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Introduction

Since 1960, the growth of GNP in a select number of economies in East and Southeast Asia has increased more than twice those of the rest of the developing world. Their growth rates have also been significant compared to the industrial economies and the oil-rich Middle East-North African region (see appendix graph 1). The four Asian Nics (Taiwan, South Korea, Hong Kong and Singapore) were joined in the past two decades by a new generation of emerging "dragons" (Thailand, Malaysia and Indonesia). These countries as well as the Philippines, to some degree, were said to have joined the club of high-performing economies of Asia (HPEA). East Asia seemed to emerge economically, and to a certain extent politically. Japan had in the mid 1980s replaced the USA as the world's largest creditor nation and become a significant foreign aid donor. China followed the development path of the NICs since the end of 1970s.

The rapid growth in production and international exports as well as the overall economic achievements were seen as bringing about a shift in the world's political and economic balance. In the late 1980s, the notion of a "Pacific Century" claimed that the center of gravity of the world economy was shifting from the Atlantic to the Pacific Basin. The term "Pacific Century" or "Asian Century" was widely used by academics and politicians. Former US President Reagan interviewed by the *Far Eastern Economic Review* on May 17, 1984 asserted that when looking at the area, "... you cannot help but feel that the great Pacific Basin, with all its nations and all its potential for growth and development - that is the future." Former Japanese Minister Nakasone in a radio speech on November 20, 1984 likewise declared that "The Pacific era is a historical inevitability."

Perhaps because of the intense curiosity raised by this first case of rapid industrialization outside the Western cultural sphere, the high-growth East Asian economies have become the object of various academic studies and interpretations,. In addition, these successful examples seemed to challenge the assumptions of the core-periphery structure supported by the world system theory and dependency theory, while the implementation of a state-directed strategy did not fit into the neo-classical development model.

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[1] This paper was originally drafted to the international conference: "**The economic crisis in East Asia and the impact on local population**", by the Department of Social Sciences, Roskilde University, Denmark, October 29 - 30, 1998.

However, the recent crisis questions the various interpretations of the NIC model in East Asia which is now struggling with collapsing currencies and plunging stock markets. First Thailand, then Indonesia followed by South Korea, the world's 11th largest economy, all have had to ask the IMF for emergency loans. Even Japan, the world's second largest economy after the United States, looks vulnerable and unable to offer any substantial contribution to ease its economic problems as well as those of the region.

The interpretations of the current economic crisis have gone from praise to criticism of the East Asian development pattern leading to attacks on the Asian social and political systems. Traditional debates between neoliberals and statists over the relationship between market and state, "free" and "governed" market as well as democracy versus authoritarianism are reemerging not only among academics but also at the political level.

In disagreement with the neoliberal interpretation, some scholars argue that the current economic turmoil in East Asia does *not* reflect the "meltdown" of the East Asian "miracle": it reflects the decline of the US and the rise of East Asia in the world economy. In an internet debate,[2] Gunder Frank argues that this is the *first* major recession of modern times which started in Asia and to spread to others parts of the world. In parallel, as he explains, all previous postwar recessions in the world began in the United States or by Europe and Japan. This is taken to reflect that the dynamo/dynamism has shifted from the US to the Asian region. The Asian crisis only represents a cyclical recession which should not be confused with a structural "meltdown." This position seems, however, to be influenced by economic oversimplification of the balance of forces in the international economy. As it is argued that it was international financial capital's volatility that was the immediate cause of the recent events which has created the greatest challenge to capitalism in the last 50 years according to President Clinton.

There can be no question that a significant change is in the making. In fact after the demise of Soviet-type socialism, what is happening in East Asia may even have consequences of greater proportion for the rest of the world. As one scholar has put it: "Clearly, the crisis is a defining moment in the evolution of global capitalism in the post-Cold War period and a vigorous debate has begun on its origins and its implications for the global economy as well as for the regional and national economies (Robison, 1998: 5)

[2] The e-mail address of the IPE (international political economy) internet discussion group: owner-wsn@csf.colorado.edu

Debates and interpretations

In the past, there has been rather extensive research concerning the conceptualization of "East Asian capitalism" (Wade, 1990; Johnson, 1982; Chen, 1990; Deyo, 1988), and disagreement has always been rife. However, the peak of the dispute occurred when the World Bank in September 1993 reluctantly released a controversial report called *The East Asian Miracle: Economic Growth and Public Policy*. This report explained East Asian high growth by pointing to limited government intervention but still within the confines of microeconomic neoliberal theory (Wade, 1996).

The strongest voices in the current debate concerning the Asian crisis come from neoliberal economists, politicians as well as academics. In this line of thinking the current Asian crisis is taken as justifying their position on the superiority of the free market. This is not surprising for as Jawaharlaf Nehru observed in 1946: "History is almost always written by the victors." Steven Radelet and Jeffrey Sachs who bring this quotation add: "When a financial crisis arises, it is the debtors who are asked to take the blame. This is odd, since a loan agreement invariably has two parties. The failure of a loan usually represents miscalculations of both sides of the transaction or distortions in the lending process itself" (Radelet and Sacks, 1998: 1). This notwithstanding, the collapse of Asian stock markets and banking systems is considered by neoliberalists to be evidence that intervention strategies do not work and that protectionism is a route to economic disaster. The argument is that state-led economic development, i.e. government control of credit allocation, encourages inefficiency and corruption. The implication is that what has happened in Asia is proof that unless the free market mechanism prevails, developing countries are bound to experience crises, tensions and adjustments.

Moreover, according to this argument, the Asian disease is not only a matter of policy failure: the problem is to be found in the developmental state itself. The true lesson to be drawn is that the "model" entails complacency, authoritarian/semiauthoritarian cronyism and corruption as the state is politically isolated from the public while bankers and businessmen are economically insulated from market mechanisms. With no democratic public supervision system in control of the iron triangle of bureaucrats-businessmen-bankers, decisions were often based on personal relations rather than on responding to the price mechanism. Accordingly, the Asian financial crisis is a symptom of a much deeper defect. The social and political assumptions on which the Asian "model" and "values" rested are seen as inappropriate in confronting the challenge of the time. The world economy in the era of globalization is far too complex for any state to function as the "visible hand," i.e. regulating and guiding the national economy.

The free-market proponents who conclude that history is rendering its verdict on the Asian capitalist model have long denied the existence of such a model. In fact, Asian economies have been regarded as examples of macroeconomic stability, market-driven pricing, and disciplined borrowing. In 1995, the Heritage Foundation released an index of economic freedom showing that four of the top seven countries were located in Asia. When the economies of South Korea and Taiwan boomed in the 1980s, Western analysis characterized them as the least price-distorting regimes in the world. Similar conclusions about the sources of Asian growth can also be found from studies of the World Bank and the International Monetary Fund.

The market-friendly interpretations of Asia's success aimed at countering the theses offered by neo-statist scholars that trade barriers, subsidized credit, and strong state support for export-driven industries had been essential aspects of the economic development of East Asian countries. Thus, while free marketers maintained that economic growth in East occurred not because, but in spite of state interventionism, their explanation of the present havoc the region is going through appears to be contradictory. As pointed out by Chris Freeman: "... although the pure free market economists were anxious to deny any positive role to government policy in the 'miracle', they were quick to blame government policies for the 'collapse'" (Freeman, 1998: 404).

While the neo-classical approach focuses on short-run efficient resource allocation as the key to long-term growth which is considered to be inherent to capitalism that can be applied to all societies, the statist perspective looks at late development in the context of catching-up strategies without abandoning the centrality of the market. Taking its clue from Alexander Gerschenkson (1962) the latter approach argues from a perspective of economic nationalism for a strong state to overcome market imperfections, protect the industrialization process from external economic forces and neutralizing social forces. Alvin Y. So and Stephen W. K. Chiu (1995: 12) point out the statist perspective looks at the complex interactions between state, market and socio-political institutions. Such a strategy has basically been followed by Germany and Japan as the two last successful examples of catching-up. Statism, which is often related to the capitalist developmental state (CDS) in East Asia, is seen as an indispensable factor behind the East Asian NIC model in which there is a congenial relationship between the government, economic policies and market principles (Johnson, 1982).

To the extent that the objective is industrial capitalism, theories appeared which refined the neoclassical position in their portrayal of East Asian development. Revisionists or institutionalists, as they also came to be known, showed that these economies had been "market guiding" and even "market distorting" rather than "market conforming" (Amsden, 1989 and Wade, 1990). Seen from this perspective, the strategy entailed establishing the appropriate mix of market orientation and government interference conducive to late industrialization. Of equal importance to this perspective is the question of compatible social and political institutions within the context of the state-market relationship (Onis, 1991: 110).

While the Listian approach refused free trade and favoured mercantilist state protection to promote enterprise, the success of the East Asian NICs evolved the doctrine which can be called neo-Listian. From this angle, the strategic role of the state in neutralizing domestic and external forces and harnessing them to the national interest has become the object of the "development state" (Hoogvelt, 1977: 205-206).

Within the fringe of mainstream economic thinking a provocative interpretation comes from Paul Krugman, who has questioned the existence of an Asian development "model" or "miracle." His argument is based on a discussion of utilization of production factors and he finds that,

> Asian growth is mainly the result of the same things that drive growth everywhere: high investment rates, mainly though not entirely financed by high domestic saving; a rapidly improving level of education; and the transfer of large numbers of underemployed peasants into the modern sector. If there is anything miraculous about Asian growth, it is a matter of degree, not of kind. (Krugman, 1997: 37)

In his opinion, Asia's growth rates in total production have been high, but the growth rates in labour productivity have been comparatively low. In other words, much of the growth can be ascribed to substantial input factors (labor and capital especially), but not to productivity increase. In the period in question, these Asian countries enjoyed tremendously high savings rates, rises in the percentage of people participating in the work force, excellent education, and important investments in physical capital. In other words, The East Asia NICs have done a remarkable job of mobilizing various resources, but not in an efficient way. Thus, as the argument continues, what East Asia has achieved in the past decades cannot really find answers within the confines of an industrial-policy vs. free-market argument.

Another variant neoliberal approach within the mainstream which has attempted to contribute to the understanding of the East Asian NICs has been the culturalist perspective. Its frame of reference is grounded in values, attitudes and practices which exert influence in a process of development. In this context, contrary to the modernization paradigm which counterposes "modernity" and "tradition" as two opposite phenomena, the culturalist perspective rejects the argument that economic backwardness can be explained by the survival of traditional society and culture. In the Asian context, tradition is seen as being beneficial to development. Departing from the Weberian perspective which considered societies in the Chinese cultural sphere as inapt for capitalism, the Confucian tradition is seen by the culturalist interpretation as having made a contribution, with its emphasis on knowledge, education, diligence, self-sacrifice and delayed gratification to social stability as well as to acceptance of bureaucratic governance at both governmental and enterprise levels. According to Lucian Pye, the paradox fo the culturalist argument was resolved when Western economic theories penetrated East Asia (Pye, 1988: 86).

In connection with the culturalist dimension the question of democracy in relation to cultural values has also been raised in the current debate. In the course of the economic crisis certain political opinion-makers have argued that the notion of "Asian values" is a myth or distortion as "Western" concepts of democracy and human rights are in fact not inimical to Asia and nor to economic growth. Accordingly, "the first lesson from the Asian crisis is that a government that is not answerable to its people will not be likely to have open markets or the institutions required to impose discipline to overcome a financial crisis. A second lesson is that guanxi (connections), are never a substitute for the rule of law" (Lee, 1998). In this line of reasoning, the real lesson from the Asian crisis is that, "... openness and freedom are essential not to capitalism in all its incarnations but to a specific form of capitalism. That is, democratic capitalism - the combination of a free political society and an open economic system, without control by government-business conspiracy or partnership" (Rosenthal, 1997).

It appears from a review of the different approaches trying to conceptualize the economic evolution of East Asia that a comprehensive meta-perspective is lacking. As a result, the regional and international dimension of the East Asian development as well as the interactions of the nation-states are left out. Thus, the dynamics of incorporating societies into the world system is neglected (Su and Chiu, 1995: 21). This is especially strange to the extent that, as history has shown and the world-system analysis has pointed out: "Successful strategies of national upward mobility include 'promotion by invitation', 'self-reliance' and 'seizing the chance'" (Hoogvelt, 1997: 60) seem to fit the East Asian context.

The aim of this paper

Many of the above mentioned debates and arguments are confined within a narrowed framework focusing on the relationship between national state and market. In contrast, the approach taken here is to propose an understanding of Asian capitalism and the current financial crisis based on exploring and analyzing the dialectic relationship between the "developmental state" and the macro political economy at the national and regional as well as at the global level.

As the point of departure we have the following questions in mind: Since "catching-up" has been the basic Asian development strategic objective under specific favourable geopolitical conditions, can this dynamism persist in showing vitality at a time when those opportunities and conditions are diminishing? Can the East Asian economic and trade structures which were created to respond to the opportunities of the Cold War continue to unleash their development potentials in the current era of globalization? To what extent is the crisis the expression of a struggle waged by Anglo-Saxon capitalism, supported by the Western-dominated institutions such as IMF, the World Bank, the WTO, etc. to pry these economies open to external capital interests? Will these socioeconomic formations be rendered defenseless and will the "developmental state" be reduced to the status of weak state? If the answers are negative, then, the concept of East Asian capitalism and the notion of "developmental state", if there is such a construct, need serious rethinking.

Hence, the intention of this paper is to conceptualize the East Asian crisis by looking into and re-analyzing relationships between those elements which are said to have contributed to East Asia's economic success while taking into consideration new regional and global factors in development and international relations as well as the impact and interaction between them. There are basically four problem-areas on which the analysis is based on:

1. The East Asian "miracle" in view of the transformation in global geopolitics and the international political economy

2. The national and intra-regional economic intercourse in retrospect
3. The China factor
4. East Asian capitalism and the financial crisis

The transformation of geopolitics and the international political economy

Cold War geopolitics and the East Asian "miracle"

In interpreting the rapid industrialization of Japan, South Korea, Taiwan and a few Southeast Asian countries, some scholars have urged the inclusion of the historical and geopolitical dimensions. The fate of the Asian countries, seen in this light, was very much a function of the presence of the United States as an external superpower and its strategy aimed at preventing the expansion of Communism at the time. In this view:

> ... the geographical location of the Newly Industrialising Countries was no mere coincidence. Indeed, the most successful NICs were to be found on the rim of the Asian mainland. In this connection it should be recalled that a component of the American geopolitical scheme after the Second World War had been to provide a hinterland for the Japanese economy while simultaneously isolating China and the other socialist countries. (Hersh, 1993: 48-49)

Postwar American foreign and economic policies aimed at fostering developmentalism, authoritarianism and anti-Communism. In Europe, afraid that mass poverty would eventually facilitate Communist expansion, the US "Marshall Plan" aimed to revive Western European industries within the possibly shortest time. In East Asia the central theme of US postwar policy was basically the same: the revival of the Japan-centred capitalist regional economy including South Korea and Taiwan.

The objectives of US postwar policy toward East Asia were to cement strategic relations through economic dependence, to strengthen the position of pro-American political elites, and more importantly, to restore and strengthen a Japan-centred East Asian economic power in the hope that this would help to immunize the region against anti-systemic movements[3]. In addition to containing the communist expansion, as revisionist historians have argued, Washington pursued a course to create a capitalist world economic system - "a global liberal economic regime" - designed to implicitly restore the "Greater East Asian Co-prosperity Sphere" (the imperial Japanese regional economy) which had been destroyed in

[3] From the perspective of Washington, communist or socialist movements are regarded as anti-systemic movements (anti-capitalist system).

the Second World War (Schwarz, 1996: 92-102). By providing Japan and other East Asian states with security, economic support and military aid, the US was consequently able to control and define their roles within the American-led alliance and prevent them from embarking upon an independent political and military course.

It will be recalled that prewar Japan had tried to establish a regional division of labour in order to maintain Japanese superiority. Based on the notion developed in the 1930s by the economist Kaname Akamatsu, East and Southeast Asia were conceptualized as part of a flying geese formation, with Japan as the leading goose. In world system terminology, the structure would be described as consisting of Japan as the center, a semiperiphery (the two formal colonies of Korea and Taiwan), and the vast markets and suppliers of raw material of the rest of Asia as the periphery. In essence a reconstruction of this pyramidical structure was the aim of US policy shortly after the war with the principal difference however that the US was to be included as the center and Japan as the semi-periphery with the rest of Asia as the periphery to the American and Japanese economies.

Understanding the geopolitical and geoeconomic dimension helps us comprehend the extensive role the US played in the rise of the East Asian capitalism. American military aid and financial assistance is documented to have been an important contributing factor to the economic development of East Asia, especially South Korea and Taiwan. According to CIA figures, American military and economic aid to South Korea totaled $13 billion ($600 per capita) in the period of 1945-79, and its aid in the 1950s accounted for five-sixths of Korean imports. In the case of Taiwan, the comparable figure was $5,6 billion ($425 per capita) (Cumings, 1987, 44-83).

Under American protection, external military threats and the internal danger of perceived communist expansion were substantially reduced in Japan and the East Asian NICs. The burden of Japan's military expenses was also greatly decreased due to the American military presence in the region. US military bases have been documented to have not only protected these countries but also to have provided them with economic benefits such as indigenous employment, consumption and production. Even now, the withdrawal of American military forces would be considered as a substantial economic loss in some of these nations.

Thanks to both the favourable geopolitical situation and postwar development condition, the export-oriented strategy was especially successful in the 1960s and 1970s when first Japan and then the NICs could specialize in the production of labour-intensive goods with easy access to export markets and advanced technology in Western industrial countries. The potential of the US market starting with the Korean War, and sustained until the end of the Vietnam War, to absorb exports from this region helped the economies of Japan and the NICs grow at an unprecedented high rate. After the Vietnam War, the US economy weakened but still fulfilled a vital function in providing the largest outlet for the industrial exports of East Asia.

The transformation of geopolitics and international political economy

However, the transformation of the post-Cold War international political economy - the relative decline of the US economy, the rising protectionism in Europe and the establishment of two Western economic blocks (EU and NAFTA), indicates that reliance on Western markets by both the Asian NICs and the late-comers of Southeast Asia can no longer be taken for granted. The future of the international trading system is uncertain. As a result, major industrial powers are facing the task of making structural adjustments. The social and political problems which arise from huge trade imbalances among major advanced countries are pushing them away from free trade. This world-wide protectionism is aimed not only at Japan but also at the NICs' expansion of exports.

It is evident that the Asian crisis has a global dimension. Many analysts see it as a replay of the Mexican meltdown of 1995; others consider it to be a clear indication of the weakness of the world economy in the era of globalization. Regardless of the variety of opinions, there is a need for rethinking the political and theoretical assumptions of the globalization thesis by mainstream discourse which focuses especially on the assumed benefits of global financial markets: new opportunities to quicken the pace of investment, job creation, and growth; high investment opportunities and higher returns on savings; efficient allocation of resources, steady world growth; new incentives to pursue healthy macroeconomic policies and to overcome structural weaknesses that impede investment and growth (Camdessus, 1997). This overly economistic optimism ignores that the new situation calls for a re-examination of relationships such as capital-to-labour, capital-to-capital, capital-to-state in the context of the international political economy.

In the present period of global capitalism, the three sets of relations are characterized by transformations. First, in capital-to-labour relations the use or threatened use of capital mobility to locate parts or phases of production processes in countries and regions where low wages and political control provide the capacity and lever of exploitation. Another bargaining of global firms is the use of modern technologies and replacement of human labour with machines. These two effective bargaining chips are shifting the relative balance of power between capital and labour in favour of the former also in OECD countries.

Second, in capital-to-capital relations, the distinctive features of global firms - the so-called multinational corporations (MNCs) - are that they are not only global in what they produce and sell in many parts of the world, but also are conglomerates united under the common interest of creasing a business-friendly international environment. By using high-tech communications and computerized technology, they can move operations from country to country, going anywhere wages and taxes are lowest and profits highest. In other words, they have the capacity to make rational and precise choices of investment and resources in order to maximize profits based on the combination of local policies, labour conditions, infrastructure, etc. Moreover, deregulated global financial markets are inherently unstable as they move in a boom-bust pattern: During a boom period, capital flows from the core to the periphery, but when a crisis emerges, it returns to its sources.

Third, in capital-to-state relations, the relative decline of state autonomy is an outcome of the mobility of global firms, financial institutions and powerful individual investors to transfer production to countries or regions where state policies may be more preferential to capital. It means that investors anywhere, through the use of global instant communications, can invest their money in anything - stocks, bonds, property, factories, foreign currencies - almost anywhere in the world. Thus, they are in a position to influence government policies and politics. The threat to move production and investment gives them a strong leverage to win concessions and favourable policies. In other words, the relative weakening of the state is closely linked, in fundamental ways, to the internationalization of production and finance.

States no longer seem to have the capacity to act as buffers between domestic and international economic actors. Rather, they have to adjust domestic policies or priorities to respond to the world economy. Consequently, states become "transmission belts" of global economic forces penetrating local borders and markets (Cox, 1993: 260). The domestic political and institutional spheres face an inherent contradiction: on the one hand, states are the custodians of society to fulfill the role of providing social peace and security and protect national interests; on the other hand, the indisputable power of capital mobility reduces their capacity to do so. Taking South Korea for example, after having become a member of OECD, it had been under press by international economic forces to dismantle the "visible hand" of the developmental state in the trade and financial sectors. This pressure was accentuated during the current crisis. According to some leading economists, the country's ill can only be cured by full subjection to foreign "participation":

> Korea needs to open up the economy fully to outside participation. Foreign investors must take over and clean up the mess fully with a wave of uncompromising corporate and banking restructurings that are long overdue. Neither the government nor the Korean business community can do the job. A crisis such as the present one must be exploited to put in place a better-functioning economy.... For lenders, the IMF, and the US and whoever else participates must settle for nothing less.... But if Korea is unwilling, a moratorium on commercial debt service will teach both the country and its markets an overdue lesson. (Dornbusch, 1997: 26)

Potential misunderstandings are bound to arise as to the causes of the crisis in East Asia and its proposed resolution by Western "advice." A tenet of neoliberalism has been that East Asian economic growth was the outcome of integration within a well-functioning global economy. Now, the present havoc is increasingly understood by the victims to be a symptom of dysfunction within the Western-driven world economy. This may have unintended results than the expectations of the decision-makers behind the "Washington consensus." As two American analysts conclude: "It is well understood across the Pacific that globalization caused the Asian crisis and cannot logically be its cure" (Auerback and Smith, 1998).

But just as important, it has to be realized that the developmental state phenomenon in East Asia was more *historically* specific, rather than culturally, economically or socially specific although the latter elements involved in the interaction should also receive their due. This historical specificity in connection to the external geopolitical environment and the favourable conjunction with a certain phase in the development of postwar capitalism determines both the limits of this catching-up path for the future of East Asian developmental states themselves and the emulation of such a model by developing countries in general.

The economic and trade relations of East Asian capitalism

The flying-geese intra-regional economic and trade relations

In contrast to the experience of other regions which were colonized by European powers, East Asian economic development can be described as an interlinked process between Japan and its neighbours first and foremost South Korea and Taiwan. Without access to the region's raw materials, labour power, markets and outlets for capital, Japanese industrialization would have been different. In fact it was its poor economic endowment compared to the rest of Asia which permitted Japan to escape Western colonialism (Hersh, 1993).

Consequently, Japan played a central role in establishing a regional division of labour. The East Asian style of economic development can to a certain extent be said to be related to this relationship. Japan was the first country in Asia to industrialize and this was done much earlier than the rest of the region. Its modernization initiative and program can be dated back to the Meiji period when Japan mobilized its economy to face the danger of Western invasion and colonization. Having become a strong economic and military power, Japan set out to conquer East Asia and establish the so-called "Greater East Asia Co-Prosperity Sphere," and its attempt to force the Western powers out of the region led to conflict. After the Second World War destruction, Japan started the first industrialization wave based on American aid and technologies. Japan took advantage of the opportunities of the global economic restructuring and gradually transformed itself from a defeated nation into the second largest economy in the world after the United States.

The East Asian NICs (especially South Korea and Taiwan) followed in the second wave with access to US and Japanese capital, technologies and the statist model, and within a few decades succeeded in achieving rapid industrialization. Three ASEAN countries (Malaysia, Thailand and Indonesia) made up the third wave by taking the opportunities offered by the outphasing of old production structures in Japan and the Asian NICs and by relying on their investments and technologies. China's economic take-off in the 1980s following its reform program can be regarded as the fourth industrialization wave in East Asia.

Graph 2: **The regional ladder-style economic growth** (Li, 1995: 74)

- Japan 1950s - 1980s
  - The East Asian NICs 1960s - 1980s - 1990s
    - ASEAN 1970s - 1990s
      - China 1980s - 1990s
        - Vietnam, Laos, Burma 1990s ---- ?

According to the neo-classical interpretation, the above periodization indicates that East Asia's ladder-type intra-regional economic relations based on comparative advantages are well delineated both in time and space. In terms of development level Japan stands at the top of the ladder. With regard to economic relations, countries at the lower end of the ladder seemed willing to "inherit" the "left-over" from countries higher up by overtaking their industries and importing their technologies. This kind of hierarchical intra-regional economic structure also explains the reason why economic growth seems "inherited" in East Asian countries.

The apparent chain-pattern economic development in East Asia appears as the product of the interactions of the four industrialization waves. It has certain similarities with the above mentioned economic model put forward by Japanese economists prior to World War II. It mainly refers to the development levels and stages between countries in the region while the "chain-pattern" reveals the structure of industrial production relations among countries in the region. The assumption of the flying-geese formation is that a group of nations in this region are flying together in layers with Japan at the forefront, the NICs at the middle and the rest at the bottom. The layers account for the different stages of economic development achieved in the various countries. The hypothesis of the chain pattern indicates changes in the product cycles whereby many products are processed in a number of countries and that the economies in leading positions will gradually move some of their industries or industrial sectors to the next layer of countries because of changing comparative advantage over time. However, it is necessary to point out that this scheme of economic development is largely centred on Japan and based on its production system. This type of regional development is described by UNCTAD in the following way:

> The 'flying geese' pattern ... based broadly on a vertical division of labor among countries at different stages of industrialization, with competitiveness in previously established export sectors continuously shifting the advantage from countries at the higher stages to those at lower ones, and with those at the higher stages continuously acquiring competitiveness in new product lines (UNCTAD, 1993: 131)

However, despite the fact that this apparent geographical division of labour emphasizes the importance of regionalization of economic activities based on comparative advantages, it also conceals potential disadvantages and weaknesses: economic activities and industrial production are conducted within hierarchical structures. This pattern of industrialization can be described as an ideal-type "dependent development" whereby local and foreign capital together with the state create the basis for economic growth. The consequences are that,

> the development of products and the location of industrial processes across Japan, the NIEs, and the ASEAN-3 are not determined according to the requirements of integrated industrial development in each country or region, but rather in line with the profit interests of Japanese capital and of subordinate NIE and ASEAN-3 capitalist classes. Given intensive competition among peripheral, semiperipheral, and, increasingly, core countries for the investments and technologies controlled by core transnational corporations, these hierarchical structures of product cycles and industrial diffusions provide a most uncongenial environment for integrated and sustainable national industrialization efforts...(Hart-Landsberg and Burkett, 1998: 91).

In addition, the current crisis in connection with the neo-mercantilist model of East Asia is directly connected to the fact that this statist export-oriented strategy itself leads to an impasse. Under certain geopolitical conditions it proved to be essential and workable in achieving industrialization in a world capitalist system which is not automatically conducive to development. But such a pattern doesn't create the capacity for economic autonomy. Without any other objective than integrating the global economy after reaching a certain level of development, these nations subjected themselves to certain risks. Their reliance on export-oriented industrialization (EOI) would, with time, increasingly confront these economies with problems connected to globalization. It is not only the external forces of international capital which can be blamed as the source of East Asian economic crisis but also the result of "the entire emergent system of regionalized export-oriented accumulation and the regionalized class-exploitative relations underpinning and reproduced by it" (Hart-Landsberg and Burkett, 1998: 107).

The China factor

It is an irony of history that a contributing factor to the process of industrialization in East Asia was connected to the fact that the Chinese Revolution in 1949 came to dominate US foreign policy in the East Asian region. The victory of Mao Zedong made Washington aware that economic growth had to take place in the region in order to avoid the contagion effect. After a period of political and military interventions, the US became the "godfather" of the East Asian miracle. In so doing, the region was offered opportunities not accessible to neither Africa nor Latin America. "Invitation" and "seizing the time" were at work in East Asin. Had

China not fallen to the Communists the evolution of the area would have been different with the US probably rested in the Chinese economy and its market than that of other countries. To put it straightforwardly, it was largely due to the communist victory in China that the spread of East Asian captialist industrialism was fostered by both internal and external forces.

The case of China is interesting to the extent that the country is presently engaged in a transition from state socialism to that of market socialism. Under the former, the economy was characterized by a high degree of self-reliance. With the shift to an open-door strategy, China has shown eagerness in becoming a major player in the capitalist world economy with the smaller East Asian economies feeling the pain as compatibility between them and the Chinese economies is not self-evident.

While the Maoist period was perceived as a socialist challenge in East Asia leading to a US strategy of making the region a showcase of the superiority of capitalism, the success of authoritarianism and economic growth in the NICs greatly influenced the Chinese leaderships at the time of the demise of Mao. The possibility of maintaining communist party dominance while adjusting the economy to the demands of the world economy became the guiding line in the decision making.

China's position in the East Asian ladder-takeover-chain economic and trade relations is difficult to place because of the country's vast size and unbalanced development levels between the different provinces. It is not easy to clearly define the stage where China is positioned because all the different stages can be found across the country's region. Although, on the one hand, this signifies the unbalanced development of the economy, on the other hand, the advantages of a multi-level economy enable China at the same time to cooperate with countries at different stages whereby different Chinese provinces can give full play to their comparative advantages.

This situation is obviously an advantage as it enables China to compete with other countries in almost all industrial sectors at various levels. Thus, China is capable of competing with Japan and the NICs in developing high-tech industries while it can inherit labour-intensive industries from them; at same time it can also export capital, intermediate products and some of its labour-intensive industries to less developed countries.

China and foreign direct investment

It is argued by some scholars that foreign direct investment (FDI) played an important role in the East Asian industrialization process, especially in the ASEAN region. In the case of ASEAN-3 (Indonesia, Malaysia and Thailand) it is indeed recognized that one of the engines behind their growth was foreign direct investment. Taking Malaysia for example, FDI inflows as a percentage of domestic capital formation rose from 8.1% in 1985 to 21.9% in 1990, and in Thailand it rose from 1.8 % to 7.9% (Yue, 1993: 74). The establishment of FDI as an important factor behind the ASEAN-3 growth is also used by neoliberal theorists to support their arguments for free-market capitalism.

However, in the last couple of years the role of ASEAN FDI-driven growth has been substantially reduced due to the fact that the FDI inflows in ASEAN countries have been decreasing since the end of 1980s (see appendix-table 1). This is because the gradual rising potentials of the "Chinese market" has lured much FDI away from Southeast Asia. In recent years China has attracted far more foreign direct investment than any other developing countries (see appendix-table 2). Despite the fact that the bulk of foreign capital - up to 80% of total foreign investment in China - comes from the network of overseas Chinese in Hong Kong, Taiwan, Singapore, Indonesia, etc., (Aseniero, 1996) many of these investments could have gone to other East and Southeast countries.

According to some studies, this FDI-based growth has stimulated the postulated improvement in manufacturing productivity that was characteristic of the other high performing economies of East Asia. The dramatic rise of FDI in China, as research results claim, has posed a great challenge to the former NICs' economies and is seen as a factor behind the current East Asian economic difficulties.

China and foreign trade

As a result of a large amount FDI inflows, the share of FDI exports in China's total export growth has been rising steadily. According to statistics of data (see appendix-table 3), the share of FDI exports in the 1980s was insignificant, by 1994 it had reached almost 30% of China's aggregate exports.

The pace of Chinese exports causes unease: its share of world trade increased from 0.9% in 1980 to 2.3% in 1992. It is spectacular not only because China's exports grew more rapidly than any other developing countries, but also because the manufactured composition compares (see appendix-table 4) favourably with the East Asian NIC countries. By 1994, China was perhaps the 8th largest exporter of more than $100 billion; and its export of manufactured goods is expected to surpass that of the United Kingdom (Lardy, 1995: 1075). Had China's state sectors gone through successful reform resulting in enhanced productivity, this would presumably have had an even larger impact on the rest of East Asian economies.

In recent years, the fears of China as an economic competitor which dominated East Asian perceptions at the beginning of the Chinese modernization program have proven to be justified. The rise of China has had serious repercussions on these countries. The devaluation of the Chinese RMB in 1993 was seen as a menace to the region's exporting economies; the reduction of the price of China's exports exerted a negative influence on East Asian economies and was considered to be one of the causes behind the current crisis.

As a matter of fact, the impact of the emergence of China is bound to have a world dimension. Should China succeed in becoming an economic powerhouse, this would inevitably affect the structure of the world system as it will have to deal with the enormity of such a success. Accommodating first Japan and then the Asian NICs represented a challenge for the world economy. A full-scale industrialization of China based on export-orientation would be a destabilizing factor in the world balance of power both economically and politically. The reverse, i.e. the failure of modernization plunging the country into chaos and civil strife, would equally pose a challenge to the region as well as to the rest of the world. As Aseniero puts it: "Either way, it is the dragon - not the East Asian tigers or the Japanese flying goose or the American eagle - that will spell the future of the Pacific Rim" (Aseniero, 1996: 193).

East Asian Capitalism and the financial crisis

In the interpretation of the Asian crisis which sees the role of statism as the chief culprit, it is forgotten that it was foreign banks and financiers, not Asian governments, who lent billions of dollars in the last five years to the now indebted companies. While Western neoliberalism is using the Asian crisis to claim victory it should not be forgotten that it was major Western investors themselves who showed faith in the region by pouring billions of dollars into Asian equity markets. Until June 1997, Western banks willingly offered Asian countries billions of dollars in loans. If Asia's problems are now seen as systemic, that is as a result of these countries' statist policies, then, the question to be answered is why did international capital markets fail to recognize this earlier? More importantly, unlike Latin America, the borrowing in East Asia was done, not by governments, but by private companies, to whom foreign banks should have applied the traditional risk-reward analysis. The optimism of capital markets was based on the region's high growth rates which encouraged investors to believe that the spiral would continue ever upward. However, when investors suddenly decided that the trend could now only go downward, a stampede of investment withdrawals occurred making the spiral go downward at an ever faster rate.

The World Bank, IMF and the East Asian trajectory

The World Bank, as a component of the Bretton Woods agreement, has always occupied an important position in the design and consolidation of neoliberal development discourses. Since its establishment, the World Bank, together with IMF, has used loans and investments as bargaining power to encourage "positive and constructive" economic performance in recipient developing countries and in forcing them to accept the market principles. Assuming its role as a global financial center, the US effectively combined its global economic interests with its foreign policy. It has ever since monopolized the Bank's think-tanks, its institutionalized forms and culture[4].

The rapid growth of East Asian capitalism was originally interpreted by the Bank as a confirmation that privatization and liberalization would create economic growth and efficiency. East Asian capitalism was also seen as a natural outgrowth of global capitalist expansion. Bela Balassa argued that countries should utilize their comparative advantage in specialization as the key engine to economic growth. This is a similar conceptualization to the Japanese "flying-geese" development master plan. According to Balassa (1988), the export-oriented development strategy formed a central and dynamic element of the comparative advantage framework which comes into play by reducing domestic constraints, undermining protectionist economic arrangement, and stimulating free competition as well as upgrading technologies.

However, since the 1980s the Bank's position on East Asian capitalism has been somewhat inconsistent. In its 1993-report the Bank points out that, on the one hand, rapid

[4] According to Berger and Beeson, (1998: 493): "At least 80% of the economists working for the World Bank are trained in the UK or North America. Their approach and outlook, and that of virtually all of the remaining 20%, is based on the assumptions and methodologies of Anglo-American liberalism and neoclassical economic thought."

growth in each economy was primarily due to the application of a set of common, market-friendly economic policies; while on the other hand, it admitted that the high-performing Asian economies had carried out and benefited from implementing the right fundamentals - that is, encouraging macroeconomic stability, spreading basic education, establishing sound and solvent financial institutions, securing property rights and complementary public investments in infrastructure, and low relative prices of investment goods. Regarding the disputable point in relation to the role of state intervention, the Bank acknowledged that in Northeast Asia, in particular, government interventions sometimes resulted in higher and more evenly distributed growth than would otherwise have occurred.

However, acknowledging East Asian capitalism as compatible with or a part of the economic framework grounded in the Anglo-American neoliberal paradigm can be seen not only as a theoretical discrepancy but also as a political contradiction. According to Berger and Beeson (1998: 495), to fit the East Asian experience based on the statist model into a part of the neoliberal framework was considered by the Bank as inconsistent with its own fundamental paradigm:

> In the first instance, the concessionary credit which was part of the Japanese approach to development aid undermined the attractiveness of credit provided by the World Bank. Second, the emphasis on the importance of directed credit as an instrument of industrial policy which is characteristic of the Japanese approach is at odds with the Bank's overarching focus on financial liberalisation. The upper echelons of the Bank also feared that, if they put their imprimatur on the developmental state model, it would undermine the Bank's own credit rating (and therefore borrowing and lending capacity) with the international money markets and its authority in the international economic system more generally. For the Bank to change its attitude towards the Japanese model would also represent a major challenge to the USA, which has historically used the Bank in its overall projection of power and influence. (Berger and Beeson, 1998: 497)

All in all, the Bank could not accept the notion that the East Asian experience can serve as a model for the rest of the world. What the Bank can acknowledge is that the state in East Asia played a constructive role in economic development, and this could be learned by other countries. For the Bank, the East Asian "miracle" essentially implies "getting the basics right."

Following the rise of national and global inter-capitalist competition and the post-Cold War "victory" of the neo-liberal ideology, the East and Southeast Asian elites increasingly liberalized and deregulated their economies in order to attract foreign financial flows. Instead of directing investments into the productive sectors, they stimulated investments into the short-term speculative high-profit sector (real estate, stocks, etc.). Until the crisis, East Asia experienced dramatic growth in capital inflows[5] - almost half of total capital inflows ($100 billion in 1996) (Guitian, 1998). Unfortunately, for these elites the globalization-driven "liberalization" process increased their economy's vulnerability to outside speculators since the developmental state lost control over many key economic domains. More ironically, those capital flows to Asia are now returning to the "safe havens" of the US and Europe.

With regard to the current crisis, an aspect which has not really been touched upon relates to the adjustment policies of the IMF towards the crisis-affected countries in general and the East Asian nations in particular. The policies dictated which originate through cooperation between the US Treasury Department and the IMF (whose headquarters happen to be located in Washington) aim at protecting the foreign investors and speculators as well as opening these "real" economies to Western capital searching for investment outlets. In a situation of over-accumulation, the possibility of buying enterprises in the productive capability as well as in the financial sector at bargain prices has the effect of putting these economies at the mercy of the core centers of global capitalism thus reducing their autonomy. Another implication is related to the competition between members of triad (US-Europe-Japan). The crisis has opened the door to bringing the Japanese-dominated East Asian regional economy within the confines of Western interests.

The geoeconomics of the crisis

In order to understand the events of which East Asia has had to face since the summer of 1997 it is necessary to place the problematic within the context of the evolution of the capitalist world system. Having been "invited", the NIC countries of the region were able to "seize the opportunity" by retaining a certain degree of "self-reliance" based on economic nationalism. The high growth models were a challenge to the dominant neoliberal approach as the lineage of Asian economic ideas owes more to Friederich List than to Adam Smith.

It is paradoxical that it is the success story of capitalist development which is now seen as failure by neoliberalism. In fact, there was nothing intrinsically wrong with East Asian economies according to neoliberalist criteria. As the founder of UNDP's Human Development Report writes, these economies had sound fundamentals: educated workforces (well-trained

[5] There is a difference between productive capital, such as foreign direct investment (FDI) in the production of goods and financial capital, such as stock and sharehold. Here, capital inflow mainly refers to the financial capital which is speculative by nature.

and technologically skilled); domestic savings were about the highest in the world, budget deficits among the lowest; relative open economies with low tariffs; fairly well-established economic institutions and export competitiveness respected in global markets. Therefore, as Mahbub ul-Hak states, "much of the current thinking on the East Asian crisis is baffling. For a start, it is the height of intellectual dishonesty to call the "East Asian Miracle", for the last two decades and then, within a year, to start labeling it "crony capitalism." Nothing much has changed in East Asia economic fundamentals" (ul-Hak, 1998: 4).

What has changed however is located at the level of the global capitalist economy. Thus, if we are to understand crisis in its dictionary definition as a critical turning point. separating the future from the past it is necessary to go beyond mainstream-type explanations for the world havoc which has been unleashed by the devaluation of a relatively unimportant currency (the Thai Baht) in the summer of 1997. Comprehension of the "defining moment" demands taking the Marxist-informed tradition into the analysis especially its emphasis on geopolitical and historical-structural determinants.

The pattern of export-led industrialization in the NICs of East Asia as well the regional division of labor under Japanese economic dominance was inherently dependent on access to markets outside the region, first and foremost the United States. As two perceptive analysts pointed out long before the present crisis, "the old strategy of high-speed, export-oriented growth will not get the NICs through the 1990s" (Bello and Rosenfeld, 1990: 337)

By the late 1980s and the end of the Cold War, the United States was beginning to give more prominence to geoeconomics whereby Washington was becoming more concerned with its own international economic position than continuing to be the custodian of a liberal trading order which was said to be undermining its productive capability. Becoming aggressively mercantilistic in its trading policies, the US was blaming Japan and the NICs for its large imbalance of current account. Seen from Washington, there was no longer any need to maintain the privileged currency status of Japan and the other countries in the region or in politically supporting these authoritarian regimes.

Related to the "benign neglect" of the United States for the economic well-being of other countries--if proven to be disadvantageous to American interests - the accumulation regime in East Asia had now to confront two unyielding challenges: "The first is the saturated markets and global overcapacity. The second is the financial bubbles that were produced when expanded productive investment opportunities could no longer be found for the vast savings these economies generated" (Tabb, 1998: 32). The overcapitalization and rush toward unproductive investments was accentuated by international volatile capital looking for profitable outlets in "emerging markets" and who unleashed the turmoil by precipitated withdrawals.

But the problematique is not exclusively located in socalled "emerging markets." The central issue facing global capitalism is caused by the overfinancialization of the world economy and the deregulated financial markets which result in instability. Thus the calls for a new regulatory regime including the Tobin proposal for a tax on capital transactions. Regulation of capital movements is the gist of the neoKeynesian discourse, some of whom place the blame on the US administration for the state of affairs of the global system. As Will Hutton writes: "Indeed, it is the interaction of market fundamentalism with the American systematic policy of benign neglect of the dollar over 25 years that lies at the heart of the crisis. The Americans have constantly run balance of trade deficits, unworried that the world has had to accept a vast pool of dollar liquidity growing up in largely unregulated offshore banking centres" (Hutton, 1998: 17).

Whether the re-regulation of capital transactions would be sufficient to reestablish world economic growth is open to debate. Most of the interpretations of the crisis fall short because of their focus on appearances (the "symbol economy"). However, the essence of the problem is located at the level of the global "real economy." Even though conventional wisdom refuses to acknowledge this fact, the world system has reverted to a situation of overproduction and overaccumulation. As Joyce Kolko put it: "Despite overcapacity and overproduction in all sectors, competition forces the building of new capacity and the destruction of old. Rationalization, lower wages, and unemployment shrink the market. The interaction of these structural developments in the capitalist economy is, as always, chaotic, dynamic, and dialectic" (Kolko, 1988: 181).

At a time of intensive global competition in a climate of decreasing real growth rates of the world economy, the misfortune of East Asia is related to having been at the epicenter of the malfunctioning of the world system, these countries are being submitted to a new-regime of accumulation which will affect their future and in so doing readjust their status to the peripheral status. The United States, taking advantage of the financial turmoil and its influence on the policies of the IMF, has dictated a strategy which serves its own perceived interests. As Deputy Treasury Secretary Lawrence Summers stated publicly at a conference of the Bretton Woods Committee: "The IMF has done more to promote America's trade and investment agenda in East Asia than 30 years of bilateral trade negotiations."(Quoted by Hale, 1998: 25)

The self-serving attitude of the US could be seen in the fact that the Treasure Department together with the IMF vehemently opposed a Japanese proposal to establish an Asian Monetary Fund in August 1997 in order to assist Asian economies to defend their currencies against speculation. This was seen as potentially detrimental to the US role in the region. As the analyst, Eric Aetbach, writes: "(s)ome treasury officials accrodingly saw the AMF as more than just a bad idea; they interpreted it as a threat to America's influence in Asia. Not surprisingly, Washington made considerable efforts to kill Tokyo's proposal" (Altbach, 1997, 6.9 quoted here from Bello, 1998: 436).

Should the US project succeed in putting these societies (including Japan) under its economic hegemony, this will only refuel social discontent directed not only at the local elites but also at the United States which will be seen as the culprit to their misfortunes. The region has seen in the last decade a widespread growth of union organization and militancy. The struggles that are in store for the working classes of the region are bound to be rather explosive. Perhaps the economic and political struggles - in the form of food riots, student demonstrations for democracy, workers' strikes against redundancies - are signs of what can be expected. As will be recalled the starting point of the East Asian "miracle" was related to the fact that this was a zone of revolution. Whether "East Asia has become the focal-point(once again, our remark) of the international class struggle" as David McNally writes (1998: 13) may be debatable, but the fallout of "capital punishment" which the region is being submitted to is bound to call forth resistance.

Concluding remarks

Since the 1970s, East Asia has occupied a key position in the international debates because of its economic success and most recently becauses of its current crisis. The contending ideological disputes over East and Southeast Asian capitalism will surely continue. We have already witnessed two positions which produced two different pictures: the optimism of the "rise of Pacific century" in the late 1980s and early 1990s (Borthwick, 1992), and the recent pessimism of the "decline of the Asian century" (Lingle, 1998). These two scenarios are being replaced an all-encompassing vision - globalization.

The economic and financial crisis in East Asia since 1997 has seemingly undermined the region's "miracle" - a status it had earned in the past decades. As a result, the continuation of the previous debates on the "East Asian model" has become topical. With the end of the Cold War and the transformation of the international political economy including China's reemergence as a global economic and political player, East Asian capitalism precipitated changes in the development of global capitalism while at the same time being at the receiving end of forces within the world system.

The paper has argued that the dynamic development of East Asia was originally encouraged by the geopolitics of the period which fostered the reemergence of a regional type of division of labour under Japanese economic dominance. However, the achilles' heel of this construct was its contribution to the creation of an overcapacity of means of production and a dependency on external outlets, i.e. the United States. The conjunction of these two trends coincided with a similar worldwide evolution. With the end of the Cold War, the United States became less inclined to give preferential treatment to competitors. The financial crisis - unleashed by "hot money" - which has hit East Asian countries offered corporate America, under the umbrella of the IMF, a "window of opportunity" to gain access to the round bargain-priced economic assets of the region while reducing the validity of the "governed market" challenge to neoliberalism

It is not our intention to conclude that the current East Asian crisis represents the end of East Asian trajectory. The word "crisis" in Chinese has the connotation of both "danger" and "opportunity." East Asia might be able to rise again as a vibrant global economic player by taking the current crisis as an opportunity to make necessary adjustments. But, the question is whether it is able to maintain the characteristics of its previous "revisionist" capitalism, or whether its future will be defined and confined within the dominant Anglo-American framework of neoliberal capitalism with less benefits to share.

The globalization thesis posits that the winners in the new international economic order will be those nations whose cultural and political institutions as well as populations readily adapt to the rapidly changing conditions. However, lessons from the Asian economic crisis - which involves social, ecological, cultural and political consequences - must be taken into consideration. This is because crisis in the transformation of the international political economy is closely connected with the changing state-society relations. Therefore, critical theories must be expanded to question the concepts of the prevailing discourses.

Signs are apearing that resistance to globalization will be imposing themselves in Asian countries such as South Korea, Indonesia, Malaysia, China (Taiwan) as well as Russia. Disenchantment with globalization and neo-liberalism can well threaten the whole structure if it were to assume epidemic proportions. It is well-known that latent protectionist tendencies in the United States itself could be fuelled were the trade balance to deteriorate further as cheap imports from Asia surge and US exports fall. The future is difficult to predict with certainty, but one thing can be taken for granted: The end of history has not got arrived!

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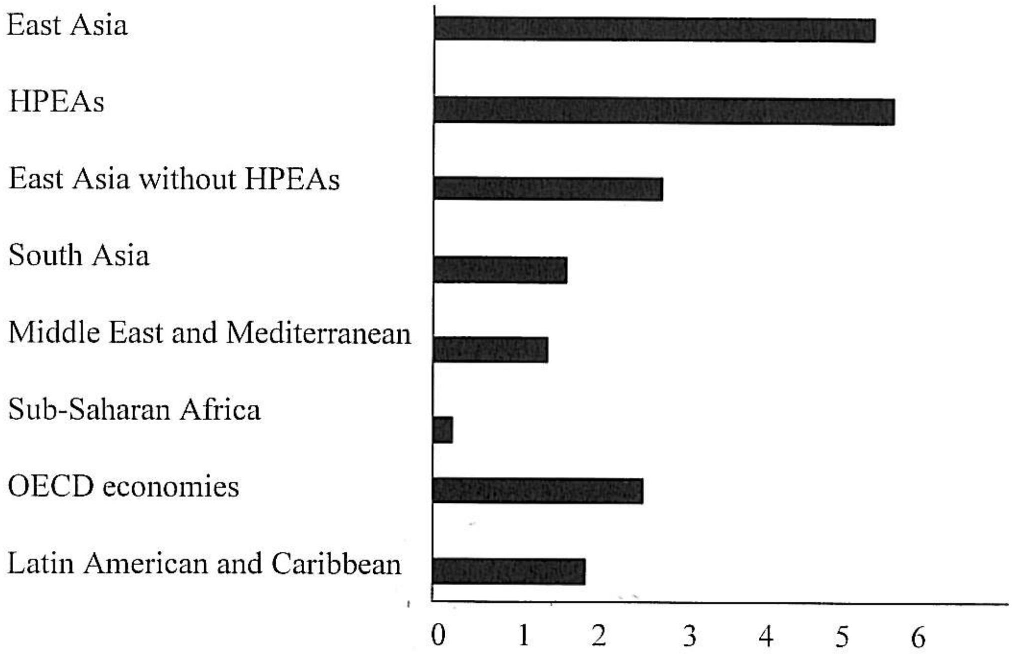
Appendix (Graphs and Tables):

Graph 1: **The economic growth of the world's regions** (average growth of GNP per capita, 1965-90)



(source: World Bank, 1993: 2)

Table 1: **Net FDI inflows in ASEAN countries during selected periods** (in millions of U.S. dollars, balance of payments basis)

Year	Indonesia	Malaysia	Thailand	Philippines	Singapore	ASEAS-5
1961-90	2,163	4,453	1,186	452	3,725	11,982
1981-1990	4,047	11,850	6,875	2,777	21,486	47,017
1988-1990	2,222	5,523	5,045	2,029	11,162	25,981

(source: Yue, 1993: 73)

Table 2: **Foreign Direct Investment in China, 1979-94** (selected years)

Year	Contracted (millions of dollars)	Actual (millions of dollars)
1979-82 (cumulative)	6,999	1,767
1983	1,917	916
1988	6,191	3,739
1994	81,406	33,787

Note: The data are inclusive of foreign direct investment in equity joint ventures, contractual joint ventures, wholly foreign-owned enterprises and joint exploration as well as foreign investment in leasing, compensation trade, and processing and assembly.
(Source: Lardy, 1995: 1066)

Table 3: **Export of Foreign Invested Enterprises, 1985-94** (selected years)

Year	Millions of US$	Percentage of total exports
1985	320	1,1
1990	7,800	12,5
1994	34,710	28,7

Note: Exports are inclusive of those produced by equity joint ventures, contractual joint ventures, and wholly foreign-owned firms.
(source: Lardy, 1995: 1074)

Table 4: **Chinese Exports, 1978-94** (selected years)

Year	Exports of Billions of $	Manufactured Exports Billions of $	Manufactured Exports % of total exports
1980	18,2	9,005	49,7
1986	30,9	19,670	63,6
1994	121,0	101,330	83,7

(source: Lardy, 1995: 1076)

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