chaos in the social fabric and

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<sup>6</sup>For an interesting account, see Stiglitz who notes that “the U.S. Treasury Department pushed liberalization in Korea in 1993 over the opposition of the Council of Economic Advisers. Treasury won the internal White House battle, but Korea, and the world, paid the price” (Stiglitz 17 April, 2000).

prevent workers uprising and mobilization against hard won social and human rights.

This post-Washington Consensus might be interpreted as a boomerang for East Asian policymakers. For years, the regions technocrats cum bureaucrats, politicians and business executives looking at the expensive welfare states, regulatory structures and redistributive tax policies that developed in Scandinavia, had proclaimed the necessity of following a different developmental path.

In a sense the main economic problems, before and now, of the non-welfare states in East and Southeast Asia depend on their position in the world economy. Although there were pre-crisis embryonic welfare constructions they were paradoxically both globally unique and hybrids of existing welfare states. With the emphasis on familism and aversion to public social services, it remains a paradox that in a comparative framework with Scandinavia, Continental Europe and the Anglo-Saxon countries, East Asia's social security arrangements lagged far behind its economic achievements (Esping-Andersen 1996: 9-10, 21, 23).

Moving the focus to Southeast Asia the discourse of social welfare echoes the Asiaweek editorial cited above and thus closely followed the IFI's neoliberal ideology which is essentially a matter of identifying needs, solve problems and create opportunities at the individual level. The causes behind the needs for support are believed to rest overwhelmingly in individuals and subcultural defects and dispositions. Responsibility is deflected from states and national economic, administrative and legal organizations to individuals and groups. Little or no attention is paid to the interacting consequences of economic and social change for families, employment, taxation, housing, social security and public services. Laissez-faire individualism and the legitimating of discrimination are in fact the intellectual sources of this tradition.

This particular version of social welfare is in practice closely based on theories about social philanthropy. It is difficult to discern anything specifically resembling 'Asian values' as claimed by several leading politicians in this context, except for the fact that it rests on a particular ideology which is used as a repressive tool to discipline labor's demands for social security and in general demands of the workforce which could humanize and socialize work and living conditions and economic relations.

As the above has suggested, the debate about social and cultural values, can be used for various political purposes according to ideology and the current political expediency. Singapore's philosophy regarding social security discourages any kind of system akin to the European model. To its leaders, it is important that Singaporeans do not lean on social security, be spoiled and become "soft". The

hypocrisy is profound, when taking into consideration the fact that Singapore is probably the first high-income country in the world which attempts to provide social security while rejecting the main foundations of the welfare state. This is done through a system of individual provisions, rejection of social insurance, and an extremely limited public assistance system based on the Poor Law tradition (Asher 1996: 4-5). This is a variant of the Anglo-Saxon subordination of social issues to "business as usual" which projects a distorted and false picture of East and Southeast Asian societies. These are on the one hand portrayed to be characterized by low rates of government spending, strong family ties and on the other by a philanthropic entrepreneurial spirit whereby the owners of productive capital fulfill a social function as the benefactors who complement the family, as providers of work, shelter and medicine in case of illness, unemployment or marginalization of workers. In fact, these values are very close to those known in Victorian England.

### **The political and ideological content of the controversy on the issue of attitudes toward entitlements**

Comparative political economists have developed different arguments regarding the determinants of social policies. One type of argument points to the fact that social welfare policies convergences due to an underlying logic of industrialism, and another see them as state responses to the social requirements of capitalism. A third view approaches the problematique from quite another angle by suggesting that the survival of market-based capitalism is essentially based on a Keynesian strategy which saves it from self-destruction (Galbraith 1997: 5). The necessary prerequisite is a social compact between labor and capital. This type of argument is based on two readings of the Keynesian social welfare state. One sees it as a tool of compromise when the foundation of capitalism is at stake like during and after the crisis in of the 1930s and post WW II. The second reading regards the socio-economic dimension (i.e. the surplus absorption); by functioning as a demand primer, including social expenditures, Keynesian macroeconomics alleviate the tendency towards stagnation (Schmidt & Hersh 2000: 8). Nonetheless, those readings form the very basics of Scandinavian corporatism - where the state is projected to be the arbiter between labor and capital.

This understanding is closely related to the important debate regarding the past and present of the way ties to the world economy, patterns of geopolitical and geoeconomic competition, and processes of transnational cultures, ideologies and policy discourses have influenced social policies. The impact of the external determinants on social policy agendas and labor market policies cannot stand alone, but should be pared with an understanding of the impact of states on social and labor market policymaking.

These theoretical concerns make the recourse to history important - and broadly

speaking, the neoliberal prescriptions on social and labor market policies cannot be based on the past record. History provides no clear examples of laissez-faire policies which resulted in high wage economies capable of supporting widely dispersed welfare benefits for a large population. Essentially what has happened is what Bienefeld (1993: 31) once called the disarming of the state. Financial deregulation is a route to an increasingly polarized society in which the majority will suffer sustained welfare losses and in which the goal of a more humane, caring and leisure-oriented society will soon be dismissed as utopia.

In this regard the question which social sciences faces in view of globalization is whether the process will result in greater social welfare or whether globalization serves to reduce the social dimension of twentieth century capitalism. This problematique has gained special significance in the context of the breakdown of East Asian authoritarian capitalism. Will an evolution towards more democracy open the way to a greater contest over the economic surplus/social product? How will the political systems absorb the demands of the social classes at a time when adjustment to the conditionalities imposed by the IFIs goes in the direction of the dismantling of the CDS?<sup>7</sup>

One consequence of the effects of globalization and neoliberal hegemony has been the ideologization of the role of the state in East Asia and implicitly the region's social welfare systems. Neoconservatives in Europe, the United States and East Asia are seemingly in convergence when they point to the importance of culturally-bound social values such as hard work, discipline, enterprise, family, thrift, responsibility and respect for authority. Thus, the Weberian interpretation of European capitalism as a product of Protestantism has been recycled to explain the so-called East Asian miracle in terms of a specific Confucian ethic. In fact a certain ideological convergence has made its appearance despite the much publicized divergences. Yet one of the results of economic growth and the emergence of East Asian self-confidence was based on the fact that "the preconditions for new political alliances spanning 'East' and 'West' are emerging," and "opponents of liberalism and social democracy, both inside and outside 'Asia', are drawing on each others' arguments and views with a growing synergy" (Rodan 1995: 2). What is new in this regard is the emerging alliance between liberals and conservatives on the particular important aspect of defending the rights of capital and business against perceived threats from labor and trade unions, and their perception of the

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<sup>7</sup>In a recent report UNRISD (2000: 2-6) sets out four ways how globalization impacts and affects national-level social policy in the North: 1) It sets welfare states in competition with each other; 2) raises issues of social redistribution, social regulation and social empowerment to a regional and global level; it generates a global discourse within and among global actors on the future of national and supranational social policy; and finally it creates a global market in welfare providers. While in the South it has: 1) Generated severe indebtedness; 2) threatened assets and standards; 3) segmented social policy; 4) created zones of exclusion.

role of the state in terms of entitlements seems to move in a '*Third way*' direction.

Presumed models of small government, company/corporate welfare systems and strong familial traditions (inside/outside distinctions, patriarchal authority, strict gender role separation and female subordination) are being used to argue against public social welfare expenditures. Indeed, Mahathir Mohamad echoes views of European conservatives when he shows distaste for so-called Western values and at the same time strongly emphasizes "the need to preserve the family unit, sexual propriety and respect for elders" (FEER 20 August, 1992: 18). The Malaysian government's official aim is to establish a caring society and a caring culture: a social system in which society will come before self: in which the welfare of the people will revolve, not around the state or the individual, but around a strong and resilient family system (Awang 1993: 185). In Japan, the conservatives seek to reinvigorate Confucian familialism in order to deal with problems of the rapidly ageing population. These examples closely parallel Christian Democratic policy in much of Europe, and for basically the same reason they are unlikely to be effective (Esping-Andersen 1996: .24). Also proponents of the *Third Way* see social security arrangements like the provident fund mechanism found in Southeast Asia as one which could be recycled into Blair's stakeholder society, and the World Bank has recommended this 'reverse Orientalism' (White, Goodman and Kwon 1997) insurance model as one of three pillars essential for 'averting the old age crisis' (Ramesh 2000a: 3).

Beneath the surface of these ideological divergences and convergences toward social welfare the bottom line of the debate is that social security issues are assuming greater importance. It is being realized that the maldistribution of wealth and increasing vulnerability of modernizing social systems in East and Southeast Asia can potentially lead to unrest and instability. It seems clear that ideologic positions of social welfare have become a factor which shape internal and external policy in various directions depending on the social circumstances.

The sudden and massive shift in sentiments towards these countries on the part of international financial markets, the relative ineffectiveness of efforts so far to stabilize markets, and the general failure on the part of governments, international organizations and markets to anticipate the crisis, pose new and difficult problems. They raise critical issues of national and international public policy in the context of growing globalization of financial markets. Foremost among these issues is the question of what can be done to avert or reduce the likelihood of similar crises in the future (ILO 1998: 8).

#### *From Developmental State to Re-regulation*

Before the onset of the crisis in 1997, East and Southeast Asian leaders (including

Japan) deliberately encouraged economic growth by emphasizing international competition through a calculated export-led strategy and avoidance of social welfare programs. This essentially anti-entitlement attitude laid the groundwork for a stable societal order based on developmental paternalism and a specific set of social values (Deyo 1989). Policy-making in this regard promoted a political culture which claimed that public welfare reduces productivity. Despite very high economic growth rates, some emphasis has been devoted to education and to a lesser extent health. Social welfare expenditures were primarily located in the private domain and concentrated on public employees. The explicit purpose of this course was to avoid wage increases and neutralize labor and oppositional policy groupings either through co-opting, repressing or linking high growth and increases in employment opportunities with control by the government. However, historically speaking, there have been attempts and pressures from the labor movement for the state to adopt and implement social security related legislation and policies.

By putting 'politics in command' the CDS in East Asia played an important role in the capitalist growth process. The East Asian late industrialization development model was based on the implementation of a specific understanding of political economy, whereby the state assumed a function in the guidance of the economy without disregarding the importance of the market. Government policy-making was thus organically tied to the production factors - land, labor and capital - in actively creating comparative advantages. Before the crisis neo-Listian theory enabled a clear explanation and provided the definition of the East Asian CDS which had "a role different from that of the Keynesian welfare state in the already advanced countries. The Keynesian welfare state serves to restrain market rationality by measures to protect groups vulnerable to the consequences of market rationality. By contrast the developmentalist state restrains market rationality in order to pursue a policy of industrialization *per se*" (Hoogvelt 1997: 206). But the export-oriented strategy came to an impasse. During the Cold War the White House offered free access to the US market to handful non-communist economies in the region. Today competition has become harsh among Asian economies, and not least the Chinese shift to a labor-intensive EOI strategy has left the region with a drive downwards on prices and profits, and in any case, there is overproduction in almost any productive sector in the real economy relative to the decline of outlets on the European and US markets. Furthermore, the CDS with its *embedded autonomy* became its own gravedigger. The very success of the developmental state in structuring the accumulation of industrial capital changed the nature of relations between private capital and the state. As private capital became less dependent on the resources provided by the state, the latter's dominance diminished. The *zaibatzus* and *chaebols* became the new masters and coupled with resurgent distributional demands the elite networks and bureaucratic structures the state became transformed into a new type of regulatory institution (Evans 1992; 1995).

Already before the crisis, Southeast Asia was subjected to the advice of IFIs to reduce state control of the economy and society. The role model has been that projected by neoliberalism which in recent years has also attacked the social compromise created by the 'Welfare State' in the West. The new post-Washington Consensus and *the Third Way* do recognize that the poor, the marginalized and those in the informal sector should be targeted, but also new labor market policies regarding training, upgrading of qualifications, and linking pension funds to savings will according to the new paradigm create more efficient markets and social welfare. The point is that "the real debates in the next decade are not going to be about whether there should be safety nets but about the control, management and generosity of retirement funding in East Asia. In this sense, the new consensus is an attempt to seize the policy agenda in response to a new range of demographic and social problems" (Jayasuriya and Rosser 1999: 16). The question is whether the "new approach" resembles well-known neoliberal prescriptions such as advocated by Friedrich von Hayek and Milton Friedman who projected three systems of welfare: the family, the voluntary sector (charity), and the free market. Accordingly, the state's role should be a residual and minimal one, and on very rare occasions, should it involve a responsibility limited towards means-tested minimum benefits and entitlements.

However, there are also important constraints for a successful implementation of a re-regulated neoliberal state in the regions based on "good governance" and still relying on EOI development:

- 1) The international environment is not as conducive to export-led growth as it has been in the past and there is surplus production in a most any sector in the world economy.<sup>8</sup>
- 2) It will be difficult to obtain political legitimacy enabling state capacities to operate (the past experience weighs on the present).
- 3) The market is weakening the propensity of the state to fulfill its function of guiding the economy.
- 4) The state is being weakened by the loss of revenues through the privatization of public property and national enterprises.
- 5) The political sphere is in distress and the state does not have the capacity of establishing the social arrangement conducive to economic growth.
- 6) Furthermore, now states in both East- and Southeast Asia have to cater to international multilateralism and goodwill.

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<sup>8</sup>See the discussion in Xing, Hersh and Schmidt (2001).

The real issue is what Ankie Hoogvelt (1997: 113) convincingly argues that there is a historical trend towards forms of production organization in which capital no longer needs to pay for the reproduction of labor power. At the same time, participation in the global marketplace means that the domestic market is no longer needed to serve the self-expansion of capital. Jobless growth is what the present phase of capitalism is all about. "It is this process of globalization rather than any claimed imbalance in the national accounts between public and private sector growth (the fiscal deficit), nor any demographic imbalance (the graying population) that is the main reason for the perceived need to shed and restructure the welfare state which has become the dominant political project in all advanced countries since the 1980s" (Hoogvelt *ibid*). Coupled with the fact that there is a "race to the bottom" in terms of job flight as mentioned at a recent conference for East Asian union leaders hosted by the AFL-CIO: "As soon as we start to organize a union, the company threatens to move to Vietnam," and it was an unanimous view that international regulations are needed to keep companies from moving to low-wage economies (Los Angeles Times, February 22, 1998) - the result is that East and Southeast Asia appear to be approaching what can be termed classical problems of Europe and the United States. The bottomline is that the international context through the impact of neoliberal globalization has shifted from a situation where unemployment was a conjunctural domestic problem to one where unemployment is a real global structural phenomenon and hence a counter-hegemonic force must be based on the reconquering of the state and the reinitiating of publicly sanctioned social reforms. In this regard, the debate regarding ageing or the so-called "demographic threat" is merely a policy issue and not an issue which should be left for profit oriented management of retirement funding.<sup>9</sup>

The East Asian miracle has been used to confront oppositional views and directly or indirectly it produced an intellectual climate of fear in the West with intimidations such as: If Asia rises, the West, or at least its jobs and wages, must fall. This big business oriented threat claimed that the problem is "Western democracy itself, which runs the danger of ceasing to be a vehicle for delivering the services that ordinary people want from the government, and of becoming instead an instrument for helping strong lobbies pick tax-payers' pockets. This is a danger that developing Asia has been fairly good at avoiding" (The Economist 30 October 1993: 6).

The OECD has warned that the costly and work-discouraging welfare apparatus in the West is beginning to strike at the authority of the democratic system. This essentially selffulfilling argument was echoed in a recent Far Eastern Economic Review editorial: "For too long Western rights advocates have tended to equate social progress with the growth of a welfare state, measuring commitment by gross

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<sup>9</sup>The author would like to thank Ankie Hoogvelt for pinpointing these issues.

social spending. If Asia has managed to keep its families intact and its economies growing, it is in no small part because countries here have for the most part resisted this temptation. The West has shown how slippery the welfare road can be, with benefits once granted quickly graduating to special interest status and becoming permanent" (FEER June 23, 1994: 5).

Paradoxically, while the welfare state in the West has been criticized for being patronizing, the philosophy of individual or family responsibility for the provision of social security is only possible in the context of a paternalistic form of government. It is reflected in the so far successful attempt "to control the discourse on welfare in Singapore, and to treat welfare provisions as essentially privileges to be doled out at the discretion of the government in return for gratitude from the citizenry" (Asher 1994: 70). Apart from the Filipino case, the paternalistic nature of state and governance can be extended to other East and Southeast countries as well, which is a sign of the convergence mentioned above.

This trend is also being underscored in the West by the growing emphasis by the OECD on flexibility and low wages; but what is more important in this context is the accompanying guideline according to which high non-wage employment costs, such as social security and unemployment insurance, should be reduced. "A reduction of the non-wage costs is recommended, especially for lower salaries," and governments should implement "lighter less interventionist regulation" (OECD Observer 1995: 41).

One comparison of expenditures on social welfare in Western Europe, the United States and Japan shows that, "in Europe, the increasing reliance on a reserve army of contingent workers reflects the growing concern on the part of corporate management that the expensive social net is making their companies less competitive on global markets" (Rifkin 1995: 201-202). On average, workers enjoy longer paid vacations and work fewer hours besides being 50 percent more expensive than either U.S. or Japanese labor. Public spending in Europe is the highest and much of it goes to finance social programs to protect and enhance the well-being of workers and their families. German social security payments in 1990 were 25 percent of GDP, while the U.S. spent 15 percent and only 11 percent in Japan. The finance of social entitlements required a corporate tax burden in Germany which exceeds 60 percent, compared to 52 percent in France, and only 45 percent in the U.S. Adding up all the expenditures of the welfare state which includes costs of taxes, social security, unemployment benefits, pensions, and medical insurance - they amount to about 41 percent of the total GDP in Europe, compared to 30 percent in the U.S. and Japan. In contrast, in the early 1990s, the costs of social security and welfare accounted for less than 5 per cent of total expenditure and net lending in Southeast Asia, while an additional 3-5 percent was

spent on health (Asher 1996: 72).

The above propositions regarding state sanctioned social welfare raise the question of how nation-states and policy-makers control the nature and impact of globalization probably one of the most pertinent issues on the regional policy agenda. It is essentially a matter of how individual states adapt and respond to the neoliberal policies of keeping wages below productivity growth and downsizing domestic costs which have led to an unstable vicious circle of '*global competitive austerity*': "Each country reduces domestic demand and adopts an export-oriented strategy of dumping its surplus production, for which there are fewer consumers in its national economy given the decrease in workers' living standards and productivity gains all going to the capitalists, in the world market. This has created a global demand crisis and the growth of surplus capacity across the business cycle" (Albo 1994: 147). Furthermore, the convergence between low welfare expenditures and export orientation has become part and parcel of the tendency to position national economies in the international system.

Stephen Gill has pointed out that "Recent growth in enclave residential development, private provision of security, and private insurance and health care suggests that access to what were often considered to be public goods under socialized provision is now increasingly privatized, individualized, and hierarchical in nature. More broadly, there has been a transformation of the socialization of risk towards a privatization and individualization of risk assessment and insurance provision. Nevertheless, this process is hierarchical: For example, burdens of risk are redistributed, marketwise, and individualized (*e.g.*, associated with illness, old age, or pensions) as opposed to being fully socialized through collective and public provision. (The IMF and the World Bank have recently pressed for the privatization of public pension provision, especially in the Third World, to create larger local capital markets)" (Gill 1995: 407 and fn.26). Furthermore, globalization universalizes the labor market, thereby undermining labor unions and labor standards in all countries - this might sound provocative but consider the fact that offshore hedge funds deposit holdings now total 7-8 trillion dollars - close to the total gross domestic product of the United States. The price is paid by national policy-making, social benefits and the coherence of labor markets (UN March, 1999).<sup>10</sup>

In the context of socio-economic and political adjustment of neoliberal globalization the question is whether East and especially Southeast Asia represents another type of welfare regime (*a Third Way*) with its combination of low state social spending, weak labor movements and long working hours or whether each country is developing its own contextually grounded type of collective goods model

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<sup>10</sup>See UN Development Update <http://www.igc.org/globalpolicy/socecon/tncs/taxes99.htm>.

which doesn't necessarily contain any resemblances or emulations at all!

### **Social policy and Labor Policy in Southeast Asia compared with other regions**

Before the crisis, Southeast Asia's growth strategy necessitated that the demand and supply of economic security, of which labour rights, old-age income security, and health care are major components should be kept as low as possible. Also, the major burden of their provision should be on the individuals and families. The resulting economic insecurity, coupled with state control over accumulated mandatory savings provided ideal tools for social and political control to the ruling elites. That there is a degree of hypocrisy involved here is confirmed by the fact that these elites do not need to face such economic insecurity as they have defined-benefit pension plans for life. Accordingly, the official policy and ideology on social welfare does not apply to individual elites' personal plans.

All historical precedents of crises show that it is always a substantial shock to any social system. But the effects are amplified in the three most severely affected countries (Indonesia, Thailand and Korea) by the absence of a meaningful social safety net. Out of three countries, only Korea has an unemployment insurance system, which is of recent origin and limited coverage and duration. Systems of social assistance were also rudimentary. The vast majority of displaced workers thus had to fend for themselves during the crisis. In addition social expectations had been shaped by extensive employment opportunities and this made the shock in the labour market all the ruder. "Indeed this combination of sharp and unexpected social pain on the one hand, and the lack of collectively provided relief on the other, is fertile ground for breeding social unrest "(ILO 1998: 12). The OECD member country, Korea saw the number of poor increasing dramatically - i.e. the number ultra poor, marginal poor, and near poor more than doubled from 1997 to 1998 to 3.0 million, 3.3 million, and 4.1 million, respectively (Gazier and Herrera 2000: 334), while Thailand's number of poor increased from 11.4 percent in 1996 to 13 percent in 1998, and Indonesia was hit hardest with an additional 10-12 million people were pushed into poverty - a number which has manifold increased during the past three years to above maybe 50 percent of the working population.

The centrality of the state with regard to capacity and will can be compared by looking at central government expenditure on social programs. While there was traditionally one social welfare department in Southeast Asia or at least an agency, it typically had a very modest budget and no basic-needs mandate. Not surprisingly, during the period from 1972 to 1990, the share of central government expenditure on 'housing, amenities, social security and welfare' among the Southeast Asian countries ranged from a 0.9 percent increase in Malaysia, to a decrease of 1.2 percent in Thailand, 0.6 percent increase in Indonesia, and a 2 percent drop in the Philippines. Placed in the context of comparative Third World development this

was markedly lower than the 16.2 percent average for middle-income LDCs in 1985 and also much lower than the average in most of the Latin American and South Asian countries. These pre-crisis figures indicate that already a decade ago there was a potential conflict over rising living expectations and pressure on the delivery of public goods and services (Schmidt 1998: 52). The state-provided social security programs in the region, although covering civil servants and military personnel, leave large gaps in coverage. At the lowest end is Indonesia, where the various schemes cover 9 per cent of the population and 20 per cent of the labor force. Malaysia where active contributors to the Central Provident Fund form 20 per cent of the population and 50 per cent of the labor force. "Those who are excluded from statutory schemes are usually those who need public support the most: domestic servants, casual workers, seasonal workers and the majority of farmers. The anomaly is the result of the governments efforts to keep public expenditures on social security down, which leads them to establish programs that are partially or fully funded from contributions by employees and/or employers (Ramesh 2000b: 178). While those figures show that even within Southeast Asia there are differences among countries in terms of expenditures on social welfare, they don't specify that it is important to understand why the two regions had different priorities with regard to the impact of globalization.

In comparing Southeast Asia and East Asia it is worthwhile to emphasize six important differences:<sup>11</sup>

- 1) The level of income equality has been much higher in East Asia than Southeast Asia.<sup>12</sup>
- 2) Public expenditures on education have been much higher in East Asia than Southeast Asia especially in terms of targeting higher education.
- 3) Public expenditures on health are low by any standard, and rely primarily on private sector and individual resources.

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<sup>11</sup>I don't want to spend too much space here on the social data as others have done that already. See for instance Ramesh with Asher (2000) from where some of the information in 1-6 above has been adapted; see also Gough (2000); Goodman, White and Kwon (1998); and Hersh and Schmidt (forthcoming).

<sup>12</sup>According to the World Wealth Report 1999 from Merrill Lynch and Gemini Consulting, Southeast Asia's wealthy managed to increase their collective worth by 10 % year-on-year in 1998 to \$4.4 trillion. Their secret? It's threefold: They hold much of their assets overseas; when the crisis hit they shifted from local currencies to the U.S. dollar, and most importantly, they did not panic, but rode out the equity storm. They can look forward to even greater riches: Their collective value is predicted to soar 63% from the 1998 figure to \$7.2 trillion by 2003 (cf FEER June 3, 1999).

3) Expenditures on social security have been equally low in both cases relative to their economic level.

4) Poverty has increased tremendously after the crisis - for instance in Indonesia conservative estimates that poverty might be as high as 50 per cent.

5) Statutory social security is being expanded in Korea and Taiwan while Southeast Asia seems to be moving in the direction of charity and philanthropy.

6) Southeast Asian countries are increasingly turning to the private sector in the provision and/or financing of social programs.

It might be worth repeating that no single East or Southeast Asian welfare state exists except in very hybrid forms. In fact, the history of welfare is determined by the distinctive institutional matrix of politics in each country (Kwon 1998: 66).<sup>13</sup> What those societies and regions do share is the fact that conservative forces have so far dominated the debate regarding social welfare and that labor unions and workers in general have not been able to any significant degree to enter the policy agenda regarding social policy. This might be interpreted as a specific ideology based on an organic understanding of state and society. An ideology which has been described as '*corporatism without labor*', whereby the state, the conglomerates, and the banks worked hand-in-glove, but labor was systematically excluded (Cumings 1999: 37).

The reason for this is related to the labor market policies which share the infamous doctrine described above across East and Southeast Asia. It is evident that the strategies taken have been were based on labor discipline and peaceful industrial relations which always are an important prerequisite for EOI development and thus demand a semi-authoritarian regime. Thus repression and the marginalization of labour has had the consequence that for all countries concerned, except Korea, trade unionism has been weak, coopted by the state or company based. On the other hand, there are also diverse and growing evidence of militant trade unionism sometimes in strong competition with the corporatist-based unions and the state sanctioned unions. The key problem has been that political representation by labor and other marginalised groups have not been institutionalized in the political arena. Historical evidence shows clearly that, this is not a matter of "new politics", but related to repression and outlawing of leftist (or even modest social democratic)

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<sup>13</sup>Again it is important to consider historical research: There have been several attempts to establish a social democratic type of, or even, socialist welfare state in both regions. For instance Thailand after the second WW, and Indonesia under Sukarno, tried to implement social reforms but were toppled by reactionary forces either with the help of the US, CIA and Pentagon and/or other Western colonial masters who wouldn't allow alternatives.

alternatives to the dominant discourse of growth, exports and elite paternalism (Schmidt 2000).

During both the early and late phases of EOI labor market policies in the region have been rather successful in mobilizing domestic labor resources. Rarely have labor posed a significant threat to employers at the local level. In all the countries under scrutiny, except the Philippines, the control or elimination of the left went hand in hand with an extension of state control over labor activism and the incorporation of labor into directly or indirectly state controlled unions. The historical background is well known, and it is also well documented that this was done with the help and advice of the United States and Great Britain all over the region during the Cold War. The result has been exclusion of organized labor and the fact that markets determined wages independent of union interference. Micro-corporatist unionism and decentralization later on became a strategy to upgrade skills and training and encourage labor market flexibility especially in the first-tier NIC's, while in Southeast Asia who was a late-comer in EOI driven industrialization, there was and still are strong labor controls which basically can be explained by the heavy dependence on foreign investment and foreign markets - a problem also being enforced upon Korea now.

With affluence, demographic change and greater democratization in Korea, Taiwan and to a certain extent Southeast Asia, demands for collective economic and social security have been growing. By the late 1980s there was a general increase in fears of mass empowerment in the business sectors in Korea and Taiwan and the relationship between capital and labor began gradually to bread into zero-sum-conflicts. Moreover, the task of controlling the agenda of social policy was becoming more difficult because of affluence which provided more choice, and because of the information revolution. Today, four years after the financial crisis started, the region is in a transition phase searching for new models and new ways to cope with new demands both from the IFIs and other international actors and institutions, and not least growing demands from within the domestic social fabric for increasing entitlements. As such the traditional CDS model of '*corporatism without labor*' is in an acute state of crisis. The spillover effect cannot be overestimated as the situation in Korea clearly indicates with important repercussions for the rest of the two regions.

Korea has had one of the strongest labor movements in the world, but was not able to involve in politics before after 1998, and today, the unions hold the key to whether the governments - and the IMF's - reform program will succeed (Cumings 1999: 36-7). What is interesting to note is the fact that immediately after the crisis the government introduced a public workfare scheme, expanded a temporary non contributory means-tested livelihood protection program, and created a social

pension scheme for the elderly. Public work was initiated to curb unemployment (because the majority didn't receive any benefits at all) and various initiatives were taken in order to fight poverty although the help programs only reached 7 percent of the poor (World Bank 2000: 123, 151, 140 and 144). As such more than 437,000 public works were initiated in the aftermath of the crisis.

With the "unconditionally advice" of the IMF and the World Bank, Korea's government introduced an austerity programme with the typical ingredients and a labor market policy based on employment flexibility through the implementation of free layoff provisions and determinate term employment in a renewed labor legislation which contrasts the pre-crisis policy of high wage flexibility and strict employment security. What is interesting is the fact that the employment insurance scheme might be seen as a compensation for the unions' acceptance of the new market based labor policies (Gazier and Herrera 2000: 336 and 341-342). The government also established a Tripartite Commission in January 1998, born as a presidential advisory body, which ceased to function in late 2000, because representatives of the trade unions walked out. This attempt on neo-corporatist policy-making had in fact been discussed since 1990 according to the Korean state's wish to bring about wage restraints and industrial peace.

Although weakened in terms of falling membership the labor movement has shown its strength in terms of various types of resistance strategies - for instance the number of strikes increased from 78 in 1997 to 129 in 1998 involving more than 146,065 workers compared with 43,991, respectively (Lee 2000: 170)

### *Corporatism With Labor*

In a well-known article Walter Korpi presents a general framework for comparing social policy strategies in a comparative perspective. The focus is put on the distributional arrangements in each society and the key variable is the way in which working classes have been incorporated into politics. Welfare is seen in terms of pressures from below and as pressures from a particular class (Korpi 1980). He found at least five types of working class organization and control in the capitalist countries during the post-war period 1946 to 1979. What is of interest to note here is that based on Korpi's data there were great differences between the countries in these respects. This might imply that based on historical and empirical evidence there are more roads to social welfare than we might expect, and this might also provide some credit substance to the argument that East and Southeast Asia consist of many different societies and hence different types of working class pressures may result in varying social welfare models. A fact, which is confirmed a number of studies by Gösta Esping-Andersen who initially described the infamous three worlds of welfare, but is now more inclined to talk about four or even five models. Esping-Andersen's definition of social welfare policy as policy designed to help

those who suffer from the irregularities of capitalism based on transfer payments which help established payments is the most promising because it is broad and flexible.

In this connection what is characteristic of the Scandinavian model is that it is based on principle of universalism, which strives to keep unemployment at low levels, and includes women in the labor force. However, social benefits are disbursed to all regardless of social status and not related to the position in the labor markets exclusively. It is exactly this aspect which makes it different from the German, and the Anglo-Saxon model where the latter is based on the neo-liberal principle of means-tested aid meaning that it only helps the socially disadvantaged, and thereby leaves itself open to welfare backlash.

Corporatism can be defined as some kind of "natural" organic unity of societies and a "natural" division of society into various groups each with its "proper" roles. In the literature of political science, it can have fascist or quasi-fascist connotations and can also refer to a system of intermediation between interest groups and the state based upon peak associations granted a monopoly of representation within their sector of society (Schmitter 1979). Furthermore, Peter J. Katzenstein has defined a well-known model of political economy he calls "*liberal corporatism*" (Katzenstein 1984, 1985). And, of course, the post-war model of *Scandinavian corporatism* became a rough synonym for the social democratic welfare state. In Weir's and Skockpol's essay on Keynesian responses to the Great Depression they note that Sweden and the United States applied different policies, thereby reinforcing the differences in the original societal set-up. The reason why it is extremely difficult in the long-run to establish any kind of statist co-ordination of policy, and especially one which favors social welfare in the U.S. is the combination of separation of powers at the center together with federalism. While in Sweden the state is centralized and has a unitary nature including major interest groups which increased both the knowledge and the drive necessary to run such a policy (Weir and Skockpol 1983). Although this is still the case today this example shows clearly that there is not *one* model or convergence in the organization of different types of corporatism, but many types also in terms of social and labor market policies.

For instance, one study notes a striking difference between *macro and micro corporatism* where the first is exemplified by Sweden (Scandinavia), and the latter by Japan and especially Germany. Large companies in these countries are supported by a mass of subsidiaries and smaller firms, often relying on cheap and non-unionized labor, sometimes bereft of basic labor rights as defined by the ILO as in the case of Japan and Germany. Such a society is dual, whereas Scandinavian countries in the European context are homogenous.

Corporatism in the Scandinavian case is based on cooperation while in the East and Southeast Asian case it is based on co-optation and incorporation of various institutions especially those associated with the labor market. The question is therefore not which instruments the state should use to support “*corporatism including labor*”, but rather how the state can establish a policy dialogue with societal actors. In other words: before anything else, state and societal actors must establish new governance structures. This applies to necessary changes internal to business associations and trade unions as well as to the establishing of various bargaining mechanisms between them. The state has to establish close consultation and collaboration within the bureaucracy, and to cut its overly detailed interventions into economic and social processes. Societal actors have to establish a certain degree of internal cohesion. This is particularly difficult in traditional corporatist environments where associations received their mandate from the state rather than from their members. Only then will policy agents emerge that aim at problem-solving rather than at confrontation or exclusion.

Based on the discussion above it is hard to imagine the general mode of ‘*corporatism without labor*’ in especially Southeast Asia as conducive to an emulation of the Scandinavian model. However, recent developments in Korea show that this depends very much on the ability of labor to organize and maybe even more important to institutionalize a political party which can fight for the rights of workers and the type of welfare state best suited to the country due to its historical and contextual experience. The old-style corporatism was based on state structuring of interest representation though a quasi-representational monopoly. What the new style corporatism will be based upon remains to be seen, but below some perspectives for Korea and Thailand regarding both social welfare reform and labor market reform for the near future are discussed.

### **Corporatism With or Without Labor?**

Resistance strategies in the region are related to a number of factors: The growing unevenness and unequal distribution of wealth; a response based on social and democratic rights to the so-called notion of ‘Asian values’; democratization and the social consequences of the crisis. This is evident in all the countries in the region, but the case of Korea is singled out as the “Tiger” in terms of the new agenda based on labor’s rights which are based on the strength of trade unions. The national union centres (KFTU and KCTU) are calling for more proper social security systems, but are met with restrictions of their activities, going so far as to imprisonment of trade unionists (in June 1999 61 trade unionists were imprisoned for trade union activities) (Gazier and Herrera 2000: 371).

As mentioned above, the Korean labor organization KCTU participated in the

tripartite negotiations between the government and business for the first time in 1998. After years of illegal activities culminating in the famous strikes in 1987 they had gained more leverage than the corporate union-based KFTU. Because of labor's strength even in white collar ranks the "peak bargaining" can be interpreted as labor's biggest gain ever (Cumings 1999). A victory which might be emulated by other trade unions in the region. Although the "rank and file" membership of the KCTU rejected the compromise it is a step in the direction of dialogue and with renewed pressure from the World Bank and even the IMF to set up individualized social safety nets and unemployment schemes it seems that a "New Deal" for South Korea is still in a negotiation cum confrontation phase. According to one observer the existence of consensus politics can also be interpreted as smoothening and facilitating the implementation of neoliberal reforms - thus the rejection of the massive lay-offs and wage cuts shows the militancy of the "rank and file" and now even the KFTU has left the tripartite mechanism. However another important point is the fact that the Tripartite Commission is increasingly miscredited as the development of microelectronics and communications technology made it possible for employers to spread production around the globe, undermining any attempt to pursue coherent national social and labor policies (Lee 2000: 177-180). Another disturbing point for the labor movement in this connection is the still unsolved problem with regard to the untapped cheap labor pool in North Korea, which could serve as a reserve army pressing wages downwards and thereby curbing prospects of a strong and unified labor movement

Summing up and especially based on the Korean example, it is clear that the approach of non-welfare by Southeast Asian policy elites is only possible to implement if an autocratic political system is in place to restrict the rights of individuals, to ban labor rights and to enforce controls of the media. The real achievement of such a system is not social security but social control, and the unanswered question is whether this option remains the discourse of the elite. The practices of the democratically elected government in Korea show that resistance against neoliberalism in terms of demands for social reform are met with authoritarianism and not social dialogue. One way forward for the KFTU and the KCTU is the attempts to improve organizational power of the labor movement by promoting collectivism and unity. A situation where enterprise unionism might be replaced by industrial unionism is probable in the near future (Lee 2000: 172).

The situation in Thailand differs in a number of ways from the Korean context. Not least because the labor movement has less bargaining power, but also because there are only modest institutional links between trade unions, peasant movements and social movements where the latter seems to be in a forefront battle against the impact of globalization. Wage bargaining was, in several instances, in accordance with the minimum wage policy implemented under the supervision of the tripartite

National Wage Committee. This is another reason explaining why labor union activity in Thailand has in a historical perspective been weak and organized labor has not before recently been able to significantly influence the public agenda of social welfare. The credibility of the officially sanctioned and legally recognized national trade union centre is very much eroded now and workers with grievances, including members of the official unions, are increasingly looking elsewhere for representation. Since recent initiatives to develop independent and democratic trade unions have been contained by government repression, workers' organizations are forced to operate beyond the ambit of the law and often clandestinely are generally unable effectively to openly criticize government policies and programs. (Schmidt 2000: forthcoming).

However, there are several incidents of wild-cat strikes and one factory has been burned to the ground (Sanyo) or occupied (Hara Jeans, Thai Kriang or Century Textiles) and in another case female workers forced the boss at a garment factory to negotiate. Trade union publications refer to the IMF as seeking to enslave Thailand to the West and privatization is often opposed on the grounds that they would be sold to foreign capital (Ji Giles 1999: 2 and 12-13). Moving the perspective to the role of social movements in the rural areas resistance has been much more articulated and militant. According to Somchai (1999: 5), disputes over the rights to control the use of land, forests, rivers and water ways, have become the focal point of conflicts. More than 2000 conflicts were over natural resources in the 1990s, and some of the most militant have taken place at the hydroelectric facility the Pak Moon Dam. More than 500 conflicts have been recorded in the Isan area, 81 of which have flared into violence (Far Eastern Economic Review August 31, 2000). What is of interest in this regard is the fact that many of the conflicts are bred by foreign capital, loans and aid - for instance the *Forum of the Poor* and the *Small Scale Farmers Assembly of Isan* have established wider linkages with progressive fishermen, industrial workers and slum groups in an alliance which is essentially struggling against the effects of neoliberalism in a variety of ways.

The economic boom years gave way to all kinds of speculation and an amazing "no problem cum repressive" attitude by the Thai economic and political elite. As long as the major social contradictions in Thai society could be held at bay by economic growth rates and foreign capital democratization and demands for greater distribution of resources and social entitlements could not enter the policy agenda. After the crisis hit Thai society growing unemployment and its accompanying potential social instability might lead to a break with the dominance of Bangkok's big business politician alliance and provide space for a genuine political representation for the working population - the peasantry and the working class.

Taking further into consideration the fact that the younger urban generation has

only recently become aware of poverty and unemployment, another generational problem is added to what seems to be emerging in the horizon. The question is whether the trade unions and the younger generation in the longer run can accept the privatized systems of welfare in East and Southeast Asia which exist in a vacuum of a proper system of social security benefits and subsidized health. This is further exacerbated by a severe demographic problem consisting of massive migration into urban industrial centers, a process which undermines traditional forms of social protection. These problems pose a dilemma between hypothetical welfare construction and corporate plans, and the traditional stress on familialism with its care obligations.

It is probable that the financial crisis and its solution offer some lessons which would-be Third World late-developers ought to take seriously. In conclusion it might be worth quoting one insider's view from the worst hit country who says that: "Today, instead of turning their attention away from East Asia because of the crisis, developing countries may find the region an even more relevant place from which to learn about mistakes that should not be repeated (Soesastro 1998: 312). The World Bank's vice-president Jean-Michel Severino's remarks show that resistance against globalization and social chaos in general are the main worries of the Bank: "It is very clear that if the social situation continues to worsen it may reach a point at which social unrest might rise and social unrest might itself jeopardize the recovery" (Agence France Presse January 24, 1999).

Resistance by popular movements and to a certain degree labor and peasant movements against IMF and the World Bank's neoliberal market based social and labor market reforms has so far prevented the full implementation of austerity. Whether real anti-capitalist class struggle will be performed remains to be seen. Prospects for collective social reform in the two regions are hampered by the government-business alliance's unwillingness to involve labor in the process of policy-making even at its most basic levels (Schmidt: forthcoming).

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